The Daily Star
Founder-Editor : Late S. M. Ali
Dhaka, Monday, January 24, 1994

Loan for Apartment

To go by the latest showing of the official consumer price index (CPI), the economy now faces an unprecedented deflationary situation. It could well be that the dip in the CPI has been brought about mainly by seasonal factors such as the downslide in foodgrain prices. Yet, even viewed as a temporary deviation from the underlying trend of inflation, the situation overall is rather dismal, calling for more active demand management in the economy.

The government does not have any dearth of funds, neither local nor foreign currency. This is perhaps the time when the state could try reflate demand in the economy without rekindling inflation. Read in this context, it is indeed disconcerting to note that the government's moves to inject more funds into the housing construction sector are not working out too well.

The other day we published a report which says that the apartment loan programme of the House Building Finance Corporation (HBFC) has run into snags. Only a few people have come up so far to avail of the facility. The HBFC launched the programme last September as a new initiative to help the middle and lower-middle class people buy underconstruction apartments in the city. It is a good move from the socio-economic perspective also. The HBFC's target group represents a class who would not find it easy to secure bank financing for building houses.

Had the programme worked smoothly, many a city dweller belonging to the middle and lower-middle class would have found an opportunity to become proud owners of new apartments. This is the peak construction season. Many new apartment buildings would probably have come up in the city by now if the HBFC project had really taken off. This would also have eased the city's acute housing shortage and help revive the construction sector, adding new jobs and income.

Under the programme, the HBFC offers loans for purchasing apartments with an inner area of between 900 and 1300 square feet. To become eligible for HBFC financing, the intending borrower has to have an arrangement with a real estate firm for the construction of the apartment. The idea of tagging professional builders into the deal appears to be sensible. Individual borrowers or groups of them would probably have neither the capability nor the resources to build apartment houses.

The debt equity ratio of 60:40 might, at first sight, look a bit hard on the borrower. However, the middle-class and the lower middle-class tend to be more thrifty and usually would aspire to own a dwelling place only after having saved a bit for this purpose. Besides, a higher stake in the apartment probably would induce greater accountability in servicing the loan. The rate of interest appears to be market oriented. At 13 per cent, it stands at the lower end of the band of 13 to 15 per cent interest, currently being charged by the commercial banks for extending house building loans. And, as the HBFC would charge simple interest, in the end it would turn out to be cheaper than bank loans. With the cost of a 1300 square feet apartment taken at Tk 13 lakh, the HBFC loan would cover 60 per cent of it amounting to Tk 7.8 lakh. The overall debt burden would remain within manageable limits.

The problem, however, arises with the repayment schedule of the loan. As the report published by us puts it, the monthly instalment of repayment for a 1300 square feet apartment works out to about eight thousand taka. Unless located in a posh area, an apartment this size, if let out, would fetch a rent that could not even match the amount due in loan repayment every month. The owner would be left with no return on his equity and would have to scrounge for funds to meet his loan repayment obligations. Such a situation can only encourage default in debt servicing. The earlier the authorities devise a more realistic repayment schedule the better it would serve all concerned.

Bad News from Moulvi Bazar

There is bad news from Moulvi Bazar. Every four out of five of our tea gardens are in Moulvi Bazar. And logically enough if the gardens are unwell, Moulvi Bazar is unwell. And the gardens there are in distress. A state of lawlessness is subjecting the gardens to a condition of utter helplessness—something never experienced before.

Organised gangs of hoodlums are raiding the gardens in broad daylight to drive away cattle and commit dacoity in the workers' sheds. When this is the situation in day-time in many gardens, these naturally are left completely to the mercy of the goons; the security personnel and the tea workers are also keeping themselves out of harm's way advisedly. For they have nothing to meet the challenge with.

Serious fall in the output of these gardens is sure to result from all this. The tea plant needs for its proper growth, besides a lot of rain-water that doesn't stand, shade to guard it from direct sunlight. The bandits are felling the shade trees in the gardens and carrying them off to sell as timber. This is going to hurt the national tea crop very badly. If this is not stopped in time gardens would soon start losing money and, after that, closing down. This is all too dangerous a prospect to be materialising just like that. Stop it must.

