

Too Much Money — Too Little to Spend

Stockmarket Base

Some analysts see share prices on the emerging stockmarkets in the East and South-east Asia on the retreat in the months ahead. They consider that these emerging markets now face a reversal of the heady days in the last quarter of 1993 when massive mutual fund investments from the West had sent the prices way up. Last week's launching of a new 75-million US dollar fund for investment in shares listed in stock exchanges in Bangladesh and Pakistan, could come as a boon to the bourses in these countries at this juncture.

In 1993, a record amount of some \$20 billion is said to have been invested by the mutual funds from the West in equities in the emerging markets. A few crumbs of the largesse reached our stockmarket also. Most of funds finding their way into the emerging markets came from the United States — in search of higher yields. However, market expectations now generally figure that the US interest rates would continue to rise, enhancing the attractiveness of investment at home. Hence the jitters in the emerging markets. For a small stockmarket like ours, investment by the new fund could thus provide a timely cushion to keep the sentiments buoyed up.

Some portfolio fund managers now seem to count the Dhaka Stock Exchange (DSE) too in their list of emerging markets and are investing in our equities. This testifies that our stockmarket has indeed attained a degree of globalization. So far, the new wind has brought benign consequences for the DSE. The daily turnover is said to range around Tk 25 million on average now as against a paltry Tk 1.3 million in 1993.

Attracting even short-term foreign funds in the sharemarket is a welcome development in an otherwise bleak investment scenario. It is said that since January this year, foreign investors have put some US 50 million dollars into our stockmarket. After all, even with its recent growth, the average daily turnover just about exceeds half a million dollars.

While announcing the launching of the new fund, the DSE chairman has highlighted the supply-side constraint of the stockmarket. He has spoken of the acute shortage of quality scrips in the market. His suggestion is that the government should immediately arrange for the off-loading of the shares of listed companies held by the state-owned entities such as the Investment Corporation of Bangladesh, the Sadharan Bima Corporation and the nationalised banks. The DSE chairman also pleaded for speedy implementation of an earlier government decision to release shares of state-owned oil and gas companies through the stock exchange.

The government, on its part, appears no less aware of the need to expand the stockmarket base. In a recent inter-ministerial meeting, it was decided that the Industries Ministry would dispose of shares of profit-making public limited companies held by it. The Ministry would also off-load shares of public enterprises like fertiliser plants. Likewise, Ministry of Commerce would arrange for release of shares of profitable public limited companies, held by it, through the stock exchange. State-owned banks and other financial institutions also were asked to off-load their holdings of good scrips.

This is also the time for the DSE to manage its own affairs in a way that would strengthen investor confidence in its dealings. The DSE should streamline its procedures, update its listing and trading rules — make its operations fully transparent. Apropos the Security and Exchange Commission, the DSE chairman is reported to have remarked that the SEC should better concentrate its role on promotional activities. Unnecessary controls would not be welcome, he is said to have observed. Undue interference by a regulatory body is undoubtedly not desirable. At the same time, it also imposes a higher degree of responsibility on the DSE to manage its affairs impeccably. There also appears to be a need for greater interaction between the SEC and DSE. As a self-regulatory body, the DSE perhaps should take the lead in this regard.

Death of a Master

A master of the modern drama is dead. The father of the Theatre of the Absurd is no more. Eugene Ionesco, the Rumanian-born French dramatist died on Monday in Paris at the age of 81. His absurd masterpieces *The Lesson* and *The Bald Soprano* were, however, serious and interesting enough to be presented in a Paris theatre for 38 years without a break. Next Monday these two would complete 11,944 showings.

Ionesco excelled in short plays, most of them brief and violently antilogical sketches. At the height of this spell came the one-act plays *The Lesson*, *The Chairs* and *The New Tenant* — all notable successes and all having the fear and horror of death as their theme.

He was also a very abrasive drama-critic of both knowledge and depth inspiring respect throughout the theatre world. This greatly helped his use of a wide variety of non-representational and surrealistic techniques to be accepted by an audience conditioned to the naturalistic convention in the theatre.

