

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 by 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 hearthside 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 wife 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 *fatwaba* 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.

HONBLE 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; (3) No new tax was proposed in the budget; (4) Reduction in tariff rates and taxes on major commodities and raw materials; (5) More emphasis on the development of social sectors; (6) An enlarged size of the ADP is marked; (7) 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

mentals 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, why not is there 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 need 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. It does 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 against the target rate of 6%. The claim that "... growth rate of GDP though below our expectation has improved ..." does not appear to hold much of water. It is, no doubt, better than 3.4% of 1990-91 but hews very closely (or stays below) to 4.7%, 4.9% and 4.6% respectively of 1982-83, 1983-84 and 1992-93. At the moment, therefore, the pre and post-reform growth rates do not tend to show statistically significant difference. In other words, the economy is caught by the virus of stagnancy, if not by a low level equilibrium trap. Investment rate is reported to be 14% of GDP (shown as 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 added to the regulatory and reform measures underlying 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 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 compensate the shortfall through improving its tax administration, widening the tax base etc.

Better Late than Never

During the budget presentation of 1993-94, the Hon'ble Finance Minister categorically ruled out the possibility of subsidizing agricultural sector despite a repeated call by academics, politicians and social workers to arrest the adverse input/output price ratios. During the current budget speech, however, the announcement of a decline in diesel and urea prices were made. Such a reduction should facilitate the farmers in terms of net returns from using modern inputs and hence in terms of an acreage expansion under irrigation. The question, nevertheless, remains as to why a public monopoly should continue to trade on diesel and earn super normal profits when the move is towards a free market economy.

The ADP Syndrome

The current budget stipulates Tk. 11,000 crore for the ADP of which 38% would come from our own sources. There is no denying the fact that, over the years, the domestic capacity to finance the ADP increased manifold e.g. from about 13% in 1990-91 to 38% in 1993-94 and to 38% in 1994-95 (projected). What the Finance Minister's speech seems to have by-passed is a proper discussion on the issue of poor implementation of the ADP during last year. Available information tends to show that only one-fourth of the ADP funds could be utilized for the first six months of 1993-94 and an extrapolation for the whole financial year should place the rate at maximum 70% — a very poor performance given the macro economic fundamentals. In fact the slow progress in ADP could be responsible for low demand, low import and a big reserve. On the other hand, low public investment also go to crowd out private investment. We can only hope that the major constraints to ADP implementation e.g. delays in fielding consultants, interference in tenders, lack of local autho-

city with due powers, dilly-dally in project formulations etc should be urgently addressed in future.

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 freer 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 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 parlance, 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

