

Getting the Textiles Strategy Right

The textiles sector has come to acquire some new features impelling a re-thinking on the way it is being run now. Somewhat carried away by the garments export success for a decade or so, we let the plebeian handloom products — of indigenous and coarse variety — go further downhill to a point of atrophy. First of all, it was the second hand gift clothes from abroad which had reached out to the mofassil markets. Thereafter, a whole lot of suddenly mushrooming local dress-making units came to thrive on the fabric and yarn imported for the sake of the export-oriented garment manufacturing companies. While ostensibly and, to an extent really, doing sub-contracting job for the exporting companies, they have been disgorging a plethora of items to the local market as side business. The unalloyed local products were swapped. Furthermore, these are arrayed against the smuggled clothes which, by and large, sell cheaper with their low costs of production.

Thus the many-pronged attack on the local handloom products and textiles has to be check-mated with a suitable stratagem. The Uruguay Round of trade talks have put across the signal loud and clear that we shall have to stand on our own feet even where the invincible garments industry is involved. The garments export success is to be seen in its right perspective today. Take into account the high cost of mostly imported inputs, the profit per taka works out to be rather unimpressive. But owing to the spread effect of an assured and protected marketing internationally, by virtue of a quota system, our narrow margins of net profits in garment export still made for a handsome total. Now this quota system is in for a phase-by-phase withdrawal in ten years' time. That being so, we have just about seven or so years to firmly establish backward linkages to the local textiles units so that in terms of quality and prices our garments start being competitive in the international market well before the preferential quotas run out. Already the Grameen Bank has built a bridge between some garment manufacturers and the local producers of high quality check materials. Have we tried and exhausted all of our capacities to locally generate dyes, chemicals and fabrics that we now have to import wholesale?

Three steps need to be taken to rejuvenate the textiles sector. First, in view of the realities of the global market *per se* calling for an optimal utilisation of all the indigenous resources to maximise our textiles production, the government must give appropriate fiscal incentives to the local industries. This can bring down the costs of production as a bulwark against smuggled goods as well. Given the worldwide choice for handicrafts, the artisans in the rural areas should be helped back to their feet once again. The sooner the banks extend their lending hands to provide them with seed money the better it will be for the traditional crafts. Most of the looms have fallen in disuse or their capacity, even in the medium-sized industries, has dwindled badly to waste man-hours that are prized so much in countries which are success stories. Let us do the funding for their balancing and modernisation as well.

Deviation at the Root

The illegal daily toll collection from the city's 10,000 trucks, according to a vernacular daily's report, amounts to Tk 30,000. On an average each truck has to pay only three taka — apparently a negligible sum. But the defect in the calculation is that it does not tell the whole truth — neither mathematical nor moral. Mathematical because the illegal toll is not evenly distributed on all the trucks in the city. Although they are routinely made to pay at different points on their routes, not all of them operate daily. Some of them do and may be subjected to several times of extortion. So the actual toll paid by a truck may be much higher — indeed several times — over the mean average.

So aggrieved are the truck owners that some of them are seriously considering not to be in the business any more. They are bitter about the way their plying vehicles are treated and the continual fleecing of their pockets. In a country where trucks are hardly mentioned without the hated adjective 'killer', it is impossible to take side with this unregulated vehicle. But blaming them alone is no solution to the mounting problem on the street. The report is categorical about the evil influences wielded both by the mastans (musclemen) and a section of the officers of the traffic police for extortion of toll.

The focus therefore rivets on the mutual relations and the levels of respect between and for the parties involved in the whole process. Traffic officers and constables deployed to maintain the rules and regulations cannot stop the incidents of toll collection by the mastans of different areas because they themselves are suspected of the abusive practice. Anyone falling short of the moral or ethical standard is woefully ill-equipped to bring order in the system or discipline on the job. It is a crisis of such a nature that has been aptly described as the malady within the medicine.

