The Daily Star
Founder-Editor : Late S. M. Ali
Dhaka, Monday, November 15, 1993

Railway's Loss Syndrome

A recent railway evaluation report has come up with a most disconcerting finding about train passengers. Already the railway has recorded a fall of as much as 30 per cent in the flow of its passengers and the trend shows no sign of getting stalled in the foreseeable future. Not that people have suddenly started moving less than they did in the past. Most likely the reverse is true. Then how to explain the railway's reduced share in the total — and bigger — volume of the travelling people? It is quite simple and the report has been candid enough to admit that the railway is losing its passengers to luxury buses. While the bus journey — both in terms of the road condition and the vehicles that have been pressed into service — has undergone phenomenal improvement over the years, the railway has miserably failed to cope with the challenges of the time.

No wonder, the evaluation report has expressed deep concern about the future of the country's railway as such. The threat is so big and real that the report finds not many options for salvaging the situation soon. A frightening picture is that between July '91 and October '93, there were 500 incidents of engine disorder — accidents apart. Along with the deterioration of service, regular increase in railway fare has acted as a positive disincentive for the travelling public.

All this has come up in the evaluation report to highlight the reason for the railway's continued failure to get on the right track. What however has gone unmentioned is the irregularities and lack of accountability deeply embeded in the entire railway system. Blackmarketing of tickets, turning a blind eye to — or better say encouraging for personal gains — travelling without ticket, pilferage of oil from the engine and even removal of furniture from railway coaches have from time to time been reported in the press without ever prompting the concerned authority to action for stemming the rot. This is simply because those involved in the malpractice have thought they have nothing to lose, but everything to gain if the chaos continued.

In their calculation, they were not wrong either. But now that the competition has come from a quarter they hardly expected, the evaluation report should lead to a good deal of soul searching. The fact that train fare is higher than bus fare cannot in any way take the competitive edge away from the bus service. One suggestion — and seems quite reasonable — put forth in the evaluation report concerns a 30 per cent reduction in the price of second class train fare. No denying the fact that as a big investment, the railway cannot run profitably if it concentrates on the upper and upper-middle class alone. The inter-city trains, which now constitute the major portion of its services, have exactly done this by leaving the rest—and the larger share —of the travelling populace out of its service.

The railway has before it two options: First, it will have to increase the number of its trains mainly to make its service available to as many passengers as possible. Second, to develop an up-to-date system for ensuring a fair sale of tickets and honest checking of the same. Interlinked these will complement each other: The price of tickets is expected to come down substantially with an increased flow of passengers or the vice versa. At the same time, regularity and a radical improvement in service are going to be one of the prerequisites for the recovery of the railway. Where all modes of transports are succeeding, the railway has no reason to fail. Only its big investment must be compatible with its service's reach and scope for as many people as possible. At the same time, if it can improve its record of carrying goods — which is more paying — the railway will see better days.

Education More than 3-Rs

La Galerie has earned for itself enviable prestige as a show place for high art. But on Saturday it did itself real proud by opening an out-of-this world show of 74 paintings — done by as many little masters from the slums of Dhaka. The event is outstanding in more ways than one. And thanks are due to both gallery people and the organisers — the Gano Shahajjo Sangstha — who got these paintings from the children going to slum schools run by the Sangstha itself. It is, however, the young painters who should be given a big hand for turning in a plethora of warm daubings that tug at the soul so spontaneously.

Some may feel it is frivolous to involve disadvantaged children in anything other than the 3-Rs. This is as wrong as wrong can be. "Reading, 'riting and 'rithmetic" is all right but these supremely necessary exposures are one step too many removed from the true selves of the children. The more important task is to encourage the kids to feel and create — express that is. A smattering of the 3-Rs and nothing besides may indeed harm rather than help them. Let them sing and dance, paint and do a lot of clay modelling — all the more if they come from disadvantaged families. For these 'active' preoccupations would be better utilised by their children to mould personality — in the absence of the many distractions that plague the growing up of youngsters in the privileged families — rather than the 'passive' imbibing of linguistic and counting facilities which give them but useful tools so badly needed to negotiate an unfriendly world around.

