The Daily Star
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For a Greater Substance to Dhaka-Tokyo Ties

Prime Minister Begum Khaleda Zia is off to Japan with a carefully chosen high-powered 73-member delegation. This represents a major attempt to break a new ground in Dhaka's economic relationship with Japan. Given the global environment of all countries opening their markets to foreign capital in a spurt of competitive enthusiasm, Japanese investment is highly sought after. However, the interest that Japan has unfailingly taken in Bangladesh's economic development, as the largest donor with a positive angle to see us become truly self-reliant, gives Dhaka an edge over many other countries in vying for Japanese investment.

Japan is one of the few major economic powers with a huge investible surplus but this must be seen in the light of recession in that country, worst since the Second World War. So, in a sense the visit is not taking place in the best of times. It is not also the best of times for Japanese Prime Minister Morihiro Hosokawa who heads a coalition of diverse groups.

From Bangladesh side the visit is so inherently featured that it is one of the most well-geared initiatives made todate for expanding economic cooperation with Tokyo. The inclusion of a 30 member business delegation in the Prime Minister's entourage is indicative of the high importance being attached to private-sector-led economic cooperation. The trip was long in preparation because a person having intimate knowledge of Japan, M Morshed Khan, was made the Prime Minister's special envoy some months ago. Significantly two full days of the 4-day itinerary will be devoted to discussions with the Japanese business community. Our advice to the private sector business leaders is that they take full advantage of the direct contact by establishing links of their own and a lasting rapport with their Japanese counterparts.

The Prime Minister has been accompanied by her top aides from the ministries of finance, foreign affairs and social welfare, aside from the high officials in the commerce, industry and energy sectors. The emphasis seems to be on building stronger bridges for economic cooperation. A new vista may open on gas, power and telecommunications sectors. Thus, from our side, we are putting a lot of eggs in one basket.

On the Japanese side, there has been some improvement of our image. Their coming around to invest in the Jamuna bridge construction is no doubt reflective of the new positive outlook. But what is no less important is that the Japanese business community and the economic experts, in both government and private institutions, are somewhat impressed by the macro-economic reforms, financial discipline and low inflation in Bangladesh. However, they continue to harbour reservations about our inadequate infrastructure including, specially, telecommunications facilities and lack of steady and dependable power supply. A dim view is rather seriously taken of the labour indiscipline. Even though they are aware that in the special economic zones, like the EPZs, the situation is better yet there is an unconcealed concern over labour unrest. The challenge before the PM and his high-powered delegation is to clear the air with Japan in these respects. Thus the great potential for breaking new grounds with Japan is pitted against formidable obstacles that must be crossed.

This trip will succeed in its mission if it can usher in an era of serious communication with the highest political and economic authorities in Japan. We shouldn't get our hopes too high for any dramatic development emanating from this trip because the Japanese mind does not function on ad hoc basis. It should be quite possible though to smoothen the way towards a greater injection of Japanese capital into our economy. We wish the Prime Minister's trip all success.

An Unacceptable Way to Population Control

Perhaps the most celebrated limerick against snoring by male spouses in Bengali or any other language, is by Satyendranath Dutta:

Swami noi, ghumer shoui
Pran kampe naker dakey
Ma-bap jakhon patro dekhen
Dekhen-ni ghum pariye takey

(Not quite a hubby, it's a sleep-driving demon. My parents took all care when selecting him but didn't test how he slept.) This, of course, is more than three-quarters in jest. But parents of nubile girls, and also the girls themselves, should better be fully serious about testing the sleeping habits of the future grooms, now that scientists in London have said that snoring is a sure sign of a male's increasing impotence. Snoring also contributes handsomely to obesity, not the best-loved thing for a wife to find in her man.

What kind of impotence? Dr Christine Vasselinova-Jenkins was specific while telling a London conference of scientists about her researches and findings: Severe snoring and shortage of dreaming sleep are responsible for erection failures of an organic nature.

Snoring or sleep apnoea has also been linked with increased death rates from heart attacks and strokes. Sleep apnoea can as well swell deaths from accidents specially caused by snoring truck drivers.

In these days of practising birth control as a pursuit of true virtue, snoring could, it seems, help reining in a galloping population. But would the male spouse, or even the female, even when tired scurrying to collect the stocks of pills and condoms or scaring dead in the thought of a vasectomy or ligation operation one must undergo — would like sleep apnoea to take care of the problem the way it does ?

