The Daily Star

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Price of Rice

Last week, the Food Ministry announced substantial reductions in the price of rice that it sells from its godowns. This comes in the wake of a moderate rise in market prices of rice over the preceding month or so. The move is obviously designed to hold the price line. However, it also reduces the prospects of the grower getting a more remunerative price for his produce. The government's latest move, thus, illustrates the dilemma it faces in the area of foodgrain pricing.

Over the last two years, the government had been sending out clear signals that it intends to get out of the business of managing supplies and prices of foodgrain. It has virtually dismantled food rationing system. At one stage, it had stopped its traditional procurement of foodgrains altogether. Then, it resumed this operation but only on a limited scale, although it laid down a procurement price. All the while, the government had been actively encouraging private sector trading in foodgrains by removing all restrictions on such activities and promising other facilities such as bank credit. Yet, as the latest move shows, it has not ceased to interfere with seasonal price movements and normal market behaviour, this time to the detriment of interests of rice farmers.

A rich Aman harvest combined with virtual suspension of government procurement has acted to keep rice prices depressed throughout the year. Farmers have, in effect, faced a rice price slump. The onset of the lean season has brought about the uptrend in rice price. Maybe, continuing rains and the resultant dislocation of the marketing modes did hasten the price rise. However, by and large, this is the normal seasonal pattern of price movement. This is the time when farmers, who have been able to hold on to some of their produce in the hope of a better price, get their patience rewarded. This also is the time when the traders earn a higher profit on their stocks. Interests of traders should not be ignored altogether if private sector business in foodgrains is to grow. This is not to say that profiteering should be allowed. The government can and must intervene, if any trend of profiteering emerges. However, abundant supplies of rice in the country precludes such a possibility. Rather, we are now exporting rice, albeit on a limited scale.

The process of gradual withdrawal of subsidies for agricultural inputs is increasing the farmer's cash outlay in producing rice. A slump in rice prices puts him in a double squeeze. The relief brought about by the recent reduction in the price of urea fertilizer would only be a short-lived one unless the farmer gets more remunerative return on his produce. By all counts, the farmer is still producing at a loss. It's just that he is tied to his land — will not leave it lying fallow as long as he sees a way to plant some crop on it. In the process, he is getting deeper into debts which can only lead to being dispossessed of his land. The rising count of landless peasants in the country bears testimony to that.

There are ways also in which a rice price slump affects the rural economy in the short run. Rural unemployment would rise, wage levels would tend to get depressed. Rice will be cheap but many among the villagers will not be able to buy it. Implications of unremunerative returns on major agricultural crops for the economy as a whole, must not also be ignored. Domestic industrial products such as textiles, building materials, household goods, depend, for market, on the rural economy too. Reduction of effective demand in rural areas spells market shrinkage to them.

Adherence to the maxims of market economy would suggest noninterference with prices unless a real emergency arises. However, governments everywhere are afraid to let food prices rise. Here lies the dilemma — allowing the rice grower a better price for his produce without drawing the ire of the more vocal urban population. Maybe, we, the city dwellers, should sacrifice a little to help the farmer see a better day.

Promoting Cultural Arena !

The Ministry of Cultural Affairs has decided to implement eight more projects costing Tk 30 crore with a view to *promoting the cultural arena of the country*, so said an agency report in Wednesday's Daily Star. Indeed !

Indeed, what can be this cultural *arena?* The Latin word stood for the pen of a place surrounded by stadium tiers where gladiators were made to kill each other till only one was left. If culture means the practice of music or, as evident from the 'culture' pages of newspapers, the weird negotiating of the maze called the cinema world, that could very well be apt. The problem is would you want to promote such an arena? By inducing more and more people to come and witness writers killing writers and musicians musicians?