Ionesco's coming to write a play showed the mind of a genius at work. After majoring in French at the Bucharest University he started work as a proof-reader devoting his leisure to learning English. The formal, stilted commonplaces of his textbook titillated him into writing *The Lesson* where, in a celebrated scene, two strangers exchange senseless platitudes only to know at the end that they were husband and wife.

Ionesco some time described himself as a right-wing anarchist. From this he grew into an opponent of every kind of left-wing ideology. This may daunt theatrical activists in Dhaka all of whom subscribe to a broad spectrum of Marxian approach to society and politics. Going uncritically for the bourgeois-and-proletariat dichotomy has been the bane for many a creative worker in our arts — literature, theatre et al, and politics. A dose of a Ionesco and other assorted detractors could help heal the main malaise here — that of uncriticality and lack of imagination.

THE banks in recent days seem to be loaded with money. They are simply floating with excess liquidity, so much so that even relatively small size banks are refusing to accept new interest bearing deposits since there are too few borrowers of that money and the banks cannot ensure enough earnings to pay to the savers for their deposits.

Too much money but too little to spend — this is the crisis on the economic front today. There is however nothing new about it. This is what typically happens during recessionary state of the economy when it does not grow — only rolls down in a regime of shrinking business and investment opportunities.

Although not to the desired extent, the economy is still growing no doubt. Bumper harvests of paddy and increasing exports of manufactured products speak of growth in spite of continuing global recession. But the impulses from less than desirable growth of the economy are not strong enough to generate demand for credit, both short and long term, adequate to eliminate the excess liquidity from the system.

Above all, investment is grossly inadequate; too much money but too little to spend is the agonizing reality of the economy. In spite of lowering of the interest rates, several other incentives offered to investors and a total silence on the overdue loans disbursed in the past, the tremendous lag in investment is difficult to explain on pure monetary/fiscal or commercial grounds.

Obviously, there are constraints yet unknown. They must be identified first and then concerted efforts made to overcome them for the much-sought-after sustainable investment build-up. Seminars and workshops are most welcome in order to increase the awareness of potential investors. They are necessary but not sufficient to overcome the

constrains to investment.

Constraints

What are these constraints? Any investor, domestic or foreign, would first of all look for the security of investment in the sense that the factory would run for 300 days a year without any interruption whatsoever. Is it feasible in Bangladesh? Not only due to labour troubles, far more significant constraints are created through interruptions from electricity shutdowns, water shortage, transport bottlenecks and inefficient telecommunication system of the country. These are the traditional infrastructure constraints well-known to the government but the unknown element is the futility of government attempt to overcome these constraints through creation of export processing zones since in isolation efficient utility services cannot be ensured. The critical externalities that is stable power supply, ease in communication as well as movement of goods and services are essential to realize returns from investments.

Otherwise, in the borderless world of money and capital, we would struggle to realise only 10 million dollars worth of direct foreign investment while, during the same time period, 10 billion dollars would be pumped into that economy by the private sector. At the same time, craving for foreign investment is unnecessary because domestic investors must come up first and foreigners would inevitably follow.

The upshot of the above discussion is that we must get our infrastructure ready for manufacturing investment through adequacy of power, water, telecom, transport etc, first and foremost. Then get local investment speeded up not only by private investors but through co-operatives, and other types of institutional investors should be assisted to come up with bold investment decisions. It must be recalled that in China, it is not only private entrepreneurs but various forms

of collective or township enterprises are prominent in the manufacturing sector. Since we have no entrepreneurial class like the overseas Chinese in ASEAN countries, we have to depend on a variety of ownership and management patterns in new and yet unthought of ways. Every country has certain uniqueness to its development and we have to seek and strive to design and work out our own brand of development.

Lack of Entrepreneurship

Bengalis are traditionally infamous for their reluctance to become businessmen. Office clerk during the days of the British Raj used to be the much sought after occupation, creating the right Babu image. We



were quite happy about — leaving aside business and trading opportunities to Marwaris in Calcutta and after 1947, to their Muslim counterparts in Dhaka. Hence at the time of liberation of Bangladesh in 1971, the indigenous merchants with reasonable liquidity consisted of few wholesale traders and commission agents located at handful of leading markets of the country. Unfortunately, they are not the daring entrepreneurs not averse to risk taking. They have the money no doubt. On any day at Moulvibazar or Khatunganj, one can find cash transactions amounting to millions of Taka. Yet that money is not available for import of machinery to be utilised for labour-intensive export manufacturing. The situation closely parallels the leading national problem of too much money — too little to spend.