The cutting down of shade trees should be arrested very urgently. But that cannot be done in an isolated manner, keeping the overall untenable situation down there unchanged. We very strongly feel that the government, and not Moulvi Bazar administration, take the news from Moulvi Bazar, published in The Daily Star of Sunday, as a veritable SOS of the national order and act accordingly. There can be no question of securing hundreds of square miles of hill country by posting sizeable contingent of police there for lengthy stints. Besides being impracticable, this is sure to create problems of its own making. The hoodlums, on the other hand, can easily be tracked down, as they operate in gangs lending themselves to easy detection. It should not be difficult for Srimangal or Kamalganj police to identify them, if at all the culprits are not already known to them.

Economic crimes were treated by the socialist states as the worst crimes, for patent ideological reasons. The capitalist states did neither take these any more kindly. At a time when Bangladesh has yet to take off economically, there is no need to treat economic crimes lightly here either. We recommend the hardest of punishment to the Moulvi Bazar culprits if need be by enacting necessary laws.

Trade Liberalisation Needs Added Transparency

The import liberalisation process remains wrapped in a shroud of secrecy till the final hour of an official announcement. The concerned domestic industry knows of its product being freed for unrestricted import only after the plug is pulled out.

ALONG MY WAY

S B Chaudhuri

A recent report appearing in this newspaper says that the controlled list of some 112 items figuring in the Import Policy Order (IPO) for 1993-95 will be curtailed further to leave only 39 by the end of the current financial year. The proposition thus entails elimination of another 73 items which are now totally prohibited or restricted for import.

There is a bit of confusion about the number of items now on the controlled import list. Shortening of the controlled list of import items had been an oft-recurring exercise since the process of trade liberalisation commenced some years back. The IPO immediately preceding the 1993-95 one, ended up with 193 items on the controlled list.

It was reported that the 1993-95 IPO would drop a hundred of these items, leaving 93 on the list. In the event, finalisation of the new IPO was delayed by several months and it came into effect only in November 1993 and not in July, as is the normal practice. It came out that then the IPO for 1993-95 had actually shed 85 items from the earlier controlled list, so that 108 products were left there. To go by the latest count, the IPO for 1993-95 had really withdrawn 81 products from the list and the final tally of controlled items for import comes to 112 as of now.

The circuitous way of phasing out quantitative restrictions brings to light the tribulations in carrying out this part of the reform programme. As the available reports suggest, the process was to have been completed during the IMF assisted ESAF programme period. The Enhanced Structural Adjustment Facility (ESAF) arrangement with the International Monetary Fund (IMF) concluded last year. Under the ESAF arrangement, the IPO should have included, by now, only a handful of items on the controlled list for import — retained for reasons of health, religion, socio-cultural compulsions or for being manifestly sensitive in nature. Evidently, the authorities could not keep this part of the bargain with the IMF. Meanwhile, the Industrial Sector Adjustment Credit-2 (ISAC-2) agreement came to be signed with the World Bank. This agreement too stipulates removal of quantitative restrictions on imports. So, it is ISAC-2 now which is calling for the bargain to be fulfilled. However, the authorities have, in the process, gained some precious time before they take the final painful step.

The trade and industrial sector reform programme rendered import liberalisation through lowering of duties and removal of quantitative restrictions, inevitable. The recently concluded package of world trade agreements under the General Agreement on Tariffs and Trade (GATT) sponsored Uruguay Round of negotiations would seem to have made the process irreversible, at least for now. When implemented, the global trade accord could bring tariffs on industrial goods down by an average of 40 per cent. While the tariff cuts on some products such as textiles, could be lower than the average, some of the high-tech products could enjoy duty reductions of 50-70 per cent. Duties on agricultural products are to be cut by 36 per cent. However, tariffs on tropical products would be slashed by over 40 per cent.