Sure enough, the unfortunate phrasing was not Professor Jahanara Begum's. She and her team must have had more meaningful things in their minds when sanctioning a pot of money 'to implement eight more projects'. The specialty of all these eight projects lies in the fact that these are all 'developmental'. That is, the whole lot of money, or at least considerable part of it, will go to the prosperity of construction contractors. We wish there mustn't be a chance of the *arena* of infighting among the musicians and painters — for there will be decidedly more build-up floor area for that.

We welcome the decision of building a national art gallery as also an archives and an archaeological building. At the same time we keep wondering about the construction of a national theatre complex.

What is holding the government from going strongly and sincerely for a number of theatre halls in the city of varying accommodation and equipment facility?

And we take this opportunity to remind the government, particularly the Home Ministry, that keeping the ban on Bengal's very own traditional theatre —Jatra — intact, the government cannot ever hope to prove itself a culture-friendly club of people. All its travails in the name of culture may not avail it anything positive till the time it goes.

New Private Banks Needed for Genuine Financial Sector Reforms

by Dr M Shamsul Haque

New banks can start their business with clean slates and provide the needed momentum for increasing investment activity as desired and urgently needed for the economy of Bangladesh.

UNDER the financial sector reform programme (FSRP), some changes have been brought in the financial sector in Bangladesh. These are — reduction in the bank rate corresponding to the falling rates of inflation, introduction of Treasury Bill auctioning, stricter classification of loans, improving accounting, planning and budgeting system in four largest nationalised commercial banks (NCBs), establishing a Credit Information Bureau in Bangladesh Bank, training of manpower in Bangladesh Bank and the four NCBs and above all allowing banks to set deposit and lending rates without being directed by Bangladesh Bank and Ministry of Finance. The NCBs immediately dropped interest rates on deposits and the four NCBs saved Tk 300 crore on that account during the year 1991-92, of course at the expense of depositors. Private sector banks, both local and foreign, followed NCBs in deposit rate reductions and also improved their profit performance.

While these banks showed dynamic behaviour, they did very little or nothing in reducing lending rates until the Finance Minister threatened to do so recently in order to increase borrowing from banks for increasing investment. One can legitimately ask why the Finance Minister waited over one year to push lending rates down. Perhaps he was waiting for the banks to do that on a competitive basis. In a situation where NCBs still dominate the banking system and there are only twelve local and six foreign private banks, this assumption was perhaps not correct, specially when the NCBs and local private banks are saddled with the burden of huge non-performing assets. It was quite easy for them to adopt unfair practices like cartelisation as was pointed out by some observers in fixing lending rates.

Recently one of the senior consultants to the FSRP (Mr Cookson) along with another economist-civil servant (Dr Alamgir) have given hints in a paper that reforming the NCBs may be too costly and time bound. Instead private sector banks should be encouraged to expand their business. It was also reported that applications numbering close to 30 are lying with the Ministry of Finance and Bangladesh Bank for setting up new banks. Given the lack lúster response of the existing banks to reduce lending rates, it is high time that the Ministry of Finance and Bangladesh Bank take up the applications for new banks. New banks can start their business with clean slates and provide the needed momentum for increasing investment activity as desired and urgently needed for the economy of Bangladesh.

The government of Bangladesh's policy of export-led growth requires that profits should accumulate in the hands of those who are associated with the export business. Lowest interest rate fixed by Rupali Bank for the exporters is 9.50 per cent after the Finance Minister's talk. When Treasury Bills are purchased by these banks at 4-5 per cent yields, one would ask why export credit should be charged at over twice that rate. Treasury Bills are of 90 days maturity and most export bills are paid between 90-180 days. In terms of risk (if that is to be compensated at higher interest rates), export bills are mostly against irrevocable letter of credits and there are also scope for insurance against default. Products of services cost-wise, since dealings are mostly with established exporters for large amounts, unit cost of lending operations in export finance should also be one of the lowest. Now that deposit rates are sharply reduced, average cost of capital for banks should not exceed 3-4 per cent. Summing up all these and adding a mark-up export finance should not carry interest charges exceeding 8 per cent p.a. Cost of inefficiency in operations of the banks should not be loaded to the strategically expanding sector for the sake of success of government policy. This, of course, is easier said than done in case of existing local banks because of the legacy of the past twenty-two years of directed credits, inefficiency of management, corruption, etc.

