

'There can be no turning back from the reforms'

The Daily Star (DS): What is your opinion about the criticisms that the economic reform programmes are the main reasons for the ruling party's defeat in the city corporation elections in Dhaka and Chittagong? How do you assess the election results?

Saifur Rahman (SR): My view about the past-elections assessment is that some people are wrongly trying to attribute it (the defeat) to the economic reform programmes. This is absolutely wrong, erroneous and misconceived. It was a local election and until the last day of the campaign no one, even from the opposition parties, ever raised economic reforms as the election campaign issue. No one. I have not heard that this issue was never raised.

Actually, the reform programme is being made to be scapegoat. After we came to power the reform process was started and the value-added tax (VAT) tax system was imposed in June 1991. Thereafter, one after another we carried out reform in various sectors. I received acclaim from all over the financial world, from people who are concerned about our development activities.

Today Bangladesh's economic situation is one of the best and it was acknowledged, even by the delegations of our neighbouring countries, in Davos, Switzerland, where I went to attend the World Economic Forum meeting last month.

Now, what had gone wrong here (in Dhaka) during the city corporation elections? My assessment coincides with what the mayoral candidate (Mirza Abbas) himself said at the parliamentary party meeting on Tuesday last. The organisational weaknesses; the mayor-versus-commissioner factor — people who worked for the commissioners did not work for the mayor; the voting hours being from 7 to 3 pm instead of 8 to 4 pm; the Sher-e-Bangla Nagar meeting before the elections and the lack of cooperation from people who were involved with the campaign were some of the causes identified by him.

A Member of Parliament involved in the campaign gave his own reasons for the defeat. He attributed it to organisational weaknesses, that the commissioner candidates were busy with themselves, posters and leaflets were not adequate, lack of publicity and bad campaign management. Somebody made a comment during the campaign that (the Awami League mayoral candidate) Hanif should be driven out of Dhaka and some such thing. That affected the sentiment of the people. The last item he mentioned was that some income tax people sent some letters here and there. But this was one of the many other issues that were raised. And they never mentioned the name of the Finance Minister in any one of the assessments at the meeting. I am quoting from my note which I took while they were addressing the meeting.

Again, assessment by a lady MP, made the point that the Chhatra Dal did not work properly, we could not deal effectively with the primary school teachers and that the police failed to maintain law and order.

So, the main reasons were the lack of a coordinated effort on the part of the people who were entrusted with the election campaign to support the candidate, if economic issue was the cause for the defeat then why did we win in Khulna, which is an industrial belt. Actually, this issue was never raised during

the campaign. You are in the newspaper business, tell me, was the economic issues ever pointed out before the results were announced? After the BNP government came to power elections were held in 4,500 union councils, 72 municipalities, 12 or 13 parliamentary bye-elections were also held. The economic issue never came up, and even in the Khulna, Rajshahi and Chittagong city corporation elections it was not raised. The Mirpur bye-elections last year was one of the most crucial ones. Even after that nobody mentioned that the economy was responsible for getting less votes than the last time.

So, I do not think the economic issues had anything to do with the elections. It is simply that some people are trying to find faults and are taking a simplistic view in an attempt to put back the clock of our reform programme. They are saying that I have finished the economy without caring for the people. No, it is not correct to say that our reform process doesn't care for the people. Yes, reform is a painful process, but the painful period is already over and now it is time to gain from it. It is precisely the time to gain from it because now we have everything in balance at the moment. We have excellent macro-economic fundamentals in the country now.

Again, people sometimes erroneously ask: Saifur Rahman is accumulating the foreign exchange reserve for what? What is our reserve? At the moment our reserve is perhaps, I don't have the exact figures right now, around seven months worth of imports. When your currency is convertible one slight mishap here and there may involve quite a lot of market intervention to preserve your currency. Thus you need adequate reserves, at least six months worth of imports is the bare minimum to be in a solid position. So, the reserve is not excessive from that point of view.

