

## ESCAP's Golden Jubilee Initiatives

Developing countries of the region, including Bangladesh, took the opportunity offered by the annual session of the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP) to call upon the rich nations of the West not to inscribe new limitations on world trade, by way of labour standards, at the Uruguay Round global accord, due to be signed in Marrakesh, Morocco, this week.

For the ESCAP, the nine-day 50th annual session, which opened in New Delhi last week, also marked its Golden Jubilee. Bangladesh was elected as one of the Vice Chairmen of the session.

ESCAP has an impressive track record of initiating new fora for mutually beneficial cooperation in the Asia Pacific region. In the field of trade, ESCAP initiated the formation of Asian Clearing Union, Bangkok Agreement, Trade Cooperation Group and the like. The Asian Reinsurance Corporation came up with its blessings. ESCAP's moves extended to shipping and transportation, including the Asian Highway. It initiated arrangement for food security in the region. ESCAP's agenda for work covers many other diverse areas of socio-economic priority in the region, including agriculture and tourism. Let us all wish ESCAP a happy Golden Jubilee.

ESCAP views infrastructure shortcomings as the major impediment to economic growth of the region. Infrastructure development as a key to growth was the theme of its 50th annual session. Deliberations naturally focussed on how to modernise power supply, telecommunications and transportation — including roads, railways and ports. All the ESCAP initiatives did not materialise in the past also. However, deliberations at the forum did help bring the region's priorities to focus.

Trade expansion also figured prominently on the ESCAP session agenda. Here, the latest attempt of the industrial nations in the West to write a new global labour code into world trading rules, provided the overriding issue of concern to the developing countries of the region. Stated briefly, the West wants exporting countries to conform to certain minimum labour standards in producing goods. They consider that by producing goods with relatively cheap labour in, what they consider as poor working conditions, developing countries are enabled to export low-cost products, disrupting domestic production in the rich industrial nations. This so-called social dumping of low-cost goods from the developing nations, the West insists, is leading to displacement of jobs in the industrial countries as their domestic producers cannot compete with the import of these low-priced products. They argue that this is tantamount to unfair trade practices. Developing countries must pay a certain level of minimum wages and maintain globally acceptable working conditions, irrespective of their living standards. Developing countries see in this move, a new form of West's protectionism, designed to erode the poorer nations' competitive edge and limit their exports on the pretext of so-called social dumping. Developing countries are also inclined to read a breach of agreement by the West as labour standards did not figure in the Uruguay Round accord hammered out last December and, also precluded inclusion of additional conditionalities before the Marrakesh conference. The latest news is that a compromise has been reached. Trade-labour linkage will not be included in the global accord. However, the issue would be considered later.

At the ESCAP meeting, Dhaka raised the issue of equitable sharing of water flowing through common rivers in the South Asian region. It is most unlikely that ESCAP can do anything about it. The problem is much too deep-seated. It's also a question of intentions of the major player on the field. Nonetheless, the ESCAP meet did present an occasion to air our urgent concern.

## The Quack Boom

There is a piece of interesting news from Barguna. The Daily Star correspondent based there has written to say educated young people in the five thanas of that district, failing to find any job anywhere, are fast turning into self-educated doctors or self-styled physicians. Those that are less informed of the strange realities of the world of human ailment and the even more exclusively human trait of healing — an act of bending other people's minds and bodies to the prescription of shamans or witch-doctors or medicinemen or doctors with the promise of getting the afflicted out of their real or imagined diseases, would, however, say that the Barguna development is alarming rather than interesting. After all no one has the right to tinker with people's physical existence without first getting a permission to do so by the government.

Before calling into question the Barguna young people's innovative approach to a calling let us remember that it is only a matter of decades that homeopathic and unani-ayurvedic treatment was dismissed as quackery. In a society overridden by faith healings of a hundred kinds — none needing a licence to be practised — and herbal treatments of no mean effectiveness and surefire cures for obesity and asthma, piles and cancer advertised prominently in national print media round the year — dismissing certain approaches to medicine as quackery may not be a wise thing to do.

The quackery scene has undoubtedly been exacerbated in Barguna as well as all over this country by the fact of treatment by physicians and surgeons of recognised competence getting beyond the pecuniary capacities of the best part of our population. The harassment and drain on money in case one can land a haloed professor of one of the medical colleges, — and the utter uncertainty of the results of the killing procedure have contributed liberally to the prosperity of the so-called quacks. In a society of burgeoning market economy demand for quacks should justify the supply of the same kind of services.