It calls for entrepreneurship training. At least from the traders of today — whose number have multiplied during the

last two decades in order to fill in the gaps of abandoned business and commission earning opportunities, at least few thousand entrepreneurs can be trained and motivated to invest in manufacturing industries. But this would take time — at least a period of five years is necessary to bring up to the surface a sizeable number of entrepreneurs from the depths of the wholesale markets of the country. But this is the logical step. From trading to manufacturing is an inevitable progression that must be effected in as short a time as feasible and government must assist that process in all possible ways.

In order to resolve the immediate crisis of excess liquidity and inadequate manufacturing investment, an important available option is the institutional approach where private initiatives play the dominant role with minimum public control.

TCCA

Under the Integrated Rural Development Programme (IRDP), the Thana Central Cooperative Associations, TCCAs, have now been established in almost all the rural thanas of the country. It may be recalled that the original TCCA at Comilla Kotwali thana also developed the federation of industrial co-operatives representing a number of manufacturing enterprises such as dairy plant, modern rice mill, foundry and engineering workshop etc. The purpose of the federation of industrial co-operatives has been to develop as an institutional investor in order to build up the agro-industries, essential for agricultural modernisation. It was unfortunate that the rural industrialisation approach under IRDP was confined to agro-industries alone and it did not

expand further into general development of manufacturing enterprises for expand of labour intensive goods and services. Simultaneously with the growth in private entrepreneurship which anyway would take time to generate any substantial impact, it is essential that we strengthen TCCAs by appointing business graduates and industrial engineers and let them come up with TCCA Manufacturing Investment plans divided into following two major components:

1) A thana plan for agro-industries consisting of modern rice mills which has now become so essential in view of self-sufficiency in paddy production enabling us to enter the export market. After rice, prospects of feed mills to promote poultry production and rice bran oil extraction require considerable investment. In jute growing areas, TCCAs can invest in jute pulp production. In fruit and vegetable growing areas, canneries and other processing facilities are necessary in order to promote agricultural diversification. The prospects are endless. Modern rice milling alone would require over 400 mills, each with the capacity of 50,000 tons per annum, to process two-thirds of the projected output of 30 million tons of paddy by the year 2000. Another important area for investment would be foundries and workshops and manufacture of agricultural machinery. Each TCCA should also set up a fertiliser blending plant geared to the specific soil types and cropping system of each thana. In coastal and riverine districts, where aquaculture has already made a headway, fish processing, cold storage, ice making, manufacture of fish meal — an essential ingredient of poultry feed — etc, are necessary on a fairly large scale.

2) But like Comilla Kotwali thana, it is not necessary to stick to agro-processing alone. TCCAs should venture out to establish garment factories, knitwear making and the whole

range of enterprises manufacturing various types of textile products, leather and plastic goods and, for that matter, any good, or service that has any export or domestic demand. TCCAs could therefore be the vanguard of rural industrialisation and given the right management, it should be possible to create, out of TCCAs, modern Thana manufacturing centres which would not only spend the money, unspendable at present, but create millions of new jobs for the under-employed.

TCCAs are however not the only institutional investors in this respect. While they are perhaps the biggest constituency, weavers cooperatives, other similar enterprises of fishermen as well as poultry farmers, various artisan groups etc, should also be feasible. New forms of organizations are also necessary; for example, new types of engineering enterprises by engineers or health related enterprises by medical doctors particularly those who are fresh returnees from abroad with capital and work experience.

No Time to Wait

It may also be noted that the recourse to institutional investment is a pragmatic solution in view of the conspicuous lack of private initiatives as well as time necessary to enable supply of entrepreneurs to come up to the desirable level. All the same, there is no time to wait.

Economic growth must be speeded up at all cost in the midst of an agonizing situation of too much money — too little to spend. What I have suggested is a bold new venture in order to establish in the short term a nation-wide system of institutional entrepreneurship which, given the required support and assistance, should be able to transform the available excess liquidity into productive assets in not too distant a future. Most likely it should be possible within the remaining years of the present government in power.