Now, there is nowhere in the world today that a country is making any improvement without going through the reform process. Even the G-7 and other developed economies were criticised for not carrying out reforms in their own economies as much as the Third World countries have done, at the Davos meeting. So, reform is an inevitable process, there is no turning back from it for us.

The rickshawpullers and vendors are said to have voted against the BNP candidate, because they were driven out of the streets. The finance ministry had nothing to do with it. And I heard that the 20,000 or so municipal workers did not vote for him (Abbas), the finance ministry was responsible for none of that.

DS: Then why is this concerted attack, even from within your own party, against your economic reform policies?

SR: You see, very frankly, there are some people who had opposed the reforms all along. They had never reconciled themselves to go through the process. The reforms have removed the rent-seeking elements—sugar licence, salt licence and this and that licence, which are just not there anymore. I have also brought about discipline in the banking sector and this had also caused annoyance and disenchantment. Now, where do I go?

So, the people who are affected by these measures are the people who are creating problems. Because if it goes further then eventually become ac-

Immediately after the debacle suffered by the ruling BNP in the mayoral polls in Dhaka and Chittagong, a clamour arose from a section of the public faulting the economic reforms for the swing in the vote. A section within the BNP itself, as reported in the press, has also been demanding the replacement of the Finance Minister. We decided to hear straight from the man who was responsible for the reforms. The Daily Star interviewed, at length, M Saifur Rahman, the Minister for Finance at his Bangladesh Secretariat chamber on Wednesday last. Excerpts of the interview were published in our February 10 issue. Today we carry the full text. The interview was conducted by Mahfuz Anam, Editor, and Syed Yamin Bakht, Senior Correspondent.

countable. Thus, I feel it is a concerted action by certain people who are otherwise not happy with the reform process.

You see, this is a dangerous trend. The heads of the UN agencies who were meeting here last week were surprised and concerned that the results of a local elections is effecting the nation's economic policy. They said we are shocked at the anti-reform sentiments expressed in various newspapers quoting your cabinet colleagues. The result is that if this sort of situation continues there will be a decision-making paralysis. But if we are in power, we cannot be afraid of everything, we have to govern the country. The people have voted us to power for that purpose. We have to deal with the problems, we cannot run away from them.