As for quantitative restrictions on imports, it would seem that tariffication — conversion of all import barriers into tariffs — has now been written into the world trading rules. Traditionally closed markets for agricultural products, including rice, are being opened up. Trade-distorting subsidies for agricultural products are being brought down. Domestic farm supports in the advanced economies are to be reduced by 20 per cent, subsidised exports sliced 36 per cent in value and 21 per cent in volume. The programme is to be implemented over a six-year period, beginning 1995. Although developing countries will have a longer time-frame — ten years in fact — to implement the programme and will also be permitted to cut down market access barriers by 24 per cent on average rather than 36 per cent for industrial countries, they have nevertheless to conform to the general pattern. And, they also have to provide a minimum access to imports.

The least developed countries (Bangladesh, as we all know is one) are likely to benefit in the matter of availability of food aid, probably by way of allowing special waiver from the provisions of the accord to the industrial countries granting the assistance. However, this extends some advantage to the industrial country providing food aid as well. True, the least developed countries would be shown special considerations in certain other ways. The global accord prohibits subsidising industrial products as soon as the trade pact goes into effect. Developing countries have two years to phase out the existing subsidies but the least developed ones will have eight years to do so. But phase out, they must.

What is important to note is the stress on reciprocity in the market-opening format adopted at the Uruguay Round. During the final stage of negotiations, the industrial countries are said to have combined to wring deeper tariff cuts in textiles from some of the Asian producers in return for providing market access. February 15 is the general deadline by which the countries participating in the Uruguay Round would have to submit their final draft tariff schedules, outlining offers for market openings. Negotiations will then renew for improving upon the offers so tabled. The process would have to be completed in time for the signing of the final text of the agreement in mid-April in Marrakesh in Morocco. It's quite likely that the developing countries will face another call in this phase to come up with wider tariff cuts and market openings.

It is said that the least developed countries will have an additional year to spell out the areas where they would provide greater market access. This could allow them a little more time to table their offers. However, at the end of the day, they also would have to reciprocate by way of opening up their markets for imports. It is also to be noted that concessions, once offered, cannot be withdrawn unless the trading partners fail to reciprocate. The Uruguay Round global trade agreement also stipulates that the tariff schedule of an individual country will be treated as bound and the rates cannot be raised except in special circumstances and that too after compensating the affected trading partners, unless they agree otherwise.

Granted that import liberalisation is inescapable, the policy makers first concern should be how to make the transition least painful. The domestic import substitution industry would be the most immediately impacted sector when quantitative restrictions are phased out. Their products will suddenly face competition from presumably more efficient manufacturers abroad. Competing imported goods would usually be cheaper, come in more attractive packaging and lay claim to better quality. Local products would soon face the prospect of losing established markets.

With tariffs bound at reduced levels, the tools that remain to soften the impact of import liberalisation are not many. The least that the authorities should do in such a situation is to ensure that the domestic products do not have to grapple with tariff anomalies in competing with imported goods. However, the drill for removing tariff anomalies usually starts after the IPO has been officially notified — throwing new items open for import. Naturally there would be conflicting claims. The authorities would take months to sort the issues out and take remedial action where tariff anomalies do, in fact, exist. Meanwhile, the domestic industry would be left to fend for itself in a disadvantageous competitive situation. It would be competing ineffectually with imported goods which enjoy a tariff advantage vis-a-vis the inputs of the domestic product. The local industry would thus face severe damage in terms of production, marketing and income.

The import liberalisation process remains wrapped in a shroud of secrecy till the final hour of an official announcement. The concerned domestic industry knows of its product being freed for unrestricted import only after the plug is pulled out. There was a time when such secrecy was a necessity. In a restrictive import regime, advance knowledge about products from which prohibition would be lifted would encourage speculation. Rent-seekers would be out to earn windfall gains. The market would be in disarray. However, things have changed. Import licensing no longer exists. Foreign exchange for import is available freely.

Perhaps it's time that the veil of secrecy is lifted.

As noted earlier, items on the import control list are to be cut down to 39 by next June, from 112 as of now. So, 73 more items are to be freed for unrestricted import. Which are these products? Why can't a tentative list of these items be published right away? Naturally, the outcry will come earlier than usual. However, the authorities will have more time in hand to outface it. At least they will be in a position to rationalise the duty structure in advance so that tariff anomalies may not arise. And, the industry would be in a better position to prepare for the competition ahead and carry out the painful adjustments. Like other areas in the ongoing reforms, trade liberalisation also needs added transparency.