A sluggish economy, a government incapable of generating employment beyond food for work and a cultural compulsion for the aspiring classes to send sons and daughters for conventional college education making them good for nothing except secured salaried deskwork jobs — have joined to create a situation in which the educated progeny of educated people think so lightly of the gravest of man's concerns — the life of the individual — and go for advising, without the benefit of the most rigorous of man's knowledge, individuals to take drugs that at best can kill them and at the worst leave a trail of devastation in the society. Who is it to blame for all things? The young people? Hardly. Then who?

In a poor country aspiring to become affluent, everyone wishes things to go up in a hurry. Some call it a developing-country syndrome. The government wants its prescriptions to bring swift results. The poor pines to get out of the poverty-trap quickly. The better-off aims to get richer fast.

Regrettably, our current investment scenario seems to belie most of these assumptions. The government, at least its higher echelon, is in a hurry alright. However, the policy makers' anxiety to jack investment up is yet to permeate through the state functionaries. The public investment programme continues to lag behind target. The government's urgings do not rouse the private sector either to step up its investment. Sure, there are some signs of stirring but the pace remains painfully slow.

The authorities have carried out a macroeconomic stabilisation programme successfully. Now is the time for the economy to grow at a faster rate. And, higher growth can come only through a substantial acceleration of investment. The historically low level of inflation — 1.3 per cent last financial year and now running at an annualised rate of about 1.2 per cent — offers a real opportunity for a stable growth. Hence the urge of the policy makers to speed up investment.

Accelerated investment and growth could also bring in problems of a different dimension. The overheating of the fast growing economy in China, serves as an instance of this malady. The growth could whip up inflation. Even India which has brought its inflation rate to below 8 per cent last year, is now struggling to keep it within two digits. It's mainly a question of the economy's capacity to produce more goods to keep pace with the rise in aggregate demand that faster growth would usher in.

Higher investment and growth will create more jobs, raise incomes. Aggregate demand will rise. If the domestic producers of goods cannot expand their output, a mismatch between demand and supply will surface. Prices will rise when demand outstrips supply, rekindling inflation. When trade is free, more imports will flow in, to take up the slack, to the disadvantage of the domestic producers of competing goods. There is more to it. In a free exchange rate regime, import build-up would raise the demand and price of foreign currency vis-a-vis the local money. This would increase the cost of imports, leading to price rise, stoking inflation further.

There is, in fact, a whole raft of variables that would determine inflationary perspectives in an economy growing fast. For instance, higher demand for labour might trigger a rise in wages which would fuel inflation. Of course, for a country like ours where unemployment rate probably exceeds 30 per cent, such fears would seem unfounded at first sight. In practice, all would depend on how militant the labour is and how pliable the government and employers are.

If inflation really heats up during the phase of economic recovery, the authorities would be obliged to tighten credit, raise interest rates — dampening the revival. A quiescent inflation, therefore, offers the best bet for pushing investments and growth to new heights. To be sure, the resulting uptrend in the economy would create some inflationary pressure. However, the subdued level of inflation at start-up point would give the authorities a much better leeway

Having tried traditional recipe for stimulating domestic private investment, the authorities might as well consider tapping the parallel economy. Funds brought from outside the country to set up industries have been declared tax-free. Capital machinery for setting up export-oriented industry can be imported free of duty. Why not declare the equity money brought in for setting up industry, tax-free?

to tackle the situation as the economic revival gathers momentum. No wonder, the authorities are in such a hurry to energise investment.

Investment to GDP ratio touched 13 per cent last fiscal year. Experts consider this too low a level. They figure that investment must increase to over 18-20 per cent of GDP to yield a growth rate of 7 per cent to take us out of the poverty-trap. Investment came to 12.1 per cent of GDP in fiscal 1991-92. The gain in investment notched up last year

does not seem to hold much of a promise for improvement either. True, ADP expenditure in nominal terms recorded an increase of about 6 per cent during the first half of the current financial year as compared to the corresponding period of FY 93. Nonetheless, ADP realisation in the first half of the current FY 94 represents only 26 per cent of the target — in fact, a worse performance on this count as compared to the last financial year. The government's efforts to stimulate investment and growth

With significant improvement of the government's resource position, this has virtually ceased to be a problem now. Removal of other constraints such as project processing and implementation delays, is now on the top of the agenda for accelerating public investment. These efforts are yet to bear the desired results.