Mr F Cookson, FSRP consultant to Bangladesh Bank and Ministry of Finance knows the real magnitude of the problem of reforming the financial sector in Bangladesh. The nation cannot wait that long even if that is tried hard. Since the main goal of FSRP was to increase market based competition in the financial sector, it is worthwhile to take up the suggestion and allow another dozen or more new banks. Now that the regulatory environment is improving, there is little to be afraid of private banks operating in the expanding economy of Bangladesh. There is, perhaps, little justifications for prodding a sick horse to gallop. Time, as has been observed, appears to be one of the big enemies of Bangladesh in the current context given two decades of stagnant growth in GDP per capita and a "trickle down" approach to reforms, as one of my colleagues Feisal Siddiqui mentioned in an article in The Daily Star (September 30, 1993) is not enough to jump start the economy and maintain political support for the government. As the outgoing US Ambassador to Bangladesh Mr W B Milam has pointed out in Chittagong that in order to compete in the world market there is "the need to conform to world standards in trade, in finance, in government and in labour practices" and many others like him also recognised the stunted growth of "the strong entrepreneurial spirit in Bangladesh."

In conclusion, it would be worthwhile to reiterate that instead of asking weak and sick institutions to "lend and lend", new banks with new standards, improved skills and technologies should be encouraged to take up the challenge. If so many parties are willing to set up new banks and insurance companies, why they should not be allowed to do so when government policy clearly supports increasing competition in economic activities? Without increasing genuine competition in the banking sector, financial intermediation charges are not likely to come down to desirable levels. The current stagnation in economic activities cannot, perhaps, be improved by existing financial institutions carrying a legacy of two decades of doing very little of modern banking.

The writer is Professor of Finance and Director, Institute of Business Administration, University of Dhaka.

Asia's Debt Crisis has yet to be Defused

*Foreign investments and reform policies fail to stop Asia's debt time bombs from ticking. **Ramon Isberto** of Inter Press Service reports from Manila.*

BUOYED by hefty doses of foreign investment and driven by reform-minded governments, Asia has sidestepped the crippling debt crisis that cost Latin America and Africa at least a decade of lost development.

But Asian anti-debt activists warn that appearances are deceptive. They say debt time bombs are silently ticking away in several major Asian countries.

Even if none of these explode into a full-blown crisis, debt-burdened countries in Asia will increasingly find themselves adopting the sort of austerity policies that make economic growth painful to poor people and unfriendly to the environment.

"When you talk of Asia, people usually think it's only the Philippines which has gotten caught in the debt trap," says Leonor Brines, president of the Freedom from Debt Coalition (FDC), a Philippine anti-debt group. "But there are in fact other silent crisis points in the region."

FDC hosted a consultation meeting of about a dozen non-governmental organisations (NGOs) from seven Asian countries in late August. The country reports submitted by delegates say the region's debt problems are growing longside its rising prosperity.

Two cases stand out, says Yoko Kitazawa of Japan's Pacific Asia Resource Centre. These are India and Indonesia, two of the region's largest countries. The total debt of these two countries has risen rapidly in recent years, particularly since 1985.

The Asian Development Bank (ADB) estimates India's foreign debt will each US$82 billion this year, double the 1986 figure. Indonesia's total debt will hit about US$92 billion, compared to just US$50 billion in 1987.

Despite the mounting pile of debts, the ADB and the World Bank are bullish about these two countries and the entire region.

World Bank figures show Asia's total foreign debt stood at about US$435 billion in 1992, up 45 per cent from 1988. That sum was about 29 per cent of the world debt, up from 24 per cent. The region's debt service ratio had declined from about 20 per cent to 15 per cent indicating how rapid the region's exports had grown relative to the debt burden.

