

## Shares of Gas and Oil Companies

Government's decision to offload minority shares of state-owned gas and oil companies holds implications for the privatisation programme and the capital market. The move promises a higher degree of transparency for the ongoing process of divestiture of public sector enterprises. Release of some shares of profit-making companies to the public through the stock exchange will help deepen the country's fledgling capital market.

In a sense, sale of shares of state-owned companies to the public through the stock exchange would mark a new phase in the current privatisation process. So long, the government had been offering its enterprises for sale-lock, stock and barrel. An open tendering system has been followed for these transactions. However, valuation of the assets on sale had to be done in advance and a reserve price fixed. Inevitably, this aspect of the process of privatisation had contained element of arbitrariness.

Tendering system, however open it is, cannot avoid being secretive in matters of evaluation of bids received, their ranking and the procedure for approval. The process impairs transparency by itself. The exercise turns even more complicated and secretive if bid values do not match reserve price and fall short of it. The option then is to refuse to sell, re-tender or revise the reserve price — may be, using a different method of valuation, considered by the authorities more practical in retrospect. None of these helps the cause of transparency in dealing with the public.

Privatisation entails marketing state-owned assets. For such a transaction, the recognised viable way of not inviting criticism is to let the market evaluate the asset and determine the price. The way to do this would be to float the shares of the entity earmarked for divestiture, for sale to the public.

There is yet another reason why the shares of the enterprise being privatised should be offered to the public for sale. These are, in essence, public property. The public should have the first right to ownership of these assets, if these are to be disposed of. The argument is often offered that many of the state-owned enterprises have not been incorporated as companies or are not listed on the stock exchange. These talks are hardly convincing. If not downright puerile. Surely, it cannot be such an uphill task for the government at least, to get these entities incorporated as companies and have them listed on the stock exchange. Had things been planned this way, all the pieces would have been in place by now.

By allowing the private sector insurance firms a phased schedule to float fifty per cent of their shares for public subscription, as reported in this newspaper the other day, the government is seen to have taken another sensible move. Under the law, these companies were required to issue fifty per cent of their paid-up capital by way of public shares within three years of registration. Manifestly, they had lagged behind. But to ask these companies to issue their shares, all at a time, within a few weeks time, showed a regrettable lack of understanding of the way share markets operate. Yet, this is what the government did in September. As we had pointed out in our comments on that occasion, such things should best be left to a specialised agency like the Securities and Exchange Commission (SEC). Let's also hope that the insurance firms will fulfil their part of the bargain this time.

All these new shares being issued will help broaden the capital market base. The government is also said to be contemplating issuing treasury bills although it does not really need now to borrow. Presumably, this step is being taken to encourage market development. Issued at market interest rates, these treasury bills could help initiate open dealings in government bonds. There also are a large number of private sector companies in the country whose shares are not publicly traded. The existence of tax incentives and now, the presence of SEC, should encourage more of these companies to enlist on the stock exchange. That would indeed be a welcome move to help capital market grow.

## Containing Lathials

Every year this season people of the coastal areas of the southern districts undergo an agonising experience over harvesting their annual main crop, paddy. This year is no exception. A vernacular daily reports, like every other year, this time also the lathials (mercenary musclemen) have been taking an elaborate preparation for helping their respective mentors or landlords to forcibly take home the crops. A chronic problem, the harvest is fraught with danger because of the dispute over the ownership of lands of the innumerable chars or islets. The problem is further compounded by the shifting course of rivers.

Admittedly, the fluid nature of the land ownership there cannot be easily solved but at least the barbarity and blood-letting can be stopped if the administration acts timely. No question about someone claiming the right to a newly-emerged char, specially by people who had lost their crop lands to a devouring river ages ago. But then one must not wait till someone else has tilled the land and the harvest time comes to make his claim. As the practice is noticed, there are people who have made it their vocation to organise their lathial gangs who swoop on the fruits of the genuine farmers' labour.