No, there is no way but for the parents and the girls to set a condition before the prospective groom — that he must pass the snoring test. Once this insistence is there, the society and time will devise the mechanism of how to do it. If the girls fail to get the important message, it will be the duty of the women's right activists to make their constituency wary of the danger lurking behind all innocent eligible male face.

Whom does Currency Convertibility Benefit?

ALONG MY WAY

S B Chaudhuri

IT is reported in the press that the Finance Minister disclosed early this month that all restrictions on foreign exchange transactions on current account would be lifted by the end of April. Does this imply that the Taka will be made really convertible on current account at last?

Posing such a question at this stage might seem rather incongruous at first sight. After all, it is nearly six months that the Taka has been officially declared convertible on current account. How relevant is it then to talk of attaining convertibility on current account for the currency all over again? The fact of the matter is that the official announcement made last October, declaring the Taka convertible, did not, *ipso facto* render it so. Current account convertibility declared then was and still remains sort of a half-way house. It is an instance of partial convertibility at the most. Some might even view it as just another exercise in easing exchange controls — falling far short of currency convertibility. Certain key pieces that go into making a currency convertible, had been missing from the set all this time.

Convertibility of currency is not just a jargon. Among other indicators, it also implies that the local unit of money (in our case, the Taka) can be exchanged for any other internationally accepted currency freely and *vice versa*. Convertibility on current account only would limit the freedom to transactions in goods and services alone. In other words, transactions on capital account such as investments in business, real estate, abroad, would be excluded from the ambit of currency convertibility on current account. Admittedly, this is rather an oversimplified account of what currency convertibility signifies. However, it would do for now. Let's see how the current phase of convertibility acts on transactions in goods, or the trade account.

Ideally, exporters should have free access to their earnings in foreign exchange in a situation of current account convertibility, which covers trade account, of course. In short, exporters would be free to retain their earnings in foreign exchange. They would also be able to hold their export earnings wherever they wished. Exporters would convert their foreign exchange into local currency when they need to or spend it to finance their imports and other transactions, related to goods. They would no longer be required to surrender their export earnings immediately on receipt in return for local currency.

Currency convertibility being practiced now does not give the exporters this freedom. They can only hold on to their retention quota of five and ten per cent of export earnings. This retention quota was actually introduced in mid-1992 as an exchange control liberalisation measure. The quota remains in place despite the currency having being declared convertible on current account in October 1993. So, convertibility is just an empty word to the exporter, on this score. In contrast, Sri Lanka, which is yet to declare its currency convertible, has nonetheless carried exchange control relaxations further than us. Restrictions have been lifted from foreign exchange transactions for imports, exports and entrepot trade, as well as limits on how much money individuals can take out for health and education payments or for travel. Exporters can retain their earnings in foreign currency wherever they wish. These measures did not bring Sri Lanka's foreign exchange reserves down. Rather, reserves have swelled from increased inflow of funds. After declaring its currency convertible on trade account only, India did initially retain some limitations on the holding of their earnings by exporters in foreign currency but has eased up since. So has Nepal.

It is indeed a moot point if current account convertibility for the Taka brought any special advantage to the exporter.

To understand the phenomenon better, one has to look at the exchange rate management aspect of the ongoing exercise in currency convertibility. Technicalities aside, one can, of course, legitimately wonder how meaningful currency convertibility is, when conversion rates are not determined by the interaction of market forces. However, let's look at the situation as it is.

Considered from exchange rate management angle, the Taka can be seen as on a managed float now. The central bank declares its buying and selling rates for the US dollar openly. The banks, as dealers in foreign exchange, take their cue from these rates. The central bank no longer extends counter-cover for forward transactions in foreign exchange. Banks then would naturally play it safe. They would prefer to buy the exporter's foreign exchange at a rate which would be lower than the central bank's buying rate for the currency. The banks thus remain safe if they have to sell the currency, in their turn, to the central bank. In point of fact, the lower the banks' buying rate for the exporters' dollar is as compared to central bank's buying rate, the better it is for the banks. They would then be able to earn a neat margin of profit when they sell their holdings to the central bank. And, you can't blame the banks all that much for their attitude. They are hobbled by the requirement of turning in their foreign currency holdings in excess of the limits set by the central bank. So, they are obliged to sell their dollars to the central bank anyway. Why not do so at a profit?