Exports are the key: if export revenues grow fast enough, the debt burden will be manageable.

On this point, India and Indonesia get good marks. Both have launched economic liberalisation programmes which are seen to be needed to boost exports.

Thus, the ADB forecasts that India's debt-service ratio, generally seen as a key test of a country's ability to pay its debts, will continue to decline since hitting a peak of 30.6 per cent during the country's foreign exchange crisis of 1991.

But some Indian economists say the country's long-term debt prospects are worrisome.

India's terms of borrowing have been getting tougher, especially in the 1980s when it gradually opened up its economy, says a paper by Biswajit Dhar of the Research and Information System for the Non-Aligned and other Developing Countries.

India is getting less 'soft' loans from governments and more 'hard' loans from private banks. The share of official loans is down from nearly 90 per cent of total in 1980 to about 60 per cent in 1991.

As a result, average interest rates on loans rose gradually from 5.2 per cent in 1980 to 5.8 per cent in 1991. Repayment periods were shortened drastically from about 34 years on the average to about 20.

The promise of liberalisation is these debts will be paid off by an increasingly efficient and competitive economy. But so far, especially since the mid-1980s, debt has been growing faster than the economy, says Dhar.

The mid-80s were also a turning point for Indonesia, says Willy Darmawan of the Asia Regional Fellowship Indonesia. Since that time, its payments on interest and loan principal have exceeded new loans.

From 1985 to 1990, this net outflow has amounted to almost US$4 billion and the sum will keep growing in the coming years, Darmawan says.

Such trends do not alarm institutions like the ADB. In its 1992 survey of the Indonesian economy, the Manila-based bank noted Jakarta has kept monetary and fiscal policy tight, practising the sort of prudence that has kept the region's debt problems within bounds.

Moreover, exports are expected to keep growing at rapid rates of about 13 per cent and thus ensure that the country's debt service ratio will decline this year and next.

But may Asian NGOs remain deeply distrustful of this debt-driven and export-or-die development model.

"Under this model, the poor end up paying the costs of development and there is much destruction to the environment," said Briones. "This raises doubts over whether such growth is sustainable, socially or ecologically."

Rationing Now over in China

Sun Hong writes from Beijing

Except for a few undeveloped areas, the last ration coupons — for grain — were scrapped early this year. Yet only a generation ago, rationing was credited for saving 'social stability'

ORationing has ended in China.

'You kids will never understand,' a retired 74-year-old doctor tells her grandson as she fingered her much-used ration book. She was reminiscing of the days when all staple foods, clothing and fuels were strictly rationed.

Four decades on, the last coupons — for grain — were scrapped early this year, except in Tibet, the Ningxia autonomous region and a few undeveloped areas. Yet only a generation back, the system was credited for saving China's 'social stability.'

The turnaround is really the story of China's economic reforms which enabled the phasing out of rationing. It started eight years ago.

The first coupons abolished were for cloth and cotton. 'In the difficult early 1960s we had to save cotton coupons for several years before having enough to make a single quilt,' an old Beijing resident recalls. 'When the government abolished the cotton and cloth coupon I was glad but also felt a bit let down. Suddenly overnight all our coupons saved over the years were worthless.'

The next important coupons to go were for meat. However, panic buying and a drop in production saw their re-introduction.

'Both the pricing system and the people were not ready for the change', says Yang Yisheng, head of the Non-Staple Food Pricing Bureau, Ministry of Internal Trade (MIT).

It was another four years before meat coupons disappeared in 1990, when stable marketing and production of pork, beef and mutton was in place. 'Now it's different,' Mr Yang says. 'The time was right to abolish even grain coupon.'