For stimulating investment to promote private sector manufacturing growth, the authorities have brought in an array of policies and precepts. All these are designed to create a business-friendly environment in the economy in pursuit of market-oriented strategies. Trade is being liberalised, tariffs and taxes are being rationalised. Financial sector reforms have progressed quite a way. Foreign exchange controls are being withdrawn. Industrial policy has been revamped and a programme for privatisation of state-owned enterprises has been taken on hand. Private sector participation is now being sought in areas which were formerly the state's preserves.

Institutional financing for private sector manufacturing activity has been eased considerably. Banks' lending rates are being brought down and the state-owned banking sector has been whipped into line to finance industry more readily. Many a new scheme for financing private sector manufacturing has been drawn up, including one that permits collateral-free lending by banks. These initiatives are said to have started showing results. Project loans sanctioned by the banks during the first eight months of the current financial year reached 88 per cent of the total sanctions in the whole of the preceding FY 93.

## ALONG MY WAY

S B Chaudhuri

was thus only marginal. If things continue to move at this pace, the desired growth rate cannot probably be attained in the medium term — say, by the year 2000.

Public outlay through the Annual Development Programme (ADP) provides the government with a readily available tool to boost investment. Experts say that public investment needs to be raised to a level of above 9 per cent of GDP from below 6 per cent as obtaining now. And, this has to be done within the next few years. However, ADP realisation rate continues to fall below the target. In the last financial year, the realised ADP was only 80 per cent of the original target and 85 per cent of the revised scaled-down benchmark. ADP performance in preceding year tells more or less the same tale. In fact, it is a story of successive failures to reach the target, year after year. Performance this year

through its ADP are thus yet to hit the target.

To achieve the desired level of growth, private investment needs to rise above 10 per cent of GDP over the medium term. For now, it just hovers near 7 per cent. In the preceding two years, private investment did not reach even 6 per cent of GDP. In all fairness, it has to be said that private sector performed better than public investment last year, i.e., in FY 93. The slight improvement in the overall investment to GDP ratio — from 12.1 per cent in FY 92 to 13 per cent in FY 93 — came about because private investment did better. However, the advance made so far still remains far off the goal for private investment.

The authorities continue to try to improve performance in public investment through ADP. In the past, shortage of taka counterpart funds used to hold up ADP implementation.

## Canada Puts Self-interest ahead of Self-righteousness

Allan Thompson writes from Ottawa

Canada's Liberal government has taken a controversial decision to actively pursue trade links with countries that have human rights records most Canadians find hard to swallow. The policy, which has been condemned by opposition parties and human rights activists means Canada will hold its nose and tongue while chasing business contracts in China, Mexico, Myanmar and other countries.



Canadian Prime Minister Jean Chretien: Promoting trade

CONCERN with human rights will not be allowed to interfere with Canada's efforts to promote international trade, the new Liberal government has made clear.

Canada will no longer make "self-righteous" speeches about human rights in countries such as China. It will raise the subject indirectly, at such forums as the United Nations and the emerging World Trade Organisation. That broad outline of what could be called a Chretien Doctrine on human rights and trade is evident from recent public statements and actions of Prime Minister Jean Chretien and senior Cabinet ministers.

Chretien made a high-profile trade promotion visit to Mexico in late March. Another is scheduled for China in November. The trips make the point clearly. Canada will not make trade links conditional on improved human rights in the countries with which it does business.

"If we refuse to do business with every country having a political system that is not to our liking, then we will not be doing business with very many countries," Chretien told Parliament.

The United States is increasing its pressure on China to meet minimum labour and human rights standards as a

condition of keeping its most-favoured-nation trading status with the US.

Canadian diplomats describe that policy as misguided. "Lecturing the Chinese publicly by standing up in forums in Canada doesn't do any good for human rights in China," said Howard Balloch, Assistant Deputy Minister of

Foreign Affairs responsible for Asia and the Pacific.

Senior officials acknowledge that winning a place in the lucrative Chinese market is an important part of the Liberal policy shift away from public declarations on human rights.

The shift can trace its roots to May 1993, when Conservative Trade Minister Michael Wilson announced that the policy of isolating China was wrong. He argued that China was "the most important trade opportunity" for Canada in the next decade.

But many expected a different line from the Liberals who took the majority of parliamentary seats in the October election that decimated the ruling Conservatives.

Liberal Foreign Affairs Minister Andre Ouellet has stated repeatedly that the government's top priority is creating jobs and stimulating the economy.

"It's a change in tactics," he explained. "The objectives of promoting human rights are

the same, the values that are important to us are the same, but the way to go about it and to achieve it have changed."

International Trade Minister Roy MacLaren told the National Forum on Canada's International Relations in mid-March that Canada would raise human rights issues only in-group meetings with countries like China, not one-on-one.