Turning back to the exporter, you see him more as a hapless onlooker than a player on the field. He is obliged to covert his foreign exchange in export earnings in excess of the tiny retention quota into local currency, immediately on receipt. What option does he have but to sell the foreign currency earned by him at the rate set by the banks under the guiding hands of the central bank? He has not been awarded the freedom to wait for a better price.

Importers do not fare all that better in the existing set-up. Under the existing exchange rate management regime, the banks generally would tend to set their selling rates for foreign currency to the importers at a level higher than the central bank's selling rate. They would then be in a position to make a profit on the deal if they have to buy foreign currency from the central bank to meet their obligations to the importers. The profit would come from the difference between the central bank's selling rate for dollar and the banks' selling rate to the importer, the latter being higher of the two. In the bargain, the importers would end up paying more for the dollars bought. There could be exceptions, but these are rare.

Banks are enabled to set their rates in this manner because the central bank is announcing its buying and selling rates in advance under the existing mechanism for managed float for the Taka, in which the exporters do not have free access to the foreign currency earned by them. Had the currency been on a free float, the central bank would not be announcing its rates publicly in advance. It would, of course, have a reference rate but that would come into play when it intervenes in the market to buy or sell dollar for Taka, to correct what it might view as aberrations in movements in conversion rates. Otherwise, the market would set the rates. The banks may not be the lone players on the field then.

During the ongoing phase of currency convertibility, the banks have more than doubled the spread between the buying and selling rates for each dollar. Usually the spread now hovers around 100 basis points or, one full percentage point — at times running up to 120 basis points or so. The central bank also earns more as it has doubled the spread between its buying and selling rates — from 25 to 50 basis points. Who pays for the incremental charges? Obviously, the actual earners and users of foreign currency — exporters, importers and the ordinary citizens. Meanwhile, the informal market for foreign currency continues to thrive. However, there the spread between buying and selling rates is much less, only around 25 basis points.

It could be argued that the present foreign currency regime ensures stable rates, particularly when the central bank determines its rates in the light of the trade-weighted real exchange rate. However, the major trading partners' rate of inflation must be taken into calculation in constructing our real effective exchange rate index. Usually, it would take weeks, if not months, in collecting data on the rate of inflation prevailing in the countries whose currencies figure in the making of the index. Thus, it is more likely that the index itself would not be contemporaneous with the current rates of inflation in these countries. An element of arbitrariness is bound to appear in such a situation. And the essentials of an open economy are, of course, being compromised.

On the whole, the current phase of currency convertibility seems to have brought an advantage to the banking sector. The extent of benefits accruing to the earners and users of foreign exchange remains in doubts. Let's hope that the coming April's version of currency convertibility will be more meaningful for the real sector of the economy.

Economy— 1972-92: Dogged by Lack of Consensus and Prioritization

by S Y Bakht

POVERTY alleviation and socio-economic emancipation of the masses have been oft-repeated catchphrases of politicians addressing public gatherings. Intentions were not intermittently lacking though; only that matching efforts were in short supply. But in recent years, both global and internal changes in the country have forced the socio-economic issues onto the forefront of the national agenda with a renewed urgency.

It would thus be worthwhile to look into the progress made over the past two decades or so and try to get an understanding of the possible direction the efforts towards socio-economic uplift is likely to take in the near future.

If we let the Bangladesh Bureau of Statistics(BBS) figures--published dutifully every year--do the talking then it becomes clear that the period was a mixed bag of successes and failures. Since 1972 successes in making progress in the socio-economic realm were few and far between. It was achieved only in a limited number of areas and included agriculture, family planning, foreign trade and on the socio-political side a rather belated return to parliamentary democracy.

On the other hand, the list of failures over the period is rather long and somewhat alarming. Not much progress has been made in key areas like literacy, health, poverty alleviation, land reform and in the country's much-touted industrialisation efforts.