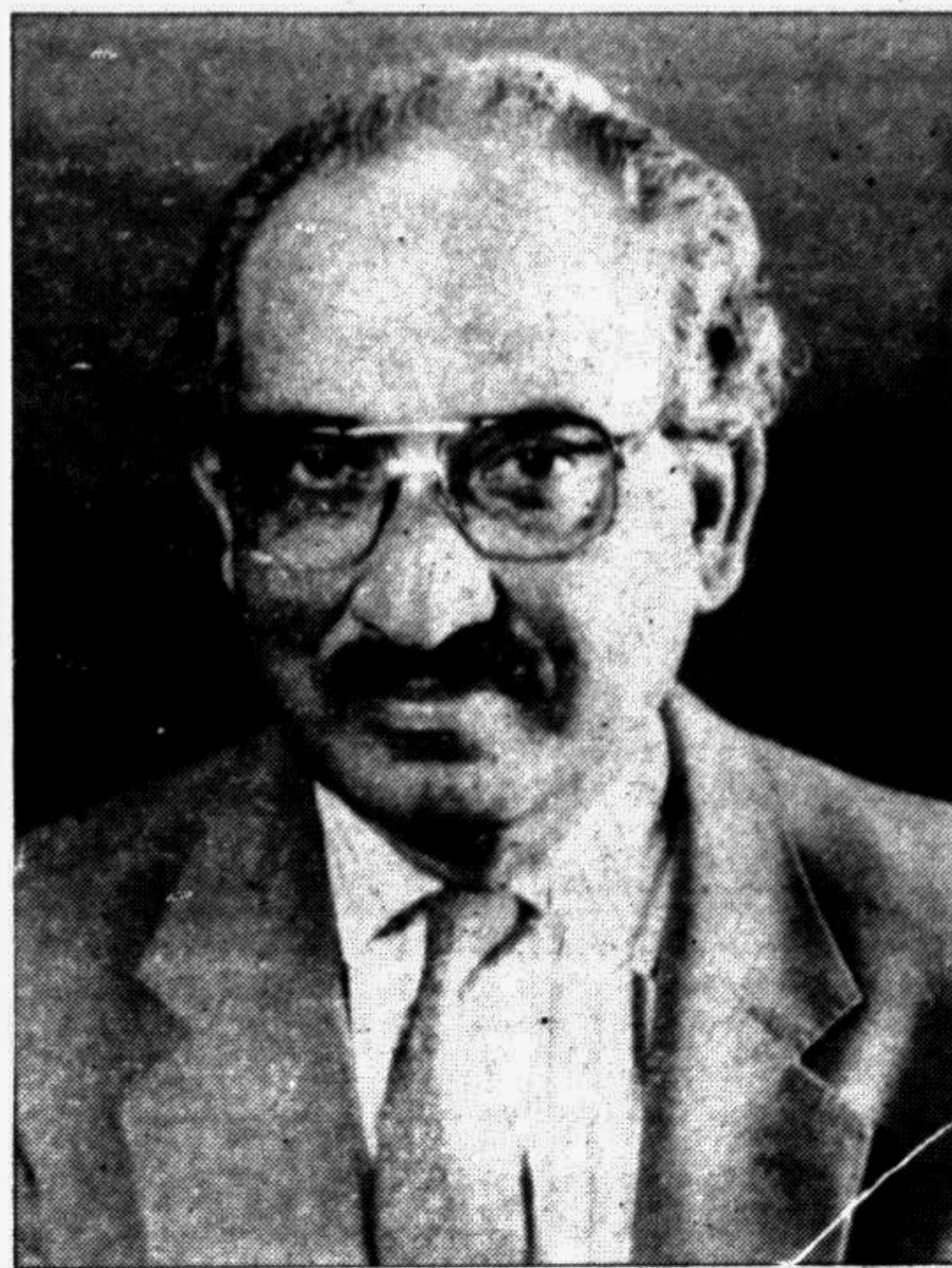
The separation scheme has also been blamed for the election debacle. But it is only a voluntary retirement option and nobody is being forced to retire. Do you know how much benefit they get? Between Tk four to five lakh for each person and then the government has also initiated a loan scheme for them to start up their own business ventures.

Again, you see, all over the world local elections are fought and lost by the ruling party in power. That is only normal in a democratic environment. In the United States, when the Republicans were running the country most of the state and city councils were being run by the Democrats. There was nothing wrong with it. In Britain, the Conservatives have been power for the last 15 years or so but most local councils are controlled by the Labour Party. In India, even New Delhi is now controlled by the BJP. So, where is the conflict? Do you want to control everything in society?

We have excellent macro-economic fundamentals in the country now, which is being appreciated and it can now attract foreign investors towards Bangladesh. However, they may not be coming here for some other reasons.

DS: That is the point. You are criticised for having created the macro environment, but you have failed to activate the micro-economic sector. How would you respond to that criticism?

SR: Well, the function of the Finance Minister is to create a macro environment—to give you a balanced monetary, fiscal interest rate structure, contain inflation and provide the foreign investors adequate reserve assurance that their investment can be remitted. But the micro sector is the responsibility of the private sector and the public sector, for which the line ministries are responsible for implementing the development programmes. If these sectors are not coming out with programmes and policies to accelerate the investment process, I cannot be held responsible for it. If I am to be held responsible



The Finance Minister makes a passionate defence of his economic reform policies.

for it, in that case, there is no need for any other ministries only the finance ministry can run the entire government.