Moi Enjoys Multi-party Rule without an Opposition

Robert Otani writes from Nairobi

A groundswell of criticism against the government and the ruling KANU party, reinforced by pressure from Western countries, forced Kenya's President Moi to hold multi-party elections which looked as though they might sweep him from power. A year later Moi is still in the saddle, and the opposition parties are in disarray.

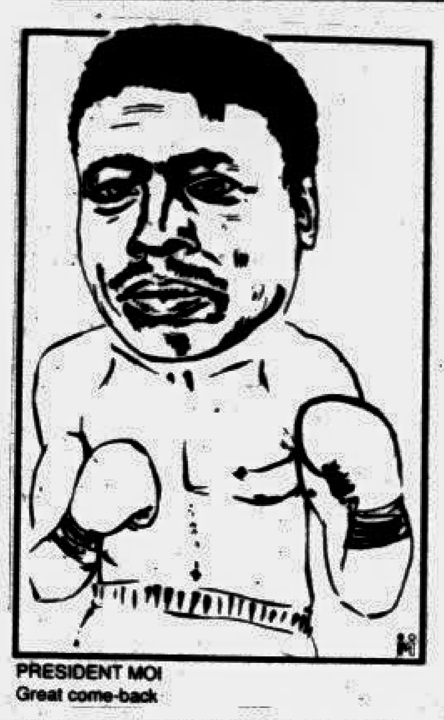
IF President Daniel Arap Moi was a heavyweight boxer, he would be hailed for one of the great comebacks of all time.

A year ago he was on the ropes, assaulted by a confident opposition movement and under intense pressure from Western governments to introduce multi-party rule and loosen the government's economic grip.

Opposition leader Kenneth Matiba repeated his catch-phrase, "Moi must go" at every opportunity and with growing confidence. Today, children taunt Matiba with the phrase at public rallies. Moi is firmly in power, and the opposition is in disarray.

Even the doyen of Kenya's opposition politicians, Oginga Odinga, admits the opposition's poor showing in the year since Moi was forced to the polls. The President's KANU party won only 36 per cent of the vote, but, thanks to the failure of the other parties to unite, it was enough to allow him to retain power.

Said Odinga: "The opposition is so disjointed that we can as well say that Kenya is still a one-party state."



PRESIDENT MOI
Great come-back

Matiba seems to have been hampered by the effects of the stroke he suffered two years ago, for which he has been receiving treatment in London. His performance has been erratic and he has amused the government and bemused his followers by delivering a series of absurd ultimatums and threats to the government.

Despite his Ford-Asili party's 30 seats, Matiba attends Parliament "only on technicalities," making an appearance every eight days to avoid disqualification.

Another opposition leader, former vice-president Mwai Kibaki, has also proved a disappointment. Much was expected of him because of his education and experience in government, but he has made no impact. MPs are defecting from his Democratic Party, which, like Ford-Asili, is now seen as an organisation of Kikuyus, the country's largest ethnic group.

But many Kikuyus, disappointed by their leaders, are clamouring for the revival of Gema, an organisation proscribed by Moi a decade ago together with other allegedly tribally-based outfits.

Kikuyus see Gema as a channel through which one of their representatives may ascend to the presidency, and opportunity which slipped through their fingers in 1978 when Kenya's first President, Jomo Kenyatta, a Kikuyu, died and was succeeded by Moi.

The only opposition party that convincingly shows signs of serious intent in bringing about change from decades of almost institutionalised corruption, authoritarian rule and sycophancy, is Odinga's Ford-Kenya. Nevertheless, many people, especially younger, better educated, more radical opposition politicians, accuse Odinga of colluding with Moi. He has promised to cooperate with Moi and KANU "for the sake of development."

Since KANU is formed mainly by minority tribes, many Kikuyus view Odinga's camaraderie with Moi as the Luo (Odinga's tribe) beefing up the ruling party and thus making it harder for them to wrest power.