Canada has also backed away from past outspokenness about Myanmar, formerly Burma, which most of the international community treats as a pariah because of its human rights record.

"The most important part is not to isolate them (Burma's government)," Raymond Chan, Secretary of State for the Asia-Pacific, told a parliamentary committee. To some, it means the Liberals are abandoning a tradition of putting respect for human rights ahead of other considerations.

"By letting commercial interests prevail over human rights, Canada is relinquishing

its historic responsibility." Opposition leader Lucien Bouchard told Chretien in a heated exchange in Parliament.

The Prime Minister's response was that Canada could not realistically expect to influence a country the size of China. "I told the president of China, who represents 1.2 billion people, that the Prime Minister of Canada was telling him what to do, he would laugh in my face," Chretien told Parliament. "I think the best way to accomplish something is to help this country develop its potential."

Ed Broadbent, former leader of the socialist New Democratic Party, and now head of the Montreal-based International Centre for Human Rights and Democratic Development, says it is wrong to forego public statements on human rights.

"Sometimes you should speak publicly, and sometimes you shouldn't," Broadbent observes. "But to withdraw it as a policy option is to give it away."

So, private sector investors are responding to the policy package. Yet, the level of response remains lukewarm. They are not exactly in a hurry to invest. The authorities would perhaps try some more of the traditional remedies for the malady. Lowering banks' lending rates further, 'might come on the top of the list of such measures. This would entail further reduction of interest rates on bank deposits. Such a step can of course be justified on purely economic grounds. Rates of interest on deposits are still highly positive in the current inflationary situation. Banks' spreads between deposits and lending rates are also high. The question is, will further reductions in deposit rates discourage financial savings? Low interest rates paid on bank savings accounts and term deposits have lured large number of savers into government saving instruments where yields are much higher. However, the high differential between the yields on bank deposits and savings instruments is distorting interest rate structure. Had our capital market been better organised, savers could put their money in stocks and bonds. As of now, this area offers little opening.

Having tried traditional recipe for stimulating domestic private investment, the authorities might as well consider tapping the parallel economy. Funds brought from outside the country to set up industries have been declared tax-free. Capital machinery for setting up export-oriented industry can be imported free of duty. Why not declare the equity money brought in for setting up industry, tax-free? It's common knowledge that the parallel economy meets the financing needs of a substantially large segment of non-corporate businesses. Even a partial integration of the parallel economy into the official economy might work wonders for investment and GDP.

it is to cede legitimacy to the view that you shouldn't interfere in the human rights performance of another country.

"To take a position like that would produce smiles in the presidential and prize ministerial offices of government that are abusing the rights of their citizens."

Instead of remaining silent, Broadbent says, Chretien should be speaking out against China for rounding up labour leaders, using prison labour for export products and denying the right of assembly.

There is clear evidence that speaking out in public can work, he says.

"It worked in South Africa, it worked in Mexico. If you see the change in the government of Mexico's attitude between January 1 and January 15 on what they were doing in Chiapas, there isn't any doubt, in my view, that what produced the real change was outside public pressure," says Broadbent.

— Gemini News

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## To the Editor...

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

### US, UN and security

Sir, Two news items appeared in your esteemed daily on 24th March concerning the peace and security of the world in general and South Asia in particular. One is "US proposes expansion of Security Council" and the other, "US to help promote Security in South Asia to control N-arms".

Under the first caption US is said to back nations advocating for 20 seats on the Security Council, which at present comprises of 15 members. Five are permanent members with veto power and the other ten rotate on a two-year term. US has suggested the addition of Japan and Germany to the permanent membership of the Security Council.

With the collapse of communism, world politics has become bipolar and the democratic system of governance has been accepted, by and large, as a settled system of government. So, there is hardly any necessity of keeping the veto power with the permanent members of the Security Council. If their number is enhanced, the decision of the Council should be taken by two-third majority of the

expanded Council which should comprise 21 members instead of 20 as suggested. The addition of Japan and Germany as permanent members of the Council is unexceptionable. But as I have suggested the increase of members to 21, I would request the President of the United States to back India also as a permanent member of the Security Council, which in course of time is destined to play a vital role. The democratic system of government has become stable in India, during the last 44 years after its independence from British Rule. The nations of the world are divided largely into two groups—developed and underdeveloped. India can represent the underdeveloped countries, especially the members of the SAARC.