So, this is unfortunate and a misconception that some people are holding the finance ministry responsible for the micro sector's performance. Now, tomorrow (Thursday) we will be meeting the donors, and I have seen the paper on implementation progress and structural reforms. The paper they have given us is so depressing. In the case of most of the major ministries the implementation rate is miserably slow. If they do not implement their projects while there are resources, not that there is no money in the banks, then new jobs will not be created.

DS: Is your ministry in any way responsible for the slow rate of implementation of the development projects included in the Annual Development Programme (ADP)?

SR: No, my ministry is in no way responsible for it. It is only responsible when the funds are not made available for the projects. But the funds are there, both in local and foreign currencies, every kind of funds are available. The line ministries are not implementing the projects and programmes. You will be surprised to see the percentage, at between 13 and 15 per cent, of the implementation of the projects in some ministries. It is miserable. I was myself shocked at the miserable performance of some of the ministries.

DS: How do you react to the criticism that, as people

say, you have pushed the reforms too quickly, which has led to hardships?

SR: Well, I do not think so. Because, either you go for reforms quickly or you don't go at all. Many countries which had wanted to go slow with the reforms have failed. The forward and backward gears would take you nowhere.

DS: One point is made that, because of your liberalisation policies some of the local industries, which are not yet ready to compete with imports, are being severely hurt. And thereby the open-door import policy has destroyed many local industries. How do you react to that argument?

SR: Well, this is one of those areas where there has to be a studied appraisal. Whatever we have done in relaxing the import regime it was in consultation with the Tariff Commission and Chambers of Commerce, Trade and Industry. If in the process of discussions it is found that the interest of some industries have not been properly safeguarded or it was done so at the time reform was initiated but subsequently conditions changed against their favour, then we are ready to review the position. And in fact we are reviewing it.

During the last few months we have made some adjustments in certain areas to safeguard our industries and it is a continuous process. For example, I have recently asked the National Board of Revenue (NBR) to look into the difficulties being faced by the toothpaste and tube-light industries,

and tactics. Recently we have come down on some income tax people because they were going after the genuine taxpayers instead of going after the tax evaders. When my intention is to encourage people to submit their income tax returns, and that is why I have reduced the personal income tax from 50 per cent, which I inherited, to a maximum of 25 per cent while the corporate tax has also been lowered.

DS: But what happened recently is that the regular taxpayers are being sent this NBR notice asking irrelevant questions.

SR: I was coming to that. I realised that the income tax fellows have started sending some stupid questionnaires. I myself was shocked to see it and I asked the NBR chairman to call for an explanation and that the officer should be immediately dealt with. Because the questionnaire exceeds all sense of proportion.

DS: Some people commented that it sounded like that coming from a police state.

SR: Absolutely. So, the questionnaire has been made to be withdrawn and a circular is being issued to that effect. I did not know about it, as it was done during my absence. Now, the NBR Chairman says he did not authorise it, the Member Income tax denies doing it and he says that the respective Commissioner also did not know about it as it was done by a Deputy Commissioner. I asked them that who gave them the authority to ask questions from a man who is buying a car. It is a normal procedure of income tax assessment when a tax official writes a letter that it appears from your record that you have procured a car or a house. Will you please explain the source of your income.

DS: In fact, the car dealers are supposedly also being asked to submit the list of buyers to the tax officials, which, in turn, has caused a slump in car sales.

SR: Yes, to write a letter to the car-owner, he has affected not only the owner but at the same time people will not buy cars. And I need people to buy cars as there is money lying in the banks and we have also reduced duties recently. So, I have told the tax department to immediately take action against those responsible for the sending the objectionable questionnaire and to withdraw the notice forthwith.

DS: There were also letters sent to the members of the Dhaka Club, Chittagong Club and even to members of the Rotary clubs, asking all sorts of irritating and irrelevant questions.