Even if the maintenance of law and order in the char lands is a most daunting business, such injustice of an abhorrent system cannot be allowed to continue in any civilized society. The administration has tried to demarcate the boundaries of the districts without much of a success. As for the ownership of lands, the administration's efforts have been foiled by the powerful quarters time and again.

What is amazing is that laws almost always are distorted to favour the powerful at the cost of the unfortunate landless and small farmers. But if the government is serious, the least it can do is to make arrangements for a short-term solution to the problem. Constant vigilance around this time of the year by the law enforcers can incapacitate the musclemen. Then there must be provision for on-the-spot monitoring and allocation of the crop's share by district-level relevant officials. Once the dispute between the farmers and the landlords has been detected, give the farmers their share with adequate protection from the thana. The rest of the crop will go to government godowns and remain there until the case has been conclusively resolved. Let the landlords contest the case against the government not against the poor farmers. A vigilant contingent with adequate power and logistic support may be necessary for the purpose.

# China in Transition: The Open-door Economic Policy

The Chinese Government has been highly successful in convincing foreign investors that their money was safe in China ... Excellent law and order situation must have added to the sense of confidence of the private investors, both foreign and domestic.

In my last article on China I wrote about the recent visit to China by the President of the Bangladesh Awami League, Sheikh Hasina, at the head of a five-member delegation. Apart from sharing some information on the visit itself I talked about "socialism with Chinese characteristics" and "socialist market economy," as propounded by the paramount leader, Deng Xiaoping. It was quite obvious that the Communist Party of China, under Deng's guidance, is interpreting socialism in the light of the country's perceived needs in a pragmatic way. Its highest need at this time, as its leaders have concluded, is to develop the economy.

This goal is being pursued with tremendous zeal and single-minded devotion by the party leadership, the government and the people. The Chinese people seem to have reached a national consensus to develop the economy and become rich. All the leaders, at different levels, briefed us about this policy. Other nations have also set such national goals but few have a comparable record of success as that of China. China is not only succeeding but succeeding extremely well.

The "open door" policy of China which is playing a major role in the transformation of the economy is an important element of the economic reform programme introduced by Deng Xiaoping. The boldness of the policy of "opening up" China is plainly visible in the special economic zones created by the government. The essence of the policy is the rejection of dogma and ideology for guiding national policies. Instead, "truth must be searched from facts." In other words, objective conditions should be analyzed to reach correct policy decisions. The Chinese leadership have clearly rejected the Soviet model of central planning. Of course, planning is there but it is more to set up goals, provide guidelines and to perform other regulatory functions. We noted with

interest that the public sector industries, which still dominate the economy, are not being privatized in a hurry.

The leader of our delegation, Sheikh Hasina evinced keen interest in this issue and we had long discussions on the methods used by the Chinese government for dealing with this question. We were told that instead of pouring money from the government treasury to support losing industries, the authorities have devised a very sensible method of management which combines state control with profit-motive.

The Awami League delegation was shown a large steel mill — the Capital Iron and Steel Complex — on the outskirts of Beijing which is being run as a public enterprise. Its output of steel in 1979 was 1.79 million tons; today, under the new management technique, it produces 7 million tons a year. Briefly, the enterprise is run on a contract system. The Capital Iron and Steel Corporation gives 7 per cent profit to the state irrespective of its actual profit. Thus the State, which provided the initial capital, gets its return on investment without fail. The workers manage the enterprise by electing a Board of Directors. If the enterprise suffers a loss, all the employees must bear the consequences. The seven per cent profit must be paid to the State even if the workers have to accept a pay cut. On the other hand, the workers gain both in terms of benefits and pay rise if the concern makes a profit. The incentive system is therefore very fair. Any profit in excess of the 7% profit given to the State is utilized in the following manner: 60% for improvements or new investment to increase production; 20% for workers benefit and 20% for bonuses.

Having seen the success of the public sector industries, we reflected on the sad state of our jute and textile industries in the public sector. Under the new system in China, there is virtually no subsidy for a losing concern. There are possibly state owned concerns which lose money but the government is applying the market principles ruthlessly to bring back efficiency and profitability.