When the campaign for political pluralism got underway in 1991, Moi warned against "the gorgon looming in the distance:" a proliferation of parties would exacerbate tribalism, he said, and the country would be divided on tribal lines.

Tribalism now seems to be at its apex, and tribal clashes have claimed more than 1,000 lives and displaced tens of thousands of others.

Moi's position has been strengthened by the decision of Western countries to resume short-term financial aid after a two-year ban imposed in protest against the government's bad human rights record, corruption and undemocratic practices. But they have not yet given the go-ahead to a full resumption of aid flows, and continuing violence could cause them to tighten the purse strings again.

The violence is fuelling regional sentiment, and though Moi must be smiling from ear to ear as he contemplates another period of multi-party rule without opposition, he must also be aware of the threat posed by the rising tide of regionalism.

— GEMINI NEWS

ROBERT OTANI is on the staff of Kenya's Daily Mail in Mombasa.

Indon Govt 'Cedes' Power to the People

'Guardians of the earth' conveys a limited picture of indigenous peoples' relationship with nature

JAKARTA: Keeping people totally out of nature reserves may not always be the best way to protect these valuable resources.

The Indonesian government is testing this theory by allowing the indigenous inhabitants of Wasur National Park in southeastern Irian Jaya to stay in the reserves and act as its guardians.

Indonesia decided to make an exception to its law prohibiting people from living within national park boundaries on the recommendation of the world Wide Fund for Nature (WWF). The Switzerland-based international conservation agency argued that people are not necessarily bad for nature.

The argument runs counter to the old conservation line that the only way to protect nature reserves fully and effectively is to evict humans.The Indonesian government adopted the 1990 'people out' law in the belief that people disrupt natural ecological balances.

But like many other indigenous peoples around the world, the natives of Wasur have actually improved the region's environmental equilibrium. Their practice of burning off dead vegetation in the dry season makes way for new plant growth, and traditional hunting does not over-exploit species.

The environmental problems of Wasur, in fact, started only in the 1970s when outsiders began entering the park to hunt and plunder such resources as timber and sand. The newcomers depleted wildlife stocks and degraded the reserve's forests, swamps and mangroves endangering the survival of many animals and plants, and even reducing the locals' meat supplies.

Thus, despite the fact that the threats to Wasur's ecological balance were mostly manmade, WWF did not think that moving people out completely was the best solution. It argued that it would be better to let the park's traditional inhabitants stay in the reserves and give them management responsibility.

This strategy is being increasingly advocated in many parts of the world with indigenous populations.

Julian Burger, who is responsible for the indigenous peoples programme at the United Nations Centre for Human Rights, said while 'guardians of the earth' is a fitting description of these populations, it seems to convey a limited picture of these peoples' relationship with land and nature. It suggests that they simply watch over "Mother Earth" keep it out of trouble, so to speak."

Mr Burger said these people have indeed proven themselves as expert conservers of some of the most vulnerable ecosystems. "But indigenous peoples are also resource management pioneers in these fragile zones. They have lived there for centuries, even millennia, used the resources, and adapted and transformed their environment so that their societies can thrive and grow," he added.

The UN official bewailed the fact that, while indigenous peoples are acknowledged as good conservers of the environment, 'their expertise as scientists, agronomists, managers, technicians, biologists, or any other professions in contemporary mainstream society, is still hardly recognised.'

These peoples may not have fancy titles to recommend themselves but Mr Burger believes the equivalent knowledge and experience are there.

He said indigenous communities should not be looked at merely as useful allies in the struggle for the sustainable use of nature and resources but also as teachers and guides on how to use properly Earth's bounties.

After two years, the Indonesian government is beginning to see the wisdom of his prescription. It now acknowledges that its conservation aims, at least for Wasur, would be best achieved by allowing the indigenous peoples to stay in the reserves.

The Wasur people now have the exclusive rights to hunt in the area using only traditional methods. They have also been asked to help prevent outsiders from coming to poach game and fell trees.

— *Depthnews Asia*

To the Editor...

