

Bringing Gold to the Country

In his budget speech, the Finance Minister announced a reduction in the rate of customs duty on gold brought home by non-resident Bangladeshis. The Finance Minister said that he was doing so to enable these people to import gold without difficulty. It looks like a well-intentioned move. It's a different matter if the gesture would really suffice to ease the problems of the traveller who declares to have gold in his possession. The difficulty lies not with the rate of customs duty but elsewhere.

Under the existing dispensation, expatriate Bangladeshis returning home after a certain minimum period of stay abroad, can bring in up to one kilogram of gold on payment of duty. The rate of duty payable is being reduced now. However, the earlier rate also does not look prohibitive. The fact of the matter is, few people had been availing of the facility to bring gold openly. Most people just wouldn't dare to declare on arrival at the airport that they were carrying gold. They consider it unsafe.

Other countries in the region also permit their nationals living abroad to bring gold while returning home. If anything, the duties levied by these countries are higher than ours by comparison. Yet, the incidence of duty does not deter their people from bringing gold. Literally tons of gold enter these countries openly this way.

In our case, reports of seizure of gold by the customs authorities from incoming passengers continue to surface from time to time. As these accounts go, these travellers could have imported the gold openly after paying the requisite duty. Yet, they prefer not to declare on arrival that they have gold in their possession. Instead, they apply considerable ingenuity to conceal it. It's not that they are doing all that merely to avoid paying duty. They are afraid of the consequences of being tipped off while in the airport, as persons carrying gold.

Travellers have genuine reasons to feel scared of the ordeals they might have to face once they leave the security area of the airport enclosure, marked as persons carrying gold in their possessions. Somehow, our sole international airport has also always been a favourite haunt of society's riffraffs. They seem to congregate there particularly to try to take advantage of the expatriate Bangladeshis returning home. If such a traveller is known to have gold in his possession, he will immediately be up for the grab.

The airport then has to be made safe for the travellers. Non-resident Bangladeshis are unlikely to be in a hurry to bring gold and other valuables openly just because they would be paying lower customs duty. They also need the full assurance of safety of their belongings.

To be sure, the authorities do make efforts from time to time to make the international airport a better place for the passengers. Very recently there were reports of action being taken against some of the personnel working at the airport. However, these are spasmodic efforts. Determined and sustained action is needed to make the airport a clean and safe place for the travellers.

A tuned-up airport would also help attract foreign tourists, even investors. Many of them tend to look upon this place of disembarkation as a window on the country. Chaos at the airport does not exactly encourage them to step into the land.

Compounding the Curse on Women

A national daily the other day published a big feature story with a very interesting and improbable headline in black bold type: Rent-a-girl. Alongside the text ran a large telltale photograph of a woman drawing on a tenuous rope an old yet ponderous beggar on makeshift wheels. The woman is no relation to the man and what she was doing was nothing out of love or even a sense of duty. She was hired to drag the roving beggar around. The next day another national newspaper published the picture of Amina, abandoned by her husband and trying to make ends meet for herself and her child daughter, driving a cycle rickshaw.

Hard economic realities, exacerbated by a breakdown in social norms and mores, are forcing the women to quit their traditional hearth-side and venture forth into the millennium-old male preserve of paid physical labour out in the open. The first of these male citadels to fall was in the building sector — roads and highways and housing. Labour contractors simply fell in love with woman workers — they could be paid half of what men demanded, and they knew not shirking and malingering. Women are now cutting and carrying earth or bricks and mortar in ever bigger numbers. In the beginning of it our male sense of chivalry, used to get hurt. It seemed barbaric to allow women to sweat in public in back-breaking work rather than care for the family at home. After some time we got used to it. How did the women's spouses feel? — their comely and fragile, soft and smooth charges spending the whole day out leaving the children behind and bantering with the male comrades at work?

Their masculine macho thing must have at first taken a good jolt, but the regular supplements to the family budget that the wifey brought assuaged things soon enough.