NGOs have been a much-maligned thing in Bangladesh. Nevertheless they have been able to get for them the reckoning as a social phenomenon, benign or suspect depending on who views and how. This bit of exceptional learning activity introduced by one of these NGOs deserves to be specially congratulated. Some children may reside in city slums and some in remote and backward villages. That fact must not be adduced to justify niggardly packages of 'slum-level' or 'village-pauper' education involving nothing beside *Au Aa Kaw Khaw*. Education should not be poor and rich, whatever the economic or social status of the recipients be. It should be one wholesome thing, its contents, varying in degree with the needs of the specific cases. The children from slums need to be able to draw and tinker with things — much more than those waiting to be sent to some Darjeeling or Dehra Doon school or even to Oxford maybe.

Let the La Galerie show of paintings by slum-school children open the eye of the better-off schools. Why, we haven't yet seen shows of juvenile painting by the pupils of any leading school — or any musical concert offered for public listening?

We welcome the show with the hope that this would be followed up by many more.

Why Not Float a Dollar Bond Open to All?

In essence, a dollar-denominated bond would work as an instrument to generate additional inflow of foreign exchange resources. Question is, should its coverage extend to wage earners only?

MEDIA reports say that the government would soon issue dollar-denominated bonds to attract additional funds from the wage earners abroad. Wage earners who would buy these bonds would receive accrued interest in foreign exchange.

At the moment, there are two specific savings instruments for the wage earners. The first one is the Wage Earner Development Bond. This bond is Taka-denominated and carries a maturity period of five years. This bond used to yield 16 per cent interest at compound rate. Very recently, the rate has been reduced to 14 per cent. The second one is Non-resident Foreign Currency Deposit Account (NFCDA) which is maintained with the local banks in foreign currency. Accrued interest on this term deposit account is paid in foreign currency. NFCDA used to pay an additional one per cent interest over the Eurodollar deposit rate. Recently, the additional one per cent rate of interest has been eliminated. In other words, yields on both the savings media for wage earners have come down.

It remains to be seen if the new bond will prove to be more attractive than the existing instruments. There is, no doubt, an urgent need to take new initiatives to lure more of wage earners' funds. During 1992-93, the number of persons leaving for jobs abroad was more than 28 per cent higher as compared to the preceding fiscal year. Official remittances from wage earners abroad, on the other hand, increased by less than 12 per cent in dollar terms during the same period. The gap between the number of new entrants to jobs abroad and the rise in the level of remittances is too wide to be explained away on such grounds as a possibly higher proportion of unskilled workers and relatively low wages earned by them.

The new dollar-denominated bond is being floated with the avowed objective of mobilising additional foreign currency funds for accelerating investment in the country. On the other hand, the earlier exercise of paring down yields on existing instruments would seem to signal that the government was none too keen to attract wage earners' savings from abroad. The latest move to introduce a new bond for the wage earners belies this hypothesis.

There could be another underlying reason which has prompted the authorities to come up with the idea of a new dollar-denominated bond. In a setting of current account convertibility, exporters should be allowed to retain their foreign exchange receipts — to be converted into Taka at the going market rate — as and when they need to. In other words, currency convertibility would imply that exporters would no longer be required to surrender their foreign exchange earnings to the central bank immediately on receipt. Accretion to the central bank's foreign exchange reserves from export receipts would then dry up. Taka has been declared convertible on current account. However, exporters remain tied to their erstwhile retention quota of up to ten per cent of foreign exchange receipts. Neighbouring Nepal which also has gone for current account convertibility, had at first allowed exporters to retain forty per cent of their receipts in foreign exchange provided they would sell the balance sixty per cent to the central bank. Later on, the proportion of freely convertible foreign currency receipts for exporters was raised to sixtyfive per cent and then to seventyfive per cent. India declared its rupee convertible on trade account only but permits exporters to keep fortyfive per cent of their foreign exchange receipts.

Having declared the Taka convertible on current account, sooner than later, authorities would have relax grip on foreign exchange receipts of exporters, gaining access only to such funds as are sold to the central bank voluntarily. Probably, this relaxation would come in phases. All the while, foreign currency funds mobilised through such instruments as a dollar-denominated bond, would serve as a cushion for official reserves. In short, the dollar bond receipts would help replenish foreign currency reserves.

ALONG MY WAY

S B Chaudhuri

In essence, a dollar-denominated bond would work as an instrument to generate additional inflow of foreign exchange resources. Question is, should its coverage extend to wage earners only? Migrant wage earners are mostly unskilled or semi-skilled workers. They remit their relatively meagre savings home through official or unauthorised channels, as it may be, mainly to discharge past debts or to meet living expenses of families left behind. As for investment, land and such other durable assets, claim their priority first. It's doubtful if they would be willing or are capable of making any sizable investment in the new bond.