What goes amiss in a situation where the responsible people display lax professional standard is the mutual respect. A natural consequence of this is bound to be catastrophic for the whole society. This is what is exactly happening now. The truck drivers show scant regard either for the traffic rules or the men in uniform who are to maintain them. It is futile to expect the body to respond healthily and smoothly when a part of it is afflicted by a malignant disease. The practice has to come from the preachers first. Otherwise, it is impossible to ask the lesser mortals to give the best of themselves. Examples ought to be set at the level where the order comes from. Unless the remedy comes from the top, the bottom will continue to rot, making orderly job quite impossible.

Macroeconomic Policies and the 1974 Bangladesh Famine

by Akhtar Hossain

Clearly, the lack of food availability did not cause the famine, and the overall supply situation in the years surrounding the disaster, far from alternating between famine and feast, is more one of famine amidst feast.

... expansionary macroeconomic policies can lead to sharp increases in the relative price of food, which reduces people's ability to purchase food both directly through the standard price effect and indirectly by generating greater unemployment.

(Bankim Chandra and Ranjit Teja)

It may sound odd, but the fact remains that the ruling elite of Bangladesh in 1974 was no less indifferent to the suffering of the people than the British government was in 1943.

(Mohiuddin Alamgir)

Did Crop Loss by Floods and Droughts Cause Inflation in Bangladesh During 1972-75?

The 1974 Bangladesh famine was associated with high inflation and an acute balance-of-payments problem. There is, however, no consensus on the causes of these problems. As in the case of famine, inflation and balance-of-payments problems were believed to have been caused by both natural disasters and the OPEC oil price shock. Although there was an element of truth in it, was not the full story.

Floods and droughts are common in Bangladesh agriculture. On an average about 5 per cent of annual food crop output is lost by natural disasters. Rich production loss statistics for 1970-77 in the Statistical Pocket Book of Bangladesh 1979, reveal that the size of flood and drought loss of rice output was unusual only in 1971 and in 1975. The 1971 rice crop output loss was in fact mitigated by a large inflow of foreign food aid in 1972 and in 1973. Therefore, any suggestion that food crop output loss by natural disasters was the cause of inflation in Bangladesh during 1972-75 was an exaggeration. Note that on some occasions in the 1950s and 1960s, natural disasters caused a sharp decline in agricultural output and increased the relative price of food. However, subsequent good harvests moderated or reversed the price increase within a year or so and there were not even two years in a row with high inflation. It was because on the one hand, inflationary expectations were not built in the minds of the people and on the other, the government maintained conservative monetary and fiscal policies. Therefore, it was unlikely that the annual food crop

output loss of less than 5 per cent was behind the sharp increase in the general price level in Bangladesh after 1972. Again, although the OPEC oil price rise during late-1973 might have some positive effect on Bangladesh's inflation in 1974, it certainly did not start the inflationary process in 1972.

Did Money Supply Growth Cause Inflation in Bangladesh During 1972-75?

Lawrence Lifschultz identified three schools of thought which offered explanations of inflation in Bangladesh during 1972-74: The 'smuggler school', the 'hoarder school' and the 'money printing school'. The government blessed the first two explanations of inflation because they were politically convenient, but most economists had little doubt that excess money supply growth was behind the price spiral.

During the 1972 calendar year, the narrow money supply growth was 71 per cent and the size of budget deficit in the fiscal year of 1973 was about 16 per cent of the GDP. Although the growth rates of the money supply in 1973 and in 1974 were relatively low, they were significantly higher than the growth rate of the real economy. The rapid expansion of money supply during 1972-1974 was caused by both the monetisation of budget deficits and the borrowings of the nationalised industries from the banking system. Thus, it is plausible to suggest that expansionary fiscal and monetary policies in a war-ravaged economy might have generated inflation. This view was actually popular among academics, journalists, and even senior government officials. Lifschultz expressed the sentiment as follows: "One need

not be a follower of Milton Friedman ... in order to believe that an extraordinary expansion in Bangladesh's money supply, during a period when the economy had not yet recovered to 1970 production levels, is one very substantial cause of the country's rampaging inflation... The Government's monetary policy has served to finance enormous and unplanned budgetary deficits... Monetary and fiscal policies have not been used as tools of 'scientific' economic management, but rather as weapons in the Government's burgeoning arsenal of last resorts. When asked recently why the Bangladesh Bank had pursued such a course, one highly-placed Bank official explained: "It was just to keep the show going."