The most innovative action taken by China under the guidance of Deng Xiaoping is to create the "special economic zones" along the coastal areas of China. The government has created the infrastructure in these areas for attracting foreign capital. The policy has proved to be a huge success. Today the impulse for growth is

law and order situation must have added to the sense of confidence of the private investors, both foreign and domestic.

The second reason is the massive contribution made by the "overseas Chinese." There are, I was told, nearly 50 million Chinese who fall into this category. The Chinese expatriates in nearby Asian countries such as Thailand, Malaysia, the Philippines, Indonesia as well as the Chinese population in Hong Kong, Macao, Taiwan and Singapore are directly and actively involved in the process. The Chinese expatriates in Europe and America are also coming back to the "old country" not only out of patriotism but also in search of profit.

China are doing that we in Bangladesh cannot do? Admittedly we do not have expatriate communities as rich and as large and advanced as the Chinese in Taiwan and Hong Kong. But we have failed to persuade even our relatively small expatriate community to come forward to invest in Bangladesh.

In discussions on this point, officials of the Chinese Policy Research Centre made a comment which seemed to summarize their experience. These expatriates, they said, want to make profit under conditions of safety and if opportunities are provided for this purpose they will go anywhere including Bangladesh.

The key point is that they must be given the right incentives. Prospect of profit and security of investment are the basic incentives but there are other factors which can influence their decision. We visited the Shanghai Pudong New Area, a massive project to serve as the nerve centre for the development of the entire Yangtze river basin. A suburb of Shanghai, it is really a new city being built under the direction of the CPC Central Committee to become an international economic, financial and trade centre of China. They described Pudong as the dragon's head and the vast Yangtze river basin as the body and tail. Established only on January 1, 1993 it is taking shape with breathtaking speed. In fact, the skyline already looks like that of a booming city. Factories, offices, hotels, shops, recreation centres are all coming up so fast that within a few years it will be a show case of growth and progress and may rival Shanghai itself.

Apart from the infrastructure development by the city authorities, the "preferential" investment policies seem to have set

in motion a process of development whose speed must be a world record. The list of the preferential measures is a long one but I was deeply impressed by the broad scope and generosity of these incentives. The preferences cover exemption from customs duties and consolidated industrial and commercial taxes as well as income tax. Foreign businessmen are provided with an extraordinary range of facilities in order to make them feel welcome in Pudong. The generosity of the incentives is astonishing. For example, foreign investors can remit their profit earned in China without having to pay any income tax. Foreign investors who re-invest their profit for a period not less than five years, shall be refunded 40% of the income tax paid on the re-invested amount. Others who re-invest their profit in technologically advanced industries shall get full refund of the income tax. I could quote other concessions which are so substantial that the foreign investors may find few countries offering them such a deal.

Our visit to Shenzhen, a coastal city in the Guangdong province and close to Hong Kong's border with China, convinced us that the "open door" policy has indeed worked wonders. A backward fishing village in 1978, today it is a modern city with a population of two and a half million, almost rivaling the prosperity and industrial prowess of Hong Kong. A total of 24,000 business units are functioning in the city of which 8000 are either entirely foreign funded or joint ventures. The firms with foreign collaboration produce fully 70% of the output. In 1992 alone a total of 1,561 agreements involving US \$ 2.52 billion in foreign capital, were signed. How can a city like Shenzhen rise in ten years' time? It is as if the giant in the Aladdin's magic lamp built it up by magic! Shenzhen is truly a miracle city — a testimony to the success of the "open door" policy of China.

## ON THE RECORD

by Shah AMS Kibria

spreading from these special economic zones to the rest of the country.

The government is encouraging investors to go into the central and western provinces in order to spread the growth process to the whole country and remove the disparity that now exists between the coastal and interior provinces.

What, one may ask, is the reason for such spectacular success in attracting foreign capital by a country which is still ruled by the Communist Party? Two basic reasons, in my view, may have played decisive roles. The Chinese government, under Deng Xiaoping, has been highly successful in convincing foreign investors that their money was safe in China. They believe that the freedom given to private enterprise is not a temporary step but an irreversible change from dogmatic socialism of the past. Excellent

The overseas Chinese account for about 58 per cent of all direct foreign investment, Japan 19 per cent and Europe and America 14.3 per cent. Other Asian countries and the World Bank provide the rest. Quite clearly, the overseas Chinese and Japan are the two major actors in the exciting drama of industrialization and development of China.