Professionals employed abroad and other Bangladesh nationals running business establishments in foreign lands, do have savings to invest in an instrument like dollar-denominated bond. However, they would seek high returns and liquidity. To guess from government's action in scrapping additional incentive of an extra one per cent interest on NFCDA, it would seem that the authorities would determine the yield on the new bond on the basis of global rates — in the present instance, the Eurodollar rate for deposits. This brings no additional attraction to the prospective investor. As for liquidity, attraction for the new bond would depend on such factors as the maturity period, encashment terms and procedure, if it can be discounted or not, and so on. After all is said and done, the fact remains that in so far as this class of Bangladesh nationals are concerned, the new bond would be just another product in the global market for such instruments.

It is a widely recognised phenomenon that in countries practicing exchange control and other forms of restrictions on international transactions, savings tend to flee abroad. This country is no exception. Currency convertibility and an open economy provide incentives for such funds to return home. The new dollar-denominated bond could be used, by extending its coverage beyond wage earners, to lure such savings back home. Admittedly, this is not an easy proposition. The most knotty issue is what could be termed a moral dilemma, in granting citizens who have stashed away their money abroad by evading the law, a *laissez-aller* to pull these funds back home openly. Some countries have sought to tide over the moral dilemma involved in granting immunity to such funds, by tying utilisation of resources so mobilised, for specified purposes which would benefit the relatively poor — low-cost housing projects, for instance. Another way of doing it is to make the bond issue project specific — for financing a project of supreme national importance.

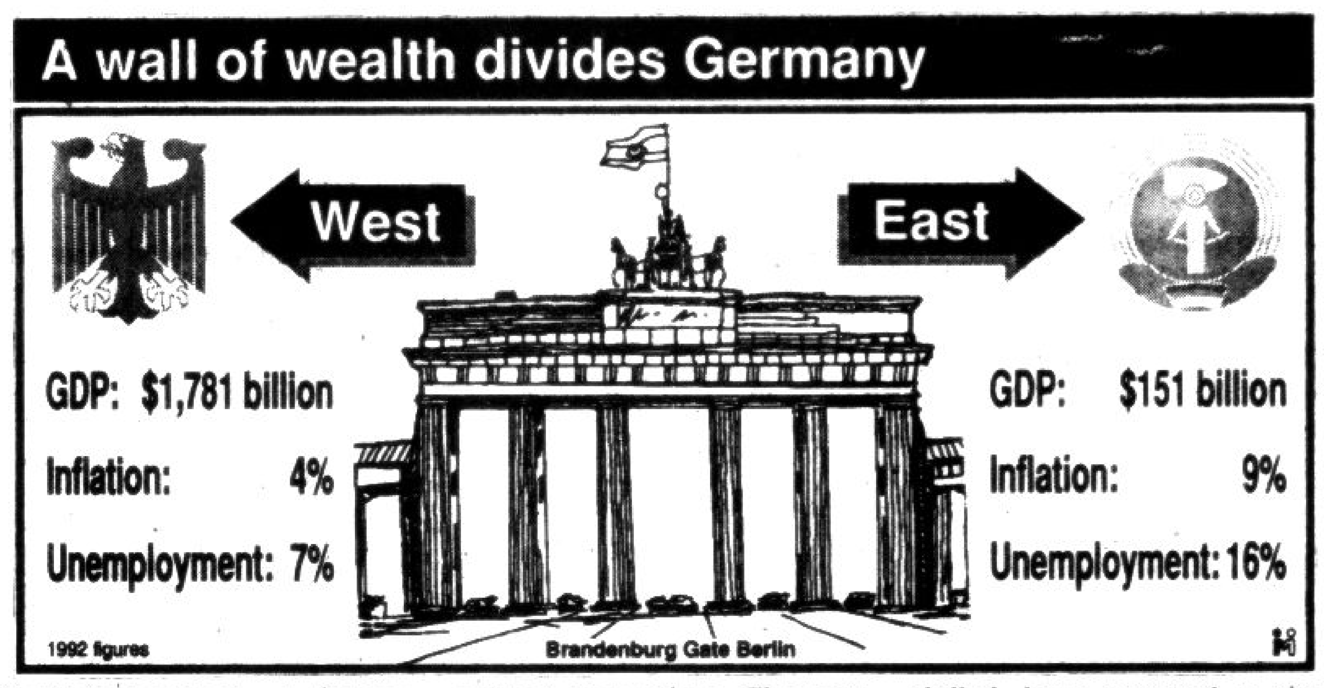
Perhaps the most crucial aspects of the immunity would be to extend a fiscal concession by way of the authorities' desisting from asking any question about the source of funds invested in the bond. This presents no problem where the Bangladeshi investor is a non-resident for tax purposes. Funds held abroad by non-residents are not taxable anyway. Even for a resident, granting such a fiscal concession will not be something altogether new. People coming from abroad are being allowed to bring in foreign currency up to a certain limit without being required to declare it on arrival. They are also free to put the money in the bank in a foreign currency account, apparently without being asked any embarrassing questions about the source of the fund. More importantly, funds brought from abroad have been granted tax exemption if these are used to setup industrial units. It would not really come to breaking new moral barriers if a similar concession is extended to the planned dollar-denominated bond. It has already been declared that the Taka would be made fully convertible towards the middle of next year. This would entail freeing the capital account. Floating a dollar-denominated bond, open to subscription by all, could ease the process of relaxing restrictions on capital account transactions.