Politics and Managing the Economy in Bangladesh — II

by K B Ahmed

As the government derived the power and authority by popular voting, it must now hold on to the popular support in the process of development. The only way to ensure this support is to develop local and regional administrative institutions under elected local leaderships.

POLITICAL leaderships must be reconciled with the idea of functioning within the specific framework of institution of administration and parameters of politics of objectives for "common-good". Each political party claiming to protect common good must stop experimenting ill-thought-out, historically invalidated political concepts and institutions.

Present government draws political credits due to the fact that, their ascendancy to power was caused by popular acquiescence. Therefore, this government like the Awami League government of 1972-75 has been given a rare opportunity to establish administrative structure and institutions on the basis of consensus.

As the government derived the power and authority by popular voting, it must now hold on to the popular support in the process of development.

The only way to ensure this support is to develop local and regional administrative institutions under elected local leaderships, and such institutions must be given both financial and executive responsibilities

for developing and managing local infrastructure, health services, housing facilities, education, promotion of investment and creation of employment. The administrative commissioners who are directly responsible to central government were introduced by colonial powers and prevalent now only in the ex-colonial territories.

A nation with unique characteristics and pride can only claim such status of nationhood if the nation as a whole is led to support and participate in the process of its own development. A nation can not be built on handouts and on continuous subsidy of other nations.

Since 1948, managing of political options and economic and administrative policies has been on short term and on the basis of narrow perspective. Both leaderships and bureaucracy were polarised by exter-

nal interests rather than imbued with a sense of national priorities.

Leaderships mostly suffered from ambiguity of purpose, lack of integrity of character, lack of intellectual independence, self deception and sycophancy.

Bureaucracy on the other hand found themselves marginally graded at a higher scale due to imposed discipline from training but suffered from the same short comings as the politicians. Bureaucracy however found a common purpose in the concept of "transfer of power" from the colonial power and protected the concepts at all cost against intrusion of ideas like "independence of power".

To overcome this, the political government and leadership must exclude bureaucrats and technocrats from the process of making political decisions. This can not be challenged or hindered by anyone

if the political objectives are transparent and arrived at by popular consent of regular voting and by managing local institution through elected representatives.

The practice of corruption by political leadership may become only source of discontent which is likely to be used against political management but this will become ineffectual if a rigorous process of public (not administrative) accountability is practiced.

Eventually policies will be initiated from political grassroots, but initially the leadership must come forward with the articulation and build confidence of the people to take both financial and executive responsibilities of their own affairs. Transition should be made in a total form and no restriction or phasing-out should be accepted.

Primarily all political initiatives should be allowed to oper-

ate freely at local levels without prejudice, exceptions and exclusions. Whichever initiatives may find grounds and can establish confidence of the people will be offered to the leadership irrespective of national political platforms. This will ensure confidence of ordinary people in the leadership, and national platforms will then care to respond to local needs to secure confidence of the people, at local levels. Targets and commitment for development will be localised and need-orientated. Executive responsibility at local levels will encourage financial participation through taxation in the process of development. As the targets are accomplished, subsidiarity of local institutions will diminish.

Market forces should be freed and entrepreneurs, investors and producers should be guided and directed to negotiate bilaterally with end-

users at the lowest floor. This will terminate practices of procurement at national level, and as such will deter large scale corruption of introducing un-economic and unnecessary products and services.

Producers will then establish market networks to provide sale and services to the end-users on competitive terms. Investment should require only planning permission from the local authorities and financing should be negotiated bilaterally between the investors and bankers, freed from any bureaucratic control. New products and markets will be developed to achieve local targets.

Fundamentally one should realise that during the last 45 years, selective and so-called elitist management has only caused chaos, political instability and inexorable decline. The new initiative should at least be given 25 years to prove, before a self-motivated corruption interrupts the process. Nothing can be achieved overnight, particularly when it involves establishing self-reliance and dignity of 120 million people.

(Concluded)

UN Secretary-General Accused of Undermining Third World Interests

by Thalif Deen

The G77 has accused the UN Secretary-General of undermining Third World interests by, among other things, restructuring UN institutions and failing to produce an 'Agenda for Development'.

have ceased to exist as single entities and have been merged with the UN Conference on Trade and Development (UNCTAD) in Geneva.