There are today, according to the data given to us, 126,000 foreign firms in China. From the coastal regions they are now reaching out to the remote interior of the country and pouring in billions of dollars. Not only do they provide much-needed capital but they are also bringing in scientific and technological know-how and modern management techniques.

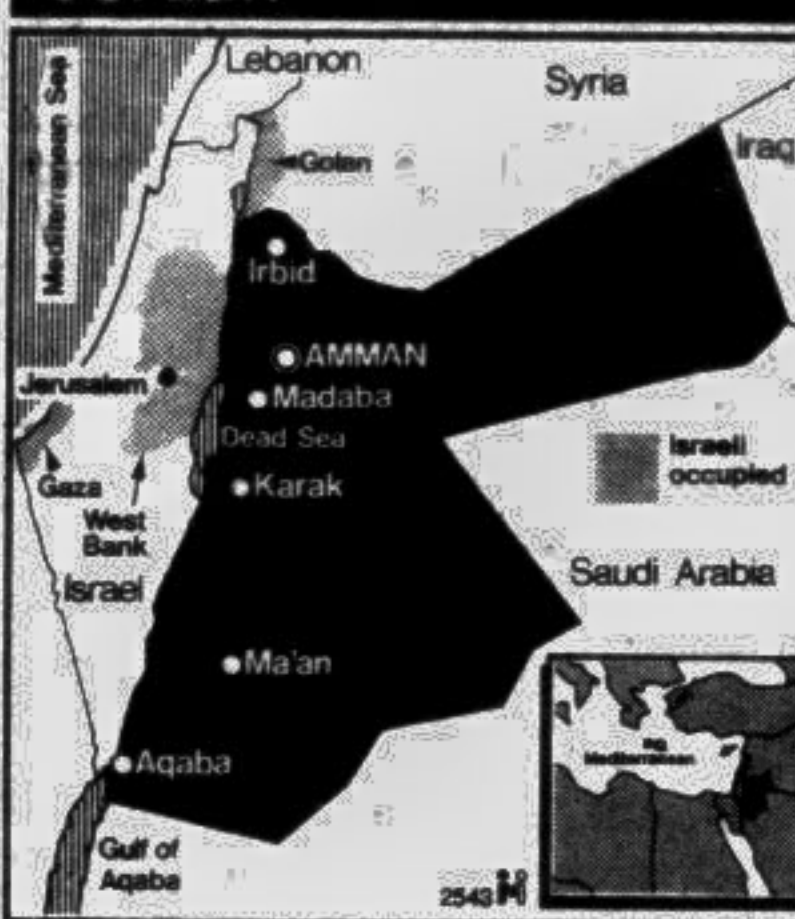
The leader of our delegation, Sheikh Hasina was naturally curious to find out the secret of the success. What is it that the

## Hussein's Poll Shakes his Neighbours

Michael Jansen writes from Amman

Ironically, it is monarch who is bringing democracy to the Arab world. King Hussein of Jordan now heads on 80-member parliament with 54 new deputies, ranging from Islamists to leftist Palestinians. Jordan's successful experiment with democracy is being watched with trepidation by its undemocratic neighbours.

### Jordan



polls of 1.5 million. Voters sent 54 new deputies to the 80-member parliament, unseating several establishment figures among the secular politicians and dismissing both the Islamist speaker of parliament and spokesman in the house. This showed they were prepared to pick and choose among the candidates offered.

The election showed authoritarian Muslim governments that the best way to deal with Islamist movements was first to co-opt by giving them position and limited power and then to make them accountable to the

people at election time. The poll on November 8 reduced the Islamist representation in the house from 30 seats to 22. The Islamic Action Front, dominated by the Muslim Brotherhood, won only 16 seats, against 22 in 1989, and only three of the Front's dependable allies among Islamist independents and three fewer dependable independents secured seats.