SR: Yes, I discussed these issues with a delegation of business people yesterday (Tuesday last). I did not even know about it, they brought it to my attention. I was surprised that the income tax people were asking these questions. But this thing has happened in-between, because we have taken action against some income tax officials. I am convinced that irrational orders are given on motives and no other reason. What they have been doing is that if your honest return assessment, they would go ahead and multiply your profit by say three times and then assess you. So that they frighten you, a genuine businessman, out. I warned them against making irrational assessments. We told the Income Tax Commissioners that if any of the deputy or assistant Commissioners under

him issues irrational assessment orders, then five or six such orders would go into his service records so that it is considered during his promotions.

DS: There is another criticism against you that you have offended the officers a lot by being very direct and brusque. Would you respond to that?

SR: Well, everybody has their own way of doing things. There may be some element of truth in it. I really do not mean to be offending. As I am from the private sector, at times, I get irritated with the slow pace of work in the government offices. Because I find the performance to be much, much below the standard which is needed for a country like Bangladesh. We have to run, we cannot while-away our time. So, somehow or other I sometimes get involved in unpleasant talks only when it appears that things are not done on time and things are not done as directed. But it is never meant to be offending, because the objective is to do good for the country. That is the whole thing. I think I am a much more caring minister for our employees than anybody else. What I don't sympathise with is inefficiency, which I cannot tolerate.

DS: The bankers are also said to be unhappy because of your reported tirades against their inefficiency. Any comments on that?

SR: The bankers have funds and people are applying for loans. They should respond to these applications. Now, if I apply for a loan to set up an industry they don't even sanction the loans in two months time. That is not correct. The investors have given the feasibility report and the banks should go through it and then take a decision within two to three weeks. That should be enough. If the investors do not get a reply on a loan application even after one month then how would the micro sector expand? If the banking system cannot provide adequate liquidity and credit to the investors then the industries cannot grow. So, that is why I lose my temper with them, because they have failed to respond to the needs of the customers. They are still behaving like the bureaucracy. Now, the commercial banks cannot behave like bureaucrats because, after all, they have to earn their keep and they have to support the development of industry and commerce.

DS: Why is the ADP implementation so poor? Is it going to be scaled back?

SR: Well, this is February and before leaving for Davos last month, knowing the slow pace of implementation, together with the Planning Minister I have already readjusted the ADP allocation and transferred Tk 600 crore to the ministries with good performance like communication, LGRD and education ministries. I had taken the pre-emptive step this time around knowing full well how slow the implementation process was in some areas. Allocation for all the municipalities was Tk 55 crore and now it has been increased to Tk 110 crore, the primary education budget has also been raised from around Tk 50 crore to Tk 189 crore and the food for education project was started with Tk 18 crore and now it has been raised to Tk 106 crore.

So, we have already taken some pre-emptive steps so that money does not remain materially unused. But there will still be readjustment of the ADP allocations.

DS: Thank you very much for your time.

Int'l firms invest over \$35m in DSE so far

About 20 international fund management companies so far invested around \$5 to 40 million US dollars in the country's stock market.

A councillor of Dhaka Stock Exchange (DSE) Ltd, Md. Shahiq Khan, told this to a BSS correspondent in an interview yesterday.

Replying to a question that measures should be taken to boost foreign investment in the stock market Khan laid emphasis on improvement of audit and accounting standard of the listed companies to build confidence among foreign investors.

He pointed out that the present system of transfer of shares also hampers the inflow of foreign investment. The formalities of the transfer of shares should not take more than three to four days, he said.

Khan said "we have to de-

velop an improved information system in the DSE and strict monitoring of the listed companies performances and disclosures by Securities and Exchange Commission (SEC) is imperative."

Md. Shahiq Khan attached importance to increase the liquidity of brokers through financial assistance on the basis of commercial bonds.

He said the commercial banks and other financial institutions could allow loans to the share brokers at a lower rate of interest.

The amount of loan should be fixed at least at 50 per cent of market value of shares instead of present 80 per cent of face value to facilitate increase of liquidity to the brokers.

Khan said the DSE member should improve their qualities and level of integrity more to bring in foreign investors in the country's share market.