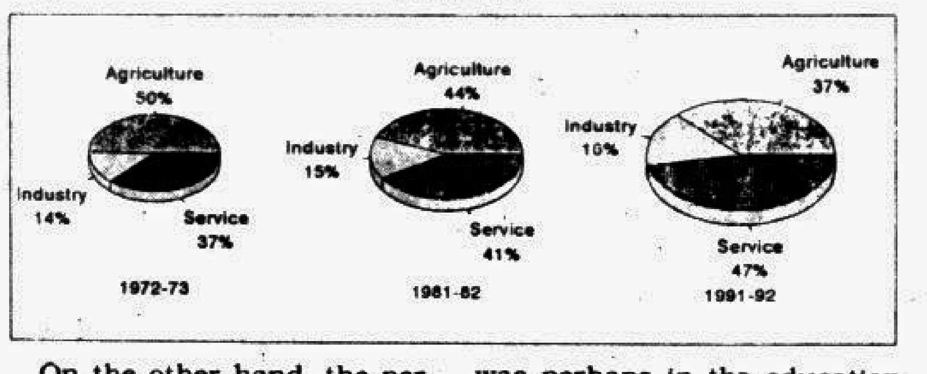
The absence of any national consensus on core socio-economic development issues and the consequent shifting priorities appear to have held the country back in making much of a headway over the years.

On the positive side, the most spectacular success during the period was in the agricultural sector. Rice production doubled to over 18 million tons in 1991-92 from about nine million tons in 1972-73, while the total area under rice cultivation remained almost unchanged during the period. Similarly, wheat output also increased to 1.2 million tons from a mere one lakh tons during the same period.

A concerted drive also helped to lower the population growth rate to 2.17 per cent from a birth rate of over 50 per 1000 in 1972-73, when the population was 74.3 million, to around 30 per 1000 in 1991-92. The total population of the country stood at 111.4 million as of March 1991.

Limited progress was also made in the gross domestic product(GDP) growth rate, per capita income, revenue collection and foreign trade. The total GDP of Bangladesh at current prices was estimated at Tk.907 billion in 1991-92 compared to Tk.50 billion in 1972-73. However, in real terms(i.e. at constant prices) the GDP just about doubled during this period. At 1984-85 constant prices it increased from Tk.264 billion to Tk.536 billion. The growth rates achieved during the First(1973-78), Second(1980-85) and Third(1985-90) Five Year Plan periods consistently fell short of the target--2.74 per cent, 3.63 per cent and 4.04 per cent as against a 5.5 per cent, 5.4 per cent and 5.4 per cent targeted growth rate in the respective five-year plans.

GDP and its broad sectoral composition
(at constant prices)



On the other hand, the per capita GDP growth rate in real terms during the 20-year period was around 1.6 per cent compared to 3.79 per cent for the GDP in the same period. At constant 1984-85 prices the per capita GDP was Tk.3561 in 1972-73 and Tk.4813 in 1991-92 while at current prices the figures stood at Tk.671 and Tk.8137 respectively. The taka per U.S. dollar exchange rate during the period increased from Tk.7.94 to Tk.38.95 while the wholesale price indices of agricultural products jumped from 228(1969-70=100) to 1339 and that for industrial products increased from 294 to 1303.

Although export receipts increased from Tk.252 crore in 1972-73 to Tk.7263 crore in 1991-92, these were dwarfed by a larger increase in import payments from Tk.632 crore to Tk.11892 crore during the same period. Thus, there was a continued current account deficit for the first 18 years after Independence. The balance of payment deficit, on goods, services and income, also sky-rocketted from Tk.472 crore to Tk.6030.5 crore over the 20 year span.

One of the largest foreign exchange earner for the country at the moment is the remittances sent by Bangladeshis working abroad. Remittances grew from Tk 24.6 crore in 1975-76 to Tk.3697 crore in 1992-93, with a total of 2,37,779 people working abroad.

The government's total revenue receipts jumped from Tk.2290 million in 1972-73 to Tk.96151 million in 1991-92. The revenue expenditure also kept up a similar pace and increased from Tk.2185 million to Tk.79982 million during the same period. Foreign aid during the 20 years stood at around 25 billion U.S. dollars, of which about 12 billion was in the form of loans and thus remain as outstanding debts.