The new electoral law permitted each voter to choose only one candidate, forcing Front candidates to stand against one another. It was responsible, in part, for the reduction in Islam

ist strength. Many voters also turned away from the Brotherhood and its allies because during the 18 months they portfoled in government and the four years they controlled 40 per cent of the seats in parliament, they neither distinguished themselves nor produced the changes the voters wanted to see in their society.

Rather than tackling such issues as unemployment, inflation, poor roads and the need for new schools, the Brotherhood focused on separating the sexes in schools and government offices, the banning of alcohol and the closing of women's hairdressers staffed by men. Although they campaigned on the slogan, "The Koran is the solution," promising the implementation of the Islamic Sharia as the law of the land and the more equitable distribution of wealth they confined themselves to Islamic window-dressing once in power.

This election gave the democratisation process grip on both the administrators and electors. The administrators were forced to concede the kind of election rallies and campaigning typical of other democratic countries. The electors, particularly the secular liberals who

did not bother to go to the polls in 1989, were compelled to vote in order to keep the Islamists out.

Three leftist party members also gained seats despite the fact that 289 of the 334 candidates stood as "independents" — a small breakthrough in a country where political parties have been banned since 1957.

The only political grouping permitted to organise between 1957-92 was the Muslim Brotherhood, but a religious and charitable association, not as a party. During this period King Hussein used the Brotherhood to counter the influence of the banned, underground Arab nationalist and leftist parties bent on driving him from his throne.

The re-establishment of these same parties among the 20 which registered this year and last was designed to counter the influence of the Islamists (now the Islamic Action Front) in parliament. King Hussein learnt the lesson that there should be a balance of competing forces for a healthy political life.

The fact that he understood this was demonstrated when he said that he would encourage the reactivation of multiparty politics, although it might "take years" for parties to establish themselves and secure a serious

representation in parliament. A lesson learnt by Islamists and male chauvinists who believe the "woman's place is in the home," is that "a good woman cannot be kept down." Out of three women standing for this, Jordan's 12th parliament — one secured a seat in Amman's most liberal, middle class district.

Toujan Faisal belongs to Jordan's small Circassian minority, Muslims hailing from the Caucasus. She is a former television presenter, journalist and mother of three. She stood for a seat in a working class district of the capital in 1989 (when 12 women ran and lost) but was defeated by in Muslim Brotherhood.

During that campaign the Brotherhood tried and failed to have her declared an apostate in the courts because she was critical of the movement's policies.

As the first woman to take her place in the parliament, women's rights activists see her victory as the first step towards sending more women to the lower house, enabling them to reform the conservative Muslim family law.

Jordan's experiment with democracy is being watched with some trepidation by the country's undemocratic neighbours.

It is ironic that it is a monarch who is head of all branches of government in his kingdom should be the Arab leader to choose democracy as the best way to guarantee the continuation of his family on his throne. — GEMINI NEWS

MICHAEL JANSEN was born in the US, lives in Cyprus, and has covered the Middle East for many years.

## To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

### Jamdani and Nakshikantha

Sir, I was amazed to read Farzana Khair's letter of 23-10-93 in your paper.

She has made some strange comments on the development of "Jamnakhshi" fabric by Mrs. Nasreen Akhter. She says such material was produced in 1960's as curtain cloth and in the 80's as cushion cover. So what happened to the material in all these 20 years. Why was it not in the market. In fact no such quality was ever produced.

She also says that the product now innovated is not new. Perhaps Farzana Khair needs to improve her knowledge. In information gathering. As a person long associated with crafts development I know that the "Jamnakhshi" fabric woven on a restructured size of loom is an innovation of Mrs. Nasreen Akhter. The weavers have, with her instruction, done a creative layout of design. We should be thankful for

Mrs. Nasreen Akhter's contribution to development of loom crafts by transforming Jamdani weaving into material for household linen.