But one growing practice in some northern districts is very hard to take with any amount of equanimity. The zone to the north of the Padma has been in a perpetual economic shambles for upwards of four decades. The brunt of the suffering — deprivation and hunger — is being borne by the landless farmers and the artisans who have lost their implements as well as markets. The peasants selling out their cattle for food are yoking their wives and daughters to draw the plough — furrowing an unyielding northern soil made the more stony by an approaching desertification. How should one react to this other picture of 'women's lib' materialising the hard way? This new draught animal — the woman — must continue to bear children, groom them, look after the comforts of the man in the house including satisfying his passion and hand him over whatever she can lay her hands on by feminine guiles of saving etc.

We are not sure that the yoked woman is getting her due place in the family as the construction workers or for that matter the garment girls are getting. And now to imagine the *fatwabaz* coming to compound the curse on women and unleashing all hellfire on whosoever dares to work for money and goes out to a doctor or resists the barbaric injunctions! This land is fast becoming unlivable for many, specially women.

HON'BLE Finance Minister M. Saifur Rahman presented the budget 1994-95 in the parliament on June 9, 1994. With this presentation, the Finance Minister bagged the track record of presenting six national budgets in the country — an event of immense dignity and due celebrity. However, side by side, the nation also witnessed the sad episode of presentation of a budget without the opposition in the House and, probably, it is a record by itself. In fact, the budget address was made to the majority of parliament members but not to the majority of voters and, therefore, its political connotation appeared louder to the outside audience than the facts and figures of achievements that the Hon'ble Finance Minister was airing so relentlessly. If the budget is also passed without the opposition in the House then, the fears run, it might turn out to be an incredible one, notwithstanding the merit it carries.

Main Features of the Budget: (1) An export-led and private sector dominated growth paradigm is envisaged with an articulation of tax incentives and expenditure pattern geared towards that end; (2) The growth rate of GDP is assumed to be 6% in 1994-95 as compared to about 5% during 1993-94; (2) No new tax was proposed in the budget; (3) Reduction in tariff rates and taxes on major commodities and raw materials; (4) More emphasis on the development of social sectors; (5) An enlarged size of the ADP is marked; (4) The agricultural sector would witness a fall in diesel and fertilizer prices;

The Conditioned Philosophy

The philosophy of the budget — a free market economy based on competitive exports and private sector dominance — is perhaps a call of the international and the domestic imperatives. Since the major political parties agree to the growing need of a market economy, a consensus on this vital national agenda could be said to exist already. The onus lies on the government to properly harness and utilize this commonality in pursuance of its goals. But it appears that over the years, our countrymen have been driven more to rhetoric than to actual practice. Perhaps none would dispute the soundness of the macro-economic fundamentals or, say, the economic funda-

Budget 94-95: A Critical Assessment

by Abdul Bayes

ments achieved so far. According to the Hon'ble Minister, these fundamentals are "... the necessary first order conditions for sustainable growth and development...." If that is so (and we also know that it is so), why not there is growth and development of an appreciable order (say, 6-7%) to make a dent to poverty? Despite the goodness of these fundamentals prevailing over a couple of years? The answer was, again, given by the Hon'ble Minister himself at the beginning of his speech and we understand that these constitute the sufficient conditions to move from stabilization to sustainable growth, e.g. "... good governance, good management of resources in a climate of stable and democratic socio-political order characterized by tolerance, understanding, balance and cohesion amongst people." Admittedly then, non-fulfillment of the sufficient conditions could drag an economy to low-growth, high-poverty syndrome even if first order necessary conditions were fulfilled. This is, in fact, what Bangladesh is experiencing now. The nation could immensely benefit if the Finance Minister had dealt extensively on the problems relating to non-economic fundamentals and to the means of handling those.