More than a decade of economic reform has seen dramatic increases of major farm products. Grain yield rose from 304.8 million tons in 1978 to 442.7 million tons in 1992. Meat output jumped from 8.6 to 29.4 million tons, oil crops from 5.22 to 16.4 million tons, cotton doubled to 4.5 million tons and sugar crops climbed to 88.1 million tons. The government now has 50 million tons of grain in reserve.

'What's more, the price of grain has been raised gradually in recent years to approach its real value. Market demand has begun playing a regulatory role in grain production and supply, making the abolition of the grain coupon a natural step,' Mr Yang said.

The first grain coupons were issued in 1955 when production was not enough to feed the population. Grain was rationed according to age and job.

'My ration then was 13.5 kg a month,' says Chen Yixin, a 67-year-old retired judge. 'It was not enough. Youngsters today might not understand. Even relatives and friends handed over grain coupons when they stayed and ate in my home, and I accepted. Without coupons, I couldn't get enough grain for three meals a day.'

'A one-kilogram grain coupon was regarded as valuable property in those days,' recalls Wang Qin, a teacher. Once in 1974, he went to another city on business without his grain coupons. 'I'll never forget how I stared at hot pancakes with money in my pocket while every seller said they couldn't serve me, because I had no grain coupon'.

In recent years, as incomes increased and people ate more meat and poultry, grain consumption dropped and coupons became less important.

Surplus coupons were traded for other household goods and created a flourishing black market. 'With illegally-obtained grain coupons, peddlers bought grain and grain products from state-run stores at low prices and sold them to farmers at a profit. This harmed the government because each coupon was a subsidy,' says Wang Baoyi, a government official.

Government subsidies for grain and edible oil cost more than 40 billion yuan (US $7 billion) a year. 'Abolition of the grain coupon lightened the financial burden,' says Xia Mousheng, head of the Beijing Municipal Grain Bureau.

With the end of grain rationing in most provinces in 1993, the price of rice and flour rose. However, the grain market has remained stable, according to MIT officials.

In state-run grain stores like the Dongsibeiqitiao Grain Store in Beijing there has been dramatic drop in work. Counting, dividing and packing coupons according to the ration entitlement of each family used to keep 11 employees fully occupied. 'We don't feel happy about the change', says the store's head, Wang Chengan. 'We are worried about our jobs.'

Says one customer buying grain on the free market: "Why should I go to a state-run grain store to buy grain? I can now buy better, newly-harvested rice at a similar price from private sellers.'

Government personnel who used to be in charge of ration coupons are also worried. 'We feel we are forgotten,' says Guan Zhenfang, head of the Coupon Administrative Section of Dongcheng District in Beijing. 'We feel lost.'

Wang Baoyi, head of MIT's Urban Supply Bureau, admits that problems arise as central planning gives way to a market economy. But he believes the solution lies in continued reforms.

'State-run stores need to change their management, improve services, upgrade their facade and increase the choice of what they sell. Local government should shoe concern for administrative staff shaken by the changed situation,' he says.

Despite the abolition of the grain rationing, Mr Wang says China is not brimful with grain. 'Per capita grain share in China is only 350-400 kg a year, far below 1,000 kg in developed countries. We still can't say the problem of grain supply is solved in China.'

And even though coupons have gone, the government still keeps people's ration records, 'to let them feel safe,' an official says.

Many people have retained their grain and edible oil ration books. 'Who knows?' one says. 'One day we might need them again if there's a disaster or emergency.'

Others are less pessimistic, keeping their coupons as 'curios' — as memorabilia to show future generations.

— *Depthnews Asia*

To the Editor...

Give hawkers a chance

Sir, It pains me to see the way the poor hawkers are being driven off the streets of Dhaka and other cities of the country. Even petty fruit-sellers and boot-polish boys are being chased and their property confiscated. Do we not know that these poor people are very much Bangladeshis alleviation poverty of whom is a vowed policy of the government? Even in Washington and New York the authorities allow footpath vendors as everybody knows. Are we going to surpass even the most developed countries by being more clean and modern? Is it not infinitely disproportionate for one of the poorest countries of the world? Do we know where will these people go when they are not allowed to do honest business, helping themselves as well as middle and lower middle class consumers by selling things cheap? If they all turn into thieves and hijackers or get together by lakhs to challenge, what will the authorities do? I doubt some people in the policy making and implementation process of the government may be trying to malign and render unpopular the present government by encouraging such apparently anti-people, repressive measures. It is time the saner ones intervened or may be it will be too late.