A dollar-denominated bond can be equated to government borrowing of private capital from abroad. Experts say that a government's earnings on such funds should at least match the cost of borrowing. Otherwise, the government would be servicing the borrowing with taxpayers money. Thus it is that the government would perhaps issue the bond at market interest rates. Question is, interest rates of which market it would be? Will the yield on the bond be anchored to global market rates or will it be linked to domestic interest rates? The London interbank offer rate (Libor) for dollar is less than $3\frac{1}{2}$ per cent for six months. The domestic interbank rate ranges up to 8 per cent. Banks' deposit rates within the country are significantly higher than Libor. In short, linking the bond's yields to domestic rates would make it much more attractive. Currency convertibility would seem to have opened up new possibilities in this direction. Conceivably, a designated bank could convert the bond's sale proceeds into local currency and invest the fund. The cap on banks' lending rate is 15 per cent. Funds could be reconverted into dollar as and when payments on the bond fall due. Forward cover can eliminate the exchange risk. This way, linkage with domestic rates could assure a far better yield on the bond than global market rates would.

Four Years after — Sober Reflection in Berlin

Petar Hadji-Ristic writes from Berlin

Just four years ago thousands of ecstatic east Germans surged through the Brandenburg Gate or hacked their way through the Berlin Wall. The day the wall came down signalled the collapse of communism throughout eastern Europe. Today the euphoria has vanished and on both sides of what was the Iron Curtain the people are in a mood of sober reflection.



SPREAD out on the street stalls at Checkpoint Charlie, the best known of the border crossings that once divided Europe, the trade is in symbols of a collapsed system — painted fragments of the demolished Berlin Wall, badges and medals for the best socialist workers.

Foreign visitors stop off to sift through the mountains of memorabilia and carry off something of Germany's past. As they haggle on what was four years ago a treacherous no-man's land, the future is before them: a forest of gigantic cranes right down the famous Friedrichstrasse, for so long sliced by the 106 km concrete wall.

Soon that forest will edge right up to the Checkpoint. German and United States investors will begin work on a huge international banking and business centre. The Checkpoint itself will be reduced to just a relic incorporated within the centre.

It is boom time in Berlin. Yet for all the billions of deutschmarks being pumped in the city and the rest of eastern German by Europe's economic superpower, the euphoria of 1989 has dissipated.

Many *Ossis* (easterners) are disillusioned. A handful gathered outside the old parliament of the German Democratic Republic (DDR) in October to mark the 44th anniversary of its founding.

Many *Wessis* (westerners) also resent the costs. Some 150 billion marks a year is being pumped in investment and social services in the east.

"The east Germans thought the west Germans were their brothers," says Hannelore Kurth-Gilsenbach, a former dissident in DDR. "They went into unification with illusions. They did not know the character of capitalism. They have forgotten everything they learned. Now they are disappointed."

A public opinion survey confirms that four years after the fall of the wall dissatisfaction is high. Seventy-five per cent of east Germans think more should have been done for them, but 55 per cent — in east and west — believe the economic situation will improve in ten years.