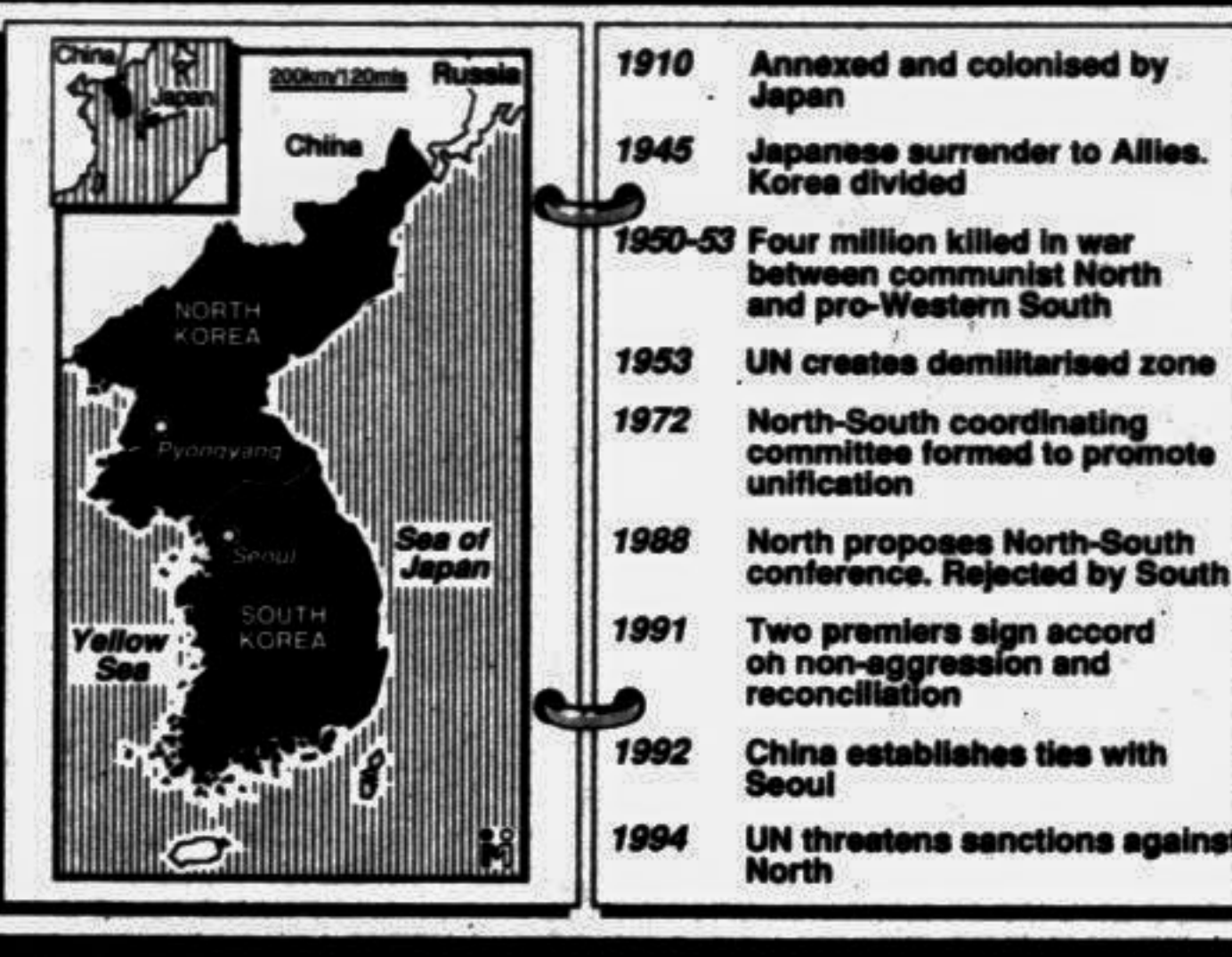
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Nuclear Row Halts the Post-olympic Thaw

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



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

solve the issue by dialogue and negotiation.

Over time, China has moved from being totally pro-Pyongyang to a more neutral stance. When Kim Young-sam visited Beijing in March, the South Koreans came away confident that when the chips were down China could be counted on, even though it would not publicly criticise its old if fractious ally, Kim Il Sung.

But Seoul looked on uneasily in June when North Korea chief of staff Choe Gwang visited Beijing. His hosts referred to a friendship "sealed in blood" — a reference

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.

Not only are they in the firing line (Seoul's 10 million inhabitants live less than 50 kilometres from the mis-

named Demilitarised Zone dividing the two countries), but they fear that their country's new friendship with China and Russia could be jeopardised if, for example, Beijing were to veto and Moscow abstain on

OPINION

Poverty Alleviation and Agriculture

It is becoming more and more obvious that in our drive for poverty alleviation agriculture can play a vital role and it seems to me it is the most practical and attainable, if our politicians, policy planners and bureaucrats come to a consensus.

Over the years we have been led to believe that industrialisation, at the cost of agriculture, should be pursued for our betterment and progress. There were no dearth of prescriptions from donors which incidentally were mostly theoretical and impractical in the Bangladesh context. Our politicians fell for such ideas, either knowingly or unknowingly, and as a result today we are faced with a huge debt servicing liability. Naturally, the donors/lenders gained the most by selling their capital machinery which became obsolete, or were uneconomical in their own environment. Incidentally most of the loans were tied, in other words, conditions were imposed which outweighed the benefits.