Yes, it Matters Very Much

It is not unlikely that an original budget should be followed by a supplementary budget to take care of over and under spending of the original amount stipulated. It is, however, expected that the supplementary budget should apply to as few sectors/sub-sectors as is possible. In Bangladesh, the experience is that the original budget seems to lose its original size and shape with huge over or under spending reflected in the supplementary budget and more often than not, the productive sectors' allocation is reallocated to feed the growing needs of the unproductive sectors. This year's supplementary budget does not appear to be an exception to that rule and is reported to have gutted the original budget by claiming more money for an unprecedented number of sectors.

From the Finance Minister's remarks in the supplementary budget, one gets the idea that the supplementary budget matters very little as long as the sum remains constant. The remarks "... It is just a redistribution of allocations.... The amount is almost the same.

Some of the sectors failed to consume the allocation while some other got additional funds "... do not appear to be in consort with his concern for financial discipline and accountability. The supplementary budget is a sign of non-compliance with the original accounts and barring a few, the authorities should be taken to task for over or under spending. The sum of the amount might remain constant, as the Hon'ble Minister tends to argue, but a resource shift from productive to unproductive sectors or vice versa bears different ramifications for the economy in terms of growth, inflation, distribution etc. The rule should be that only productive sectors like health, education, power, physical infrastructure etc. should enter the supplementary budget for developmental claims and most of the revenue expenses should be disallowed to occupy the supplementary budget. If for once this rule could be set and made to adhere to, financial discipline and accountability could possibly be ensured.

Looking at the Performance

The GDP growth rate, according to the budget speech, was about 5% (we guess 4.7%) during 1993-94 and under spending of the original amount stipulated. It is, however, expected that the supplementary budget should apply to as few sectors/sub-sectors as is possible. In Bangladesh, the experience is that the original budget seems to lose its original size and shape with huge over or under spending reflected in the supplementary budget and more often than not, the productive sectors' allocation is reallocated to feed the growing needs of the unproductive sectors. This year's supplementary budget does not appear to be an exception to that rule and is reported to have gutted the original budget by claiming more money for an unprecedented number of sectors.

Investment rate is reported to be 14% of GDP (which is 14.5% elsewhere thus giving a difference of about Tk 500

crore) which is an improvement from 11% of 1990-91.

Both of these growth and investment rates tend to depict a case of low reforms situation.

If the projected growth rate of 6% for 1994-95, has to materialize, the investment should constitute 18% of GDP.

Given that within the last three years or so the investment rate was up only by 3 percentage points, a rise by 4 percentage points within one year should appear, *ceteris paribus*, as a herculean task. But if the non-economic fundamentals tend to behave well and the maze of reforms proceed correctly, such a growth rate should be within our reach.

All that Glitters may Not be Gold

It is true that there has been a substantial relative increase in the stock market activities with a turn over of shares and debentures to the tune of Taka 260 crore from Tk 14 crore of 1990-91 — about a 19 fold increase. There were other improvements in respects of market capitalization, off market trading etc. of an appreciable magnitude that could be adduced to the deregulatory and reform measures undergoing in this country. Keeping all these positive changes in mind one should note, however, that inflow and outflow of resources in the share market resembles that of flood waters that come fast and go fast. To turn a part of it into physical investment, the operation of proper business environment is required, the reinforcement of liberalised policies are needed which are a functions of political commitment and good governance.

Trade Liberalization may Yield Dividends

The slash in tariff rates should pave ways for our domestic producers to buy raw materials at cheaper rates. In this articulation, however, the effective rate of protection should be at incentive level. There is, of course, a trade-off between the revenue needs of the government and liberalization of trade because, till recently, customs duties comprised a little over one-third of the total revenue. The shift of emphasis from trade based to non-trade based sources of

revenue is a welcome move and in doing so, the government should continue to combat the shortfall through improving its tax administration, widening the tax base etc.