Jaramillo said the Secretary-General's attempt to merge the UN Centre for Human Settlements (Habitat) with the UN Environment Programme (UNEP) was also an effort to downgrade homelessness, one of the Third World's major socio-economic woes. A General Assembly resolution prevented the

merger of the two Nairobi-based bodies.

Jaramillo said he was also disappointed with what he saw as the United Nations' preoccupation with peacekeeping operations.

The founders of the United Nations, he said, envisaged a world body that would devote itself to resolving the world's socio-economic problems.

The Secretary-General was quick with the Agenda for Peace. But he has been slow with the Agenda for

Development. This is another manifestation of the one-sided approach by the UN Secretariat, Jaramillo added.

Boutros-Ghali in 1992 released a 53-page 'Agenda for Peace' which defines the future role of the United Nations in 'preventive diplomacy, peacekeeping and peacemaking'.

But Third World nations still have no 'Agenda for Development', more than a year after they proposed such a report. Several developing nations criticised as inadequate an interim document released by the Secretary-General in late 1993.

One Third World diplomat told a closed-door G77 meeting in December 1993: 'It is a matter of great concern to us that in an issue of such importance, we get a report from

the Secretary-General which is only six pages long and took more than five months to prepare. This is totally unacceptable.'

General Assembly President S R Insanally of Guyana was asked about the 'slowness' of the Agenda for Development at a press conference in December 1993.

'I do share to some extent your concern about the slowness with which the Agenda for Development seems to be taking off. But I want to make it my principal aspiration to try and get it flying, certainly by the end of my presidency,' he said.

— Third World Networks
Thalif Deen is Development Editor of Inter Press Service, with whose permission this article is reprinted.

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Road accidents

Sir, It seems to me as if road accidents have attacked us like AIDS. During the Eid festival a number of serious road accidents have taken place throughout the country which took many precious lives.

With deep grief and sorrow I record here the sudden death of Mr A K M Zaimul Abedin, Additional Secretary,

Railway Division who died in a recent road accident near the Naval Headquarters while on his way to the airport to fly to Chittagong on some official assignment. A member of the erstwhile PRS, late Abedin was a good and religious person and a dedicated and honest officer. He was also a good teacher of English literature. Road accident has taken him away. Had he lived further he could contribute a lot more in

M Zahidul Haque
Asst Prof. BAI, Dhaka

Transparency and accountability

Sir, Bangladesh Finance Minister as the Chairman of the Board of IMF and World Bank on a pre-Eid visit to Canada and US was delivering speeches about the most congenial investment opportunities in Bangladesh for all in-

vestors of those countries.

He has already succeeded in indoctrinating the achievements of macro-economy. May be, it is a prelude for success in the micro-economy! But what are the impact of the macro-economy success on Bangladesh economy, excepting that of his selection as the Chairman of the Board of IMF and World Bank?

May, I now remind the Minister about what all he has said in terms of our investors, financial institutions, bureaucrats, custom regulations, labour temperament, systems loss, corruption and an umpteen number of things which are not permitting the development of congenial atmosphere for the industrial investments. How does he forget when he is abroad and makes

all efforts to woo foreign investment? When they have not succeeded in convincing their own people to invest in their own country, how do they even dream of foreign investment? Don't they have time to read even the local dailies about what they report of Vietnam?

They must stop squandering poor taxpayers money in foreign visits, rather, invest that amount in small government ventures. The problem is that the ministers and most of their colleagues speak of transparency and accountability but have they ever thought about their own transparency and accountability? They should please stop preaching and start translating their good intentions into realities which will be beneficial for the peo-

ple of the country in the long run.

Maniha
DOHS, Dhaka.

BCCB

Sir, After finalizing out from ICC trophy which was held in Kenya, the whole nation plunged in a sense of languish. The dream to play in the World Cup cricket goes in vain. But my proposal to BCCB is to remain in further contract with Amarnath for a couple of years. Because, if we miss a world class cricketer like him, then our upcoming cricketers will be deprived of useful and proper instructions, and to both their and our dismay. So, may I hope that BCCB will consider my proposal.

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