Yasmin Khan  
Dhaka

### Affront to national dignity

Sir, This has a reference to your leader of October 29 "People are no commodity". We are horrified to see the killings in Bosnia, Burundi, Georgia, Kashmir, Punjab etc on TV, and read about in the dailies and journals.

But what are we doing to control the mass trading of old men, young men and women and children who are being smuggled out of the country.

Some of the exporters of the "commodity" are carrying on their 'business' for days, months and years. It does not require much guessing, when

we can say that not even one per cent of the trading comes to our notice. And then again we do not know what punishments are inflicted on the 'human' traders, who are engaged in the worst kind of crime in the society.

If we want to call our society a democratic civil society, this crime must be stopped immediately. There can be immediate bilateral talks with the Governments of India and Pakistan regarding this most inhuman issue. We may seek the help of Interpol also, if needed. Almost every week we come across news items which say that a considerable number of citizens of Bangladesh are languishing in the jails in Pakistan and in India. Overburdened with a predominantly illiterate population that we are, any message that we want to reach the simple rural folks is a gigantic task, but not an impossible one, in the perspective of our government structure up to the Union and Thana levels. Our missions abroad can also play an important role here.

If a change in the existing laws of illegal trafficking is needed, this can be discussed in the Parliament which is the supreme body in the land. And the enacted law has to be acted upon, otherwise the whole thing will be a farce. The dehuman-

ised, degrading and subhuman lives that our citizens are undergoing daily is an affront to our national dignity.

Shahabuddin Mahtab  
Siddheswari Road, Dhaka.

### Unnecessary

Sir, See the time group flashed at the bottom right hand corner of the TV screen during the BBC transmission? It has a twin purpose. One is to let the viewers know the time in hours, minutes and seconds. For most of us who have watches and/or clocks, this mostly not necessary. The other purpose is to obscure from view the names and titles of personalities appearing on the screen. And this is irritating and seems wholly unnecessary.

Hasanuzzaman Khan  
Dhaka

### A matter of concern

Sir, A news circulated recently may be looked into more deeply by the relevant authorities. An American company has apparently obtained sanction to use wastes from America in an industrial complex to be set up in Mongla. The size of the investment is heartening and appears too good to be true.

There is another news that several Bangladeshis in North America have protested, the move alleging attempt to dump toxic wastes in Bangladesh.

This is a matter of concern. Either we lose an opportunity of a big foreign investment or fall victim to a cruel conspiracy. In this situation, I would request a press investigator (as in the case of a report on Biman's attempt to introduce a favoured party for the supply of Air-bus) to obtain the full information. Generation of 300 MW power by burning waste paper, as appeared in the reports, is one point of special interest.

MA Haq  
Green Road, Dhaka-1205.

### Of a correspondent

Sir, I draw your kind attention to "Readers Response to STAR Commentary" Nov 29. Out of the four gentlemen who wrote, I and a number of people I talked to, want to know about the identity of Mr Syed Tasleem Hussain. I have studied abroad and must say that the captivating opening para of this writer could have been written by some one who has studied abroad too. I have even read the "Opinion" column of your paper (28 Nov) and am totally convinced (after, of course, being surprised — it's the same writer) that this person knows

how to hit the nail on its head — in beautiful flowing English. Has he written any more articles? Through your columns I request that you kindly convey my congratulations to Mr Hussain. We want to see more articles from this writer.

Robert I Gomes  
132 Ddu Rd,  
Eskaton, Dhaka.

### Sans

Sir, I write this letter to tell you that the first headline of The Daily Star (Friday, November 26) "Opposition sans Jammat boycotts Sangsad" awfully, failed me to understand the message. I felt bewildered at my poor knowledge; consulted several dictionaries to know for what 'sans' stands for, but in vain. It is said that writers cherish words. They choose, scan, even polish them, to give readers Roman-candle insights or a devastating explosion. I don't know whether this is a dead word or new-born. Whatever may be the case, I shall feel obliged if you can remove my confusion by giving a short note. This might be informative to some other readers also.

KR Zakhrat  
Khuina  
As the Oxford dictionary puts it: sans — prep (colloq) without; s — teeth, — eyes, — taste, ect.