It is sheer commonsense that if the majority of the people prosper, the nation will prosper. The agriculture sector contributes nearly 38 per cent of the GDP of Bangladesh whereas industry contributes a mere 10 per cent, below that of the transport sector at 11.8 per cent. Within the agriculture sector are sub-sectors like Crops, Forestry, Livestock and Fisheries. Unfortunately, our farmers being believers in the traditional methods of farming don't dare take risk on progressive ideas or methods. However, lately with the introduction of mechanised cultivation, fertilizers, pesticides and irrigation during the dry season, agricultural output has increased to an extent that we are nearly self-sufficient. Since our arable land is limited, the only way to increase agricultural production is by mod-

ernising the land-use, i.e. irrigation during the dry season must be extensively encouraged and crop diversification should be taken up at the same time. Government must ensure through price mechanisms that farmers make profit out of their products, otherwise they will not feel encouraged to produce more than what is needed for their own use.

A State Trading Agriculture Board with wide ranging powers should be established to accomplish the following goals: 1) to develop agriculture and its sub-sectors on a "business" footing; 2) to maximize agricultural outputs; 3) to export agricultural products; 4) to encourage agro-based industries; 5) to encourage and develop a linkage between the agricultural sector and the industrial sector where either the primary product or by-product/products act as inputs to the manufacturing sectors, involved in domestic/international markets; 6) to achieve and sustain a regular pre-determined GDP growth in the agricultural sector.

It has been proved beyond doubt that the poor are more bankable than the rich. The Grameen Bank, BRAC, other NGOs have proved this point beyond any doubt. The government should encourage financial institutions to invest a certain portion of their loanable funds to the agricultural sector thereby eliminating the 'loan sharks' who are systematically exploiting the poor farmers to the detriment of the economy.

I feel our country's future lies in changing the lot of the people involved in and with agriculture, and a long-term programme must be adopted and pursued with utmost sincerity rather than in rhetoric.

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To the Editor...

Engineers for industries

Sir, The government declared liberal industrial policy in 1991. Under the new policies many facilities have been provided to the entrepreneurs. Many restrictions have been withdrawn. Bank loan facilities have been made easier. The government has set up a loan target of Tk 2000 crore during 1993-94 fiscal for setting up new industries. By now the banks and DFI's have sanctioned few hundred crore of taka for setting up new industries. The erection and trial production stage of these industries will be completed within next 4/5 years. But these industries will face serious shortage of engineers as BUET, the only engineering university of the country could not start classes for the students who got admission in

1993 and 1994. The university authority could not give definite date of resuming classes of 1st year students of 1993 and 1994.

The university session is already late by two years. The students are passing their day in despondency. It was expected that conscious citizens will think in favour of these students. But it seems no body is concerned about these innocent boys/girls except their parents/guardians. I only wish some mediators would come forward to help these students who are simply waiting to see a

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Pokrichi

Sir, Agriculturists, engineers, doctors and other members of the 26 non-

administrative BCS Cadres belonging to the Pokrichi have long been pressing the home their 17-point charter of demands which include separation of Judiciary from the administration and a complete overhauling of the existing bureaucracy. But it is very much shocking that the government is not showing any positive attitude towards fulfilling the demands of the Pokrichi which have been formulated on the basis of the national need and interests.

It is honestly expected that the democratic government will immediately arrange dialogue with the Pokrichi to find out solutions to the national problems pointed out by the professionals. At the same time, it is hoped that the personnel at the helm of administration will also come forward to appreciate the realities and

contribute in resolving the problems of the nation of which they are a part as well.

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Unpleasant

Sir, It is our dream to live in the hearts of people? But queer flag and strange signboard at the Jatiya Sangsad premises, power failure forcing JS adjournment, Secretariat without power, as employees strike, and no end in JS stalemate — lead us to believe that's not to be.

We feel sorry and think, there can be no happiness if the things we believe in are different from the things we do.

L R Khan
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