Dissatisfaction can be judged in other ways, too. Crime in the east has rocketed to western levels. In DDR the subject was taboo. The new market system has given criminals opportunities that never existed before, argues Detlef Landua, of Berlin's Science Centre for Social Research. Other experts suggest it is a symptom of discontent.

The birthrate in the five new provinces that now make up the former DDR has plummeted — another sign of disaffection, say the experts. It is now half what it was in communist times and between 1989 and 1992 fell by 70 per cent. This is precisely what happened in the Great Depression of 1929, says Karl Brenke, of the German Institute of Economic Research (DIW).

A million, many highly skilled, have migrated to the west. The reasons for discontent are not hard to find. The east Germans were promised "flourishing landscapes" by Chancellor Helmut Kohl before reunification. What they have is massive de-industrialisation. Industrial employment has fallen by a staggering three million to only 750,000.

More than a million are unemployed. The official figure would be half a million more if one were to count the number of east Germans crossing the old border every day and work in the west. The total in all Germany is nearly four million.

Yet there are signs in the east of huge investments in infrastructure. Billions of marks are going into building a modern telecommunications system, modernising roads and railways.

"Everything to do with building has expanded enormously," says Brenke whose institute does not share the optimistic forecasts for economic growth.

Signs of the consumer boom that followed the unification are everywhere. Vast out-of-town shopping centres and car showrooms have mushroomed. The little grey Trabant in which families rushed to flee the country in November 1989 seems almost extinct on the streets.

This has benefited the west German producers who moved with lightning speed to take advantage of the new 16 million-strong market starved of luxury consumer goods. Western investment was strong and many east German companies were taken over. East German production plummeted.

What deeply concerns economists such as Brenke is the lack of investment in industry, especially such key sectors as machine building. He is worried about the emerging competition from such countries as Hungary and the Czech Republic where wages are lower.

Hopes that east Germany could be used as a springboard for exporting into eastern Europe and the former Soviet Union were never realised. The markets just collapsed overnight.

There were mistakes, too, according to the critics, such as those at DIW. After reunification the emphasis was on privatising the east German economy, mainly through the agency set up, *Treuhand*. With breathtaking speed the agency sold off 13,000 enterprises. Almost a quarter were closed down, costing more than two million jobs.

DIW also blames the Bundesbank interest rate policy. "The policy was absolutely wrong," says Brenke. Although rates have now come down, short-term rates are still higher than long-term ones, discouraging industrial investment.

The Bank's policy contributed to provoking or deepening the recession in Europe, which is also an important reason for lack of investment in the east. When will the east Germans reach their western brother's standard of living? "It is nonsense to discuss this," says Brenke.

The transfer of the capital from Bonn to Berlin would give an impetus to development in the east. This will be followed by the big banks, insurance agencies and international companies which would not set up their headquarters in Berlin as long as it was ringed by concrete and steel.

The investors at Checkpoint Charlie are gambling on this transfer of the seat of power. With the date for the move as vague as ever, east German discontent might yet grow.

— GEMINI NEWS

PETAR HADJI-RISTIC is a freelance journalist based in Berlin.

To the Editor...

IPSA and admission

Sir, The news published in your esteemed newspaper on October 25 that IPSA (Institute of Post Graduate Studies in Agriculture) will be upgraded to a centre of excellence and will award post graduate and Ph.D. degrees, is very welcome. However, the teaching staff of IPSA have informed me that the post graduate courses are only open to agriculture graduates. This situation is highly prejudicial and discriminatory to say the least. Advances in agriculture are very much dependent on other basic biological sciences such as Biochemistry, Botany, Microbiology, Soil Sciences and Zoology. To give one example: genetically engineered crops are already being sold in USA markets.

To even understand research leading to such crops, advanced knowledge of molecular biology is required which is effectively covered only in the courses given in the department of Biochemistry, Dhaka University. These courses are taught by teachers trained in Molecular Biology. So why shouldn't a student of Biochemistry be allowed to pursue higher studies at IPSA if he/she so desires and has the requisite academic standard required. When Agricultural Science is a multidisciplinary subject, how can eligibility be confined to agricultural graduates only?

Progress in modern science is only possible by the combined efforts of interdisciplinary subjects. Not only that, mutual trust and cooperation between experts in general sciences, and agricultural sciences is must if our agriculture has to advance. I note that the Bangladesh University Grants Commission (UGC) will be looking after IPSA's curriculum and educational affairs. UGC also looks after the educational affairs of all other universities and as such should not allow discrimination in the admission procedures of IPSA by allowing entry to only agricultural graduates.