On the down side, the starkest failure over the period was perhaps in the education sector, with painstakingly slow growth in the country's literacy rate. According to the 1991 Census, the number of people of seven years and above who were considered literate stood at 32.4 per cent of the population up slightly from the literacy rate of 22.2 per cent in 1973-74. What brings this slow growth into sharp focus is that the literacy rate was 21.1 per cent in 1951, when the population was 41.9 million, and it took a dip to 17.6 per cent in 1961 with the population of the erstwhile East Pakistan at 50.4 million.

Thus, it clearly appears that not much headway has been made in turning the country's huge population into an asset by enriching them with basic education.

Although the total number of medical practitioners and hospital beds increased from 3,643 to 21,000 doctors and 12,311 to 34,353 hospital beds respectively during the 1972-92 period, the health service delivery system continues to remain grossly inefficient and inadequate to the needs of the populace. The infant mortality rate per 1000 live births declined over the years to 88 in 1992 from 113 even in 1987 while the maternal mortality rate per 1000 live births fell slightly from six to 5.5 during the same period. Life expectancy at birth also inclined from 52 years in 1972 to 56.7 years in 1992.

Again despite the doubling of the agricultural output, the per capita daily calorie and protein intake increased only slightly from 1915 kcal and 52 grams in 1973-74 to 1925 kcal and 56 grams in 1981-82 to 2215 kcal and 64 grams in 1988-89.

Another area in which no progress was made during the past 20 years is land reforms, considered absolutely essential by economists for getting the maximum use of the available land. Initially a 25 bigha ceiling was set on land holding but it was later relaxed to 100 bighas per family and even that is hardly enforced today. As a result the size of small farms has declined from 1.3 acres in 1977 to 0.9 acres in 1983-84 while the size of medium and large farms remained virtually unchanged during the same period. Consequently, landlessness has also increased manifold over the years.

Industrialisation is another area where there has been little progress over the years, despite the government's repeated efforts. The contribution of industry to the nation's GDP, at current prices, stood at 15 per cent in 1991-92, down from 17 per cent in 1981-82 and 12 per cent in 1972-73. In contrast, the contribution of the service sector increased from 38 per cent to 50 per cent between 1972-92 while that of agriculture declined from 50 per cent to around 34 per cent of the GDP over the same period. At 1984-85 constant prices industries' contribution to GDP was 14.15 and 16 per cent respectively during the period

In the employment category the figures have remained largely unchanged with the agriculture sector providing 57.4 per cent of a total employment of 20.7 million in 1972-73 as against 53.6 per cent of 33.58 million jobs in the country in 1991-92.

However, there were some limited success in the industrial sector during the period. The most spectacular success was the export-oriented garment sector, primarily due to the initiatives of the private sector, and to a much lesser extent the setting up of a number of public sector fertilizer industries. The garment sector exported Tk.4802 crore worth of ready-made garments in 1992-93, up from only Tk. One crore in 1979-80. Frozen fish exports also increased from only Tk. two crore in 1972-73 to Tk. 794 crore in 1992-93.

All in all, as the above figures indicate, not much progress has been made in the basic socio-economic realm over the years due to the absence of adequate national prioritization. In fact, proper priorities were never set even upto the late 80s. Although periodic priorities were set by successive governments, they were never given a chance to crystalise over the long-term and were shifted according to the whims and vagaries of politics. Each successive governments seemed to be possessed by their own political survival, forcing vital socio-economic issues on to the back-burner. The policy-makers never attempted to reach a national consensus on key development issues, so as to assure continuity of priorities.

Even with short-term priorities--Green Revolution, achieving food autarky and canal-digging to facilitate irrigation--the agricultural sector produced remarkable results. But even in this sector there is not enough emphasis to produce more high-value agro-products, maybe for exports, beyond the basic goal of achieving food autarky.

Only lately, starting in the late 80s, priorities were set to achieve Universal Primary Education and Health for All by the year 2000 and to bring about economic reforms. Again these goals were set without any consensus about how to go about achieving them. Without total political commitment, of all major political parties, and social mobilisation, implementation of both the literacy and health campaigns would still be a long way off.

The urgency to bring about economic reforms, to stop the drainage of scarce resources, in the country was only forced upon us by the donors. The policy-makers never felt the urgency to reduce the huge system-loss--nearly 40 per cent in the power sector and 52 per cent at Dhaka WASA--or the Tk.2000 crore annual loss of the public sector enterprises or to even put a halt to the pervasive default culture, which has forced the nation's banks to write off 25 per cent of their loan portfolio as bad-debt. In fact, a section of the bureaucrats and politicians, both in power and in the opposition, are still playing tug-of-war with the economic adjustment measures already outlined by the donors. The opposition political parties are severely critical of the reform measures, but they are failing to come up with a better alternate plan to stop the drainage of national resources.