Distribution of Calendars

Sir, It is customary with the banks, insurance companies besides a good number of commercial concerns to print calendars/almanac for distribution amongst their account-holders/clients. In this venture a sizeable amount is expanded by each organisation. It is a sad experience with many account-holders of banks, who despite repeated visits are mostly deprived from getting a calendar, which they otherwise feel that they are untitled to. It is perhaps, better for the management to fix some criteria or formulae to issue calendars to account-holders at the counter, at the time of making transactions.

The managers/officers who are in charge of distribution of calendars when approached by the account-holders, take a negative role and ask them to visit again 'next week', 'after some days,' 'next Saturday,' 'next Monday', 'after 11 A M' and so on and so forth until finally word comes "Sorry, the stock is exhausted". It was perhaps better for them to say at the outset that they have no room to comply with request of one and all for a calendar. The question is, if all account-holders cannot be supplied with a calendar each, the criteria should be selected as to who would be the fortunate recipients, so that others may be relieved of the tedious task of running after it again and again.

H Akhtar
Mirpur, Dhaka

AIDS awareness

Sir, While experiments are being carried out, the rate of death by AIDS keep on increasing. Only in America 92 persons die daily of this deadly epidemic. We must consider ourselves rather fortunate for death by AIDS have been very few and the number of persons carrying the virus is still not alarming.

But for how long can we stay indifferent when already 25 persons have been detected carrying the virus? Maybe the number mentioned here will not have any impact on a lot of people but this is just the beginning.

In one of our neighbouring countries there are about two lakh people carrying the virus and the number is increasing at an alarming rate. Albeit there are very few AIDS cases in Bangladesh. This country is not immune to this evil monster. Now looking at the horrifying situation in some of our neighbouring countries what should we do to prevent this disease?

First, we must create public awareness, this is absolutely vital because once we pass on the necessary information regarding AIDS, the people will avoid all kinds of events that exposes them to this terminal disease. Now, how to spread the necessary information? Of course, through TV, radio, news papers and other mass communication programmes indicating the causes, symptoms and preventions of the disease. A special chapter should be added in our Bangla and English textbooks reflecting the detrimental effects of AIDS.

We know not only through sexual contacts but also through the application of a single needle by various persons AIDS virus may spread. This usage is common and, among the drug addicts, a very common practice. This has to be discouraged. Sale and usage of, condoms should be promoted. People going abroad especially to Bangkok, Macau, where there exists a booming sex-trade, should be given adequate warning to take proper precautions. Indiscriminate blood transfusion can be pointed out as a reason for the spread of AIDS. The young people in our country should avoid promiscuity and follow social disciplines to shun this ghastly disease. All the Bangladeshis going abroad must get themselves thoroughly examined after returning. All foreigners, including diplomats, must undergo an HIV test prior to entering this country.

May I also suggest that a separate clinics be established to serve the above mentioned purpose. I am hopeful that it will go a long way in preventing AIDS. All blood donors must be examined before donating blood. A system of issuing cards mentioning that the donor is not a HIV carrier should be introduce.

The nation unitedly should fight this menace. With determination and commitment, we must come forward and do whatever is within our powers to prevent AIDS. Let's not waste a single moment as every moment it's coming closer and closer.

Towheed Feroze
New DOHS Dhaka

Prokrichi-BCS

Sir, For the greater good of the nation the Government should accept the genuine demands of Prokrichi plus 26 cadre BCS personnel without further procrastination. If there is any charge against any government employee, the proceedings should be drawn against that particular employee by keeping him in the job. Punitive measures of any kind may only be taken if he is found guilty after proper investigation. Levelling corruption charges or taking any punitive measures against any employee for his association with the professionals' action committee is totally unfair, illegal and undemocratic. As such, we demand cancellation of retirement orders of Prokrichi and non-administrative personnel's action committee leaders.

We sincerely call upon the democratic government to strictly maintain its democratic attitude in every respect. Perhaps it would be appropriate on the part of the government to initiate dialogue with the leaders of Prokrichi and non-administrative personnel for jointly working out solutions to all the professional problems.

M Zahidul Haque
Assistant Professor
Bangladesh Agricultural Institute, Dhaka