No Round-up on Uruguay Round

One of the most important recent developments in the arena of international trade is the completion of the Uruguay Round of GATT. Since Bangladesh is committed to an export-led growth and free trade, the Uruguay Round assumes capital importance. Unfortunately, the Hon'ble Finance Minister showed no interest in putting it in his budget speech. The Finance Minister should be equipped to tell the nation as to how much of the incremental cake resulting there from Bangladesh can get or whether Bangladesh should, as a small country, value the document at all. We feel that a proper assessment on this is needed to remove misgivings and the nation should be apprised of the results.

A Free Lunch?

In the absence of no new taxes and in the face of lowering tariffs and taxes (free lunch) on a number of commodities the government would face a resource constraint to meet its current and developmental expenses. Possible ways of meeting the short falls, as argued before, could be strengthening the tax administration and deepening the tax base. But recent experience showed that the government used SROs to mop up the extra resources which is, in parliamentary parlays, unethical and deceiving too. We hope that there would be no SROs in the current financial year.

Fundamental Fundamentals

The economic fundamentals in Bangladesh appear conducive to higher growth and poverty alleviation with proper emphasis being placed on social sectors. A delay in taking advantage of them might upset the fundamentals themselves. The half-hearted reform measures should be geared up with a consensus built, and the non-economic fundamentals e.g. law and order situation, corruption, administrative complexities, judicial and financial sector reforms should proceed with haste. Otherwise we might hear, in the next budget speech also, "... the growth rate of the economy has been about 5%..."

Security Council sanctions.

In that eventuality, a semblance of the old Cold War line-up on and around the Korean peninsula might be resurrected. Intractable as North Korea is in general, and on the nuclear issue in particular, there are many in Seoul who doubt whether this is really the best way forward.

— GEMINI NEWS

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Nuclear Row Halts the Post-olympic Thaw

Aidan Foster-Carter writes from Seoul

The row between the United States and North Korea over Pyongyang's nuclear programme threatens stability on the Korean peninsula. The continuing tension has also halted the process of reconciliation between the two Koreas.

The Korean peninsula

	<p>1910 Annexed and colonised by Japan.</p> <p>1945 Japanese surrender to Allies. Korea divided.</p> <p>1950-53 Four million killed in war between communist North and pro-Western South.</p> <p>1953 UN creates demilitarized zone.</p> <p>1972 North-South coordinating committee formed to promote unification.</p> <p>1988 North proposes North-South conference. Rejected by South.</p> <p>1991 Two premiers sign accord on non-aggression and reconciliation.</p> <p>1992 China establishes ties with Seoul.</p> <p>1994 UN threatens sanctions against North.</p>
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North's lack of cooperation means it can no longer guarantee the continuity of safeguards at the controversial site at Yongbyon.

There is thus a prospect of international sanctions against North Korea, imposed either by the United Nations Security Council or possibly outside it.

The latter option is being considered by the United States because of the uncertainty over whether two of the Council's permanent members — China and Russia — would endorse sanctions.

Reading where China stands is difficult, with Beijing endlessly reiterating the need to

to the 1950-53 Korean war when only Chinese intervention stopped the infant North Korean state from being wiped out by the US-led counter-attack to Kim Il Sung's invasion.

Even Russia may not be reliable. As well as doubting the efficacy of sanctions in bringing Pyongyang to heel — a doubt widely shared — Moscow is mooting its own idea: an eight-party conference bringing together the two Koreas, the US, Japan, China and Russia, and the Security Council and the IAEA.

If the Russian proposal was picked up by China or even North Korea as a way of staving off sanctions, others would be put in a difficult position.

Washington might see the move as mere prevarication, but the more nervous Japan — with a weak government, including socialist ministers whose party has traditionally been pro-Pyongyang — might well break ranks and support the idea of a conference.

Seoul would then be in a dilemma. Exasperated by Pyongyang's procrastination and intransigence, the South Korean government is preparing for sanctions, which would include stopping all trade with the North. Yet many South Koreans are worried about where such a road may lead.

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