51 pc Air France employees to accept salary cut

PARIS, Feb 11: An Air France survey released Thursday showed half the airline's employees who responded would consider a salary cut to help get cut huge losses at the state-owned airline, reports AP.

Fifty-one per cent of the respondents said a salary cut would be "acceptable," and 80 per cent agreed that the management was right in saying the company's situation was serious.

The survey is part of efforts to bring employees into the recovery process after an austerity plan to cut 4,000 jobs was withdrawn in October amid a violent and crippling strike.

The survey, however, drew 14,600 responses out of 40,000 employees, or about 35 per cent.

Bangkok unveils long-term strategy for economy

BANGKOK, Feb 11: Declaring higher expectations for the "year of the dog," the Governor of the Bank of Thailand unveiled a long-term strategy Thursday, he hoped, would make the Thai economy "the largest in ASEAN in the next few years," reports AFP.

Speaking at the first annual joint foreign chambers of commerce gathering in the Thai capital, Vijit Suphinit said a surge in Thai exports in late 1993 boosted economic growth last year, to eight per cent.

The figure was about 0.2 per cent better than previous estimates.

"On that basis," he said, "we could expect this year to be higher... 8.2 to 8.3 per cent in 1994."

Thailand has posted an average 7.5 per cent growth since 1961, about twice that of the world economy. But some

financial observers have warned of a slow-down due to overheating, skilled labour shortages and other potential stumbling blocks.

By using an approach, he characterized as "not too ambitious, not too unrealistic," Vijit said the Thai economy would become "hopefully the largest in ASEAN in the next few years."

The rosy outlook has grown mainly from an impressive performance by exports, expected to reach 15 per cent growth in 1994, compared to 12 per cent in 1993.

Domestic consumption is also expected to rise, from six per cent to eight per cent, Vijit said.

Thailand's 1993 export performance gave it a smaller account deficit than expected, he said, putting the figure at five to 5.5 per cent, compared to 6.3 per cent the previous year, Vijit said.

Jobless claims in US decline

WASHINGTON, Feb 11: The number of Americans filing the first time for unemployment benefits dropped by 47,000 last week, the government said Thursday. It was the biggest decline in six months, reports AP.

The Labour Department said a seasonally adjusted 366,000 filed initial claims at state unemployment offices in the week ended February 5, down from a revised 413,000 the previous week. That figure was first reported at 422,000.

The decline was the largest since July 31, 1993, when the number of initial claims went down by 56,000. Most economists had expected a sizable decline after a steep rise the previous week.

The report provided evidence of continuing fluctuations in the nation's job market, which has been on a roller coaster ride for months.

Strike call to protest price-hike flops in India

NEW DELHI, Feb 11: A nation-wide shutdown called by India's main opposition party Thursday to protest a series of pre-budget price hikes flopped, reports said, reports AFP.

The Hindu-revivalist Bharatiya Janata Party (BJP, Indian People's Party) urged shopkeepers, markets, industries and educational institutions to close in protest against the hiked prices of wheat, rice, sugar, cooking gas and petrol.

But the call evoked little response, witnesses and news reports said.

Traders in many cities and towns carried on business as usual and the strike was successful only in a few known BJP stronghold.

The strike was ridiculed by the ruling Congress (I) party, which termed it a "flop."

not with the BJP," Delhi Congress leader Deep Chand Bandhu told reporters here.

The BJP-controlled administration of New Delhi backed the strike to protest "the anti-people action of the government," but many of the city's markets were open.

Shops in the downtown Connaught place commercial area were open and did normal business. Essential services such as public transport, water and electricity services were exempted from the strike.

The government earlier this month hiked the prices of wheat, rice, sugar, cooking gas and petrol in a bid to reduce subsidies and raise revenue ahead of the late February release of the budget for fiscal 1994-95.

Bombay, India's financial heart and film capital, was unaffected by protest and its billion wholesale markets remained open to business.