F Ahmed
Bank Bhaban, Minto Road, Dhaka.

NBR policy on dish antenna

Sir, In continuation to Mr. Ripon's letter published in your daily on Sept. 25, on above mentioned subject, I would like to make some more point. But before that, I would like to congratulate our newly appointed Minister in charge of T & T Mr. Torikul Islam as he has clearly taken the fight against the corrupt elements.

As far as I understand, any equipment under the name "Reception /Broadcasting" has to have an inspection and clearance certificate from a team consisting an official each from T & T, Intelligence other than Airport Customs. If the concerned Ministry appoints honest persons for this job at Dhaka Airport, Chittagong and Mongla ports, then the rate and amount of smuggling electronic equipment through these channels, mentioning name other than the real name and thus paying less tax to the government will be drastically reduced.

Tafle Alahi
Kafrul, Dhaka.

Sheikh Hasina and medicare

Sir, Opposition Leader Sheikh Hasina was suffering from typhoid fever according to the news bulletin published in the local dailies. Two of the earlier reports said she was treated by a board of three doctors including a (Retd) Prof. of Medicine. She went to Singapore on September 19 to consult doctors at the National University Hospital there on the advice of her attendant physicians. The Daily Star reported on September 23 that she was under the constant and complete supervision of the doctors of the above hospital. I wish her early recovery.

Now a few questions arise: Was she really suffering from typhoid fever? If she was, her diagnosis must have been confirmed by the laboratory examinations, and she was treated accordingly. In such circumstances she should have responded to the treatment/management. Was there any lapses either of the laboratory or physicians, or unexpected complications developed which were beyond the facilities available in the country to manage? It would be quite astonishing to the professional people today that typhoid fever and its complications are not manageable in our country!

If the diagnosis was wrong, why not let the people know? She being the leader of the opposition in the Parliament, the people have the right to know, in details, of her conditions, investigations, management etc. which were done in our country before she left. Further, on completion of her treatment in Singapore, we hope her diagnoses and management are disclosed to enlighten the public and professional people.

Some might argue that the illness is personal and its treatment should remain confidential. But the politicians' boundary between personal and public life is very difficult to demarcate. The other point is the medicare, which now-a-days is virtually in the private hands, and as an opposition and Awami League Leader she must have received the best possible care. Then where and what went wrong? Would any member of the parliament rise the 'point of order' or disorder? It is not to humiliate anybody but to throw light through the example of our leader of the opposition.

Dr K M Maqsudur Rahman
Gulshan, Dhaka

"Reaching BRRI's Good Work...."

Sir, Thank you for your second editorial (27th Sept '93). The BRRI as an exception has fully justified its existence for the last two decades. As you rightly said, the message of the 26 strains of high yielding rice has to reach the farmers. This can be done by the officers of the Ministry of Agriculture; by going to each 'para', each village and demonstrating the productivity of each strain of high yielding rice by going to the farmers in the field, time and again, till such time the desired results are obtained.

The objective will be achieved, if we improve on our work ethic, discipline, management and keep away from greed.

In each of the upazilas, now thanas, we have three agricultural graduates — one Thana Agriculture Officer, and two Subject Matter Officers. In management terms, and keeping in view the length and breadth of a thana, how long should it take to reach each tiller of the land, and to demonstrate, face to face with him, the different strains? Productivity does not depend on bulky reports, fat files and highly polished rhetorics, but on reaching the precious land and doing the actual work with our own hands.

Shahbuddin Mahtab
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