However, on the positive side, both the policy-makers and the national-level politicians are beginning to become more concerned about economic issues, perhaps forced by the electorate's serious concern about their own economic well-being.

Economic issues have also returned to the forefront because of the global changes, which saw the formation of several powerful trading bocks emerge in recent years. Nearly every country around the world is now placing more emphasis on improving their economic condition through increased trade. And Least developed Countries like Bangladesh are being haunted by the fear of being left behind.

Time is running out, but it is not too late yet for Bangladesh to make a breakthrough. The country is enjoying a stable macro-economic environment, with a low inflation rate, comfortable foreign exchange reserves and adequate development resources available.

What is needed at the moment is national consensus on the immediate and long-term objectives and on ways to implement those objectives to achieve socio-economic progress and to put a dent on the pervasive poverty situation. In a parliamentary democracy, such a consensus should come out of the Jatiya Sangsad.

Social mobilization and community participation in a resource poor country like Bangladesh is the easiest way to make a breakthrough.

What should be the Criteria for Literacy?

A person would be considered literate if he is able to read and write a simple letter. This is exactly the criteria used to determine the country's literacy rate during the 1991 census. The literacy rate of people aged seven years and above was determined to be 32.4 per cent. The total population stood at 111.4 million as of March 1991. However, educationists assert that the functional literacy rate in the country would hardly exceed 20 per cent.

Interestingly, in 1974, when the total population stood at 76.2 million, the literacy criteria used was the ability to read and write a simple letter in Bangla, Urdu, English or Arabic. And the literacy rate was 22.2 per cent.

The definition of literacy during the 1961 census was "the ability to read with understanding" and the rate was determined at 17.6 per cent, when the population was 50.4 million.

Again in 1951, the definition for literacy was the "ability to read clear print," which included persons who could read the Quran without understanding the text. The official literacy rate at that time was placed at 21.1 per cent, when the total population of erstwhile East Pakistan was 41.9 million.

Clearly, our policy-makers are confused about what should be the determining factor in finding out the country's literacy rate.

One suggestion is that the Three R's — reading, writing and arithmetic — would serve as a more viable method to determine the functional literacy rate of the country. —SYB

To the Editor...

Neglected Khulna

Sir, You may claim The Daily Star as the brightest star on the horizon of our English language journalism and one may not find much scope to dismiss it. However, I feel that being an influential national paper you have written little for this third major city Khulna. Of course, from outside, Khulna is not a beautiful city, rather it looks like a dusty municipal town. Nevertheless, its importance in the growth of industrial, agricultural output can't be denied.

Unfortunately, except establishing Satkhira Textile Mills, none of the government's since 1972 did anything for its further development. Had the governments kept the pace of its industrial development like that in pre-liberation period, it would have emerged as big a city as from Mongla port to Jessore.

I am at a loss to understand whether it is a policy matter to neglect Khulna and for that matter Khulna Division, and so you are less interested in investigative reports and features from your man, if any in Khulna, to whom you might have entrusted the job.

However, I do hope you will realise the necessity of playing the role by the authorities rationally and nationally for the uplift of the neglected regions of the country.

K R Zakhmi
Khulna

To share heaven

Sir, Statesmen of Muslim minority countries also extended greetings to the counterparts of Muslim majority Bangladesh on the occasion of holy Eid-ul-Fitr.

The universality of religious sanctity has thus been underscored once again above doctrinal differences.

Inter-and intra-religious rivalries that gained ground with sects right from the publicization of the faiths, turn into violent clashes from time to time producing scores of casualties which in turn intensify the anguish for vengeance without fail.

As utterly regrettable unto eternity, the massacre-at-prayer in Palestine unveils a nefarious design of a probable global conspiracy brewing out of divine right.

Undisputable now is that fierce confrontation based on religious affiliation, which is unethical by the sacred books, contributes to fanatic barbarism and the involved ones only earn themselves unheavenly credits worth sufficient liability to humanistic jurisdiction.

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