About the second news item "US to help promote security in South Asia to control N-arms", I am of the opinion that if the United States is really concerned about maintaining peace in South Asia, it should not extend military aid to any of the countries of this region, whether there is Pressler Amendment or not. The United States knowing, as it does, that India and Pakistan fought three wars — since

their birth in 1947, should not encourage them again to engage in confrontation, which is likely to occur in case military aid is given to Pakistan.

Bill Clinton, the President of United States, may play an epoch-making role in bringing permanent peace in South Asia by asking Pakistan to pull out of Kashmir in order that two parts of Kashmir may unite and let the people of United Kashmir decide their future course of action following a democratic method. And, although Kashmir as a whole belongs to her by accession, India should be asked to allow the plebiscite to be held.

Md Moksudur Rahman  
(Former Judge of the High Court Division of the Supreme Court of Bangladesh).  
Mirpur, Dhaka

### Foreign investment

Sir, What are the pre-conditions of attracting capital investment in any country? The following may be considered to be basic ones: a) Developed infrastructure-communication system including shipping facilities; b) Disciplined, cheap and skilled labour; c) Uninterrupted and cheap power; d) Liberal investment policy and easy Custom regulation; e) Maintenance of law and order.

In respect of the requirements, entrepreneurs, donor countries and international banking representatives, our bankers — everybody in unison have spoken against non-prevalence of the above factors and said unless these are

streamlined, investment in the country is very difficult. It is because of these that indigenous investment is awfully shy. It is said that indigenous investment is a pre-condition to attract foreign investment. So when the investment by the local entrepreneurs is not forthcoming, how could one attract foreign investment? One gets really flabbergasted by the idea what our business community members who are so vocal about non-existent of congenial investment atmosphere in the country could really offer to their Japanese counterparts. Don't the Japanese business community have their eyes and ears in this country?

I had the privilege to attend an informal dinner arranged in honour of some Japanese business magnates including the number two of the delegation which came to Dhaka to attend the Joint Chambers' meeting. During that quiet dinner, the gentleman stated that Bangladesh had lost a good opportunity of sizeable investment including a big textile complex in the backdrop of KAFCO affairs.

Mr Darid E O'Hanian, a visiting official of the Overseas Private Investment Corporation (OPIC), a US government agency engaged in promoting American investment in developing countries, commented in a section of local press that 'foreign' investors would like to see a sizeable investment by local entrepreneurs before feeling confident enough to invest in

Bangladesh. He said that Bangladesh needs to further liberalise its economic policy, and corruption, bureaucratic red 'tapeism' and frequent strikes to attract sizeable investment.

Let us be more realistic in our approach in this direction. Let us set our house in order and then try all gimmicks to attract foreign investment.

Mamha  
DOHS, Dhaka

### Fragile peace in Bosnia

Sir, The Serbs have carried out genocide, mayhem and rape in Bosnia for almost 23 months. Following issuance of warnings by the USA, UNO and NATO to the Serbs and shooting down of four fighter planes by NATO and seizure of six tanks by UNO peace-keeping force, the Serbs found no other alternative but to agree to a cease-fire. Hence, a fragile peace exists in Bosnia since March this year.

How long would the sword of Democle be hanging and how long would the cease-fire last? The Serbs have already occupied 70 per cent of the total 19,741 sq miles of the territory of Bosnia and they have turned the Muslim populated areas into innumerable enclaves like Bihać, Vitez, Visoko, Tuzla, Sarajevo etc. The Serbs now only want to capture Sarajevo — the capital to give a final touch to their aggression and victory.

The UN Secretary General BB Ghalil has appealed for de-

ployment of additional 10,500 UN peace-keeping force but unfortunately, the response he has received is very poor.

Does it not look ridiculous and strange that on the one hand the UN Ambassador to the UN Medeleine Albright lays a bouquet of flowers at the site of Feb 05, 1994 Serb attack in Sarajevo where over 60 Bosnian Muslims were killed and on the other hand, the USA opposes to the deployment of additional 10,500 UN peace-keepers in Bosnia.

We wonder if the USA could muster over one million troops in Saudi Arabia for the liberation of Kuwait why she cannot manage only 10,000 troops for maintenance of peace and security in Bosnia in particular and whole of Europe in general?

We also wonder why China being a permanent member of the UN Security Council does not send her troops to serve in the UN peace-keeping force?

Time is running out. The Serb leader Radovan Karadzic does not appear to be happy over Bosnian Muslim-Croats agreement on formation of a Federation. The Serbs may attack the Muslims and Croats any time.

We would request all UN members to contribute to UN peace-keeping force in Bosnia before it is too late. We would also request our Ministry of Foreign Affairs to kindly take initiative in this regard.

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