Zeba I Seraj
Associate Prof, Deptt of Biochemistry, Dhaka University

Weekly holiday

Sir, Allah says, "When you have finished with your 'Salat', spread out in the world and seek Allah's bounty". The word, "Fazal", particularly applies to earning a living. The clear advice is to work and not relax and rest. For rest, the time indicated is night.

A Muslim prays five times a day, seven days a week and 12 months a year. There is no such thing as a weekly holiday for prayers. This is exclusive to Islam. After every prayer a Muslim is refreshed and rejuvenated, spiritually and physically.

Going by the Holy Quran, there should be no weekly holiday. Even on Eid days, you can have a break enough to offer your Eid prayers and a bit of socialising.

There is nothing preposterous here. You see businessmen working on holidays and even at night when there is some shipment to be made, or some tender is to be submitted. Nobody calls them Kafir for that. Students burn the midnight oil irrespective of holidays. Those who cry out for holidays, also have some private business to look after, at the back of their mind.

With our dwindling economy, what we need most today is work output. So let us follow Allah's guidance and abolish weekly holidays.

Bazlul Karim
Wire Street Wari, Dhaka

Open Taka convertibility

Sir, 'Open Taka Convertibility' is more a complicated and complex matter than metric system of weight and measurement or VAT. We do not appreciate the way it has been put into operation for the first time in our country after deferring it twice in a month and then introduce it all of a sudden w.e.f. 19-10-1993.

Many people are in a state of perplexity and they are bewildered as to what is the meaning and definition of 'open Taka convertibility', what is its significance and benefit.

One circle opines that 'open Taka convertibility' would attract foreign capital and investment in Bangladesh and another circle warns that it would create flight of capital from our country. We are at a loss to understand all these about.

During the last 22 years we have failed to attract foreign investment in Bangladesh for various political, economic and natural reasons in spite of the fact that we made lucrative offers to the foreigners and the Bangladeshi expatriates living abroad in the form of tax holiday concessions, export processing zone, duty free shops, wage earner's scheme, rebate on import of capital machineries and so on and so forth but in the practical field we could not invite any worth mentioning foreign investment in our country. On the contrary, as a matter of fact, we have found that from time to time much of our capital has been smuggled out of the country through illegal channels. How can we all of a sudden expect that Bangladesh would be flooded with foreign capital with the operation of 'open Taka convertibility'? We would request our authorities concerned either to prove their belief scientifically or to justify their theory with cogent reasons.

Today some of our leaders are boasting that our country has a foreign exchange reserve of US dollar 2.4 billion. But unfortunately it appears that they are overlooking the fact that this foreign exchange reserve is not due to earning of foreign exchange by us by exporting our goods and commodities but it is on account of taking foreign loans by us from various foreign countries and agencies for the financial year 1993-94. Never in the history of Bangladesh we have ever had a surplus or balanced foreign trade. Our foreign trade deficit for the last twentytwo years amounts to about seventy thousand crore Taka.

In the wake of making Taka openly convertible our Finance Minister Saifur Rahman has said 'there is no room for complacency and extravagance, for, today's sunshine may turn into clouds tomorrow if we do not behave rationally'. Undoubtedly some unscrupulous elements in the country are always in the habit of not behaving rationally.

We wonder what step has our Finance Minister taken to make them behave rationally and to save the flight of capital from Bangladesh?

We strongly feel that the 'open Taka convertibility' is a matter of vital economic and financial importance for our country. Its merits and demerits, pros and cons should be discussed and debated in our Jatiya Sangsad and necessary action taken in the national interest.

O H Kabir
Dhaka-1203.

BTV's movie of the week

Sir, Thanks are due to BTV for showing an enjoyable movie of the week "Little Bird of Happiness" on October 30. I particularly liked the film because: i) indecent scene customary in Western films was missing; ii) unlike typical films, specially local ones which are full of baseless stories and violence mixed with cheap romance, there was something to be learnt. It was the love and affection of the teacher that saved the life of a young girl; and iii) the film portrayed the fact that it is possible for women to participate in all areas of the society as long as they observe "hijab".

We would appreciate if BTV would continue this trend and import films from other Muslim countries also. Special thanks are also due to the team responsible for translating/dubbing the film into Bangla.

Rehana Masood
Mirpur, Dhaka