I have conducted the Granger causality test to examine the relationship between monthly money supply growth and inflation in Bangladesh during 1972-75. The results suggest that the money supply growth did have a short effect on inflation. Such an effect is usually observed in a hyperinflationary situation when money is treated like a hot potato. Indeed, during a hyperinflationary situation, inflationary expectations (formed on the basis of immediate past inflation) may become dominant and create a self-sustaining inflationary process. Bangladesh, of course, did not experience hyperinflation, but there was a period in 1974 when inflation was about to explode. It appears that inflationary expectations played a major role in the inflationary process in Bangladesh during 1972-75. As most economic agents in Bangladesh during 1972-75 were directly or indirectly aware of expansionary macroeconomic policies of the government, the money supply growth might have captured the inflationary expectations as assumed under rational expectations model of inflation. The

contemporaneous causal relationship between money supply growth and inflation thus reflects the economic behaviour under an explosive inflationary situation.

The Relative Price of Food and the Famine

One feature of the 1974 Bangladesh famine was that it was accompanied by a sharp increase in the relative price of food. The relative price of food began to increase from the mid-1973 and it reached the peak level during the mid-1974. An unresolved issue is why did the relative price of food sharply increase in 1974 despite a relatively high level of food availability in the country.

Did Floods and Smugglers and Hoarders Cause the Food Shortage?

Food availability statistics reported by Mohiuddin Alamgir in his 1980 book on the Bangladesh famine suggest that the level of food availability (or rice output) in 1974 was higher than that in 1973 and in 1975. Therefore, the level of food availability cannot explain the sharp increase in the relative price of food and later, the famine. The 1974 floods remain one popular explanation of the rise in food price. Amartya Sen, however, discounts their impact on food price rise. He writes: "... the rise in rice price could not, however, have been the result of the flood only. Indeed, in the early months of 1974, long before the floods, rice prices were rising sharply — almost as fast as they did during the flood and immediately after... Thus the explanation of the rise in rice price must be sought partly in influences that have nothing to do with the floods. And this is where a macroeconomic study dealing with such factors as effective

demand, money supply, etc. could contribute substantially."

Another plausible explanation of the increase in the relative price of food has been the smuggling and hoarding of food grains. It was apparently so. However, there was no economic explanation of hoarding and smuggling of food grains. When a number of influential ruling political party members were found linked with hoarding and smuggling of food grains, the political opposition and media became interested in blaming the government for not taking any decisive action against anti-state elements instead of looking for the root causes of hoarding and smuggling. Thus an impression was created that food shortage was essentially a law and order, rather than a macroeconomic problem. Far from the truth, the main cause of hoarding and smuggling of food grains can be found in the domain of economics.

Detailed information on the volume of hoarding and smuggling of food grains is not available. There is also no consensus on the idea that there was excess smuggling of food grains in 1974. There is, however, a broad consensus that the panic buying of food grains by millions of consumers in a hyperinflationary situation (and the delay in marketing food grains by surplus farmers) might have created food shortage in the market. Therefore, despite the view that the deteriorating law and order situation might have worsened the food crisis, it was unlikely that any punitive action by the government against smugglers and hoarders would have made much difference in the way that food prices were increasing unless such an action could have brought confidence back to the people in the government's ability to control inflation. But in reality the government lost both its credibility and the trust of the people, which led most people to reach a conclusion that the government would not be able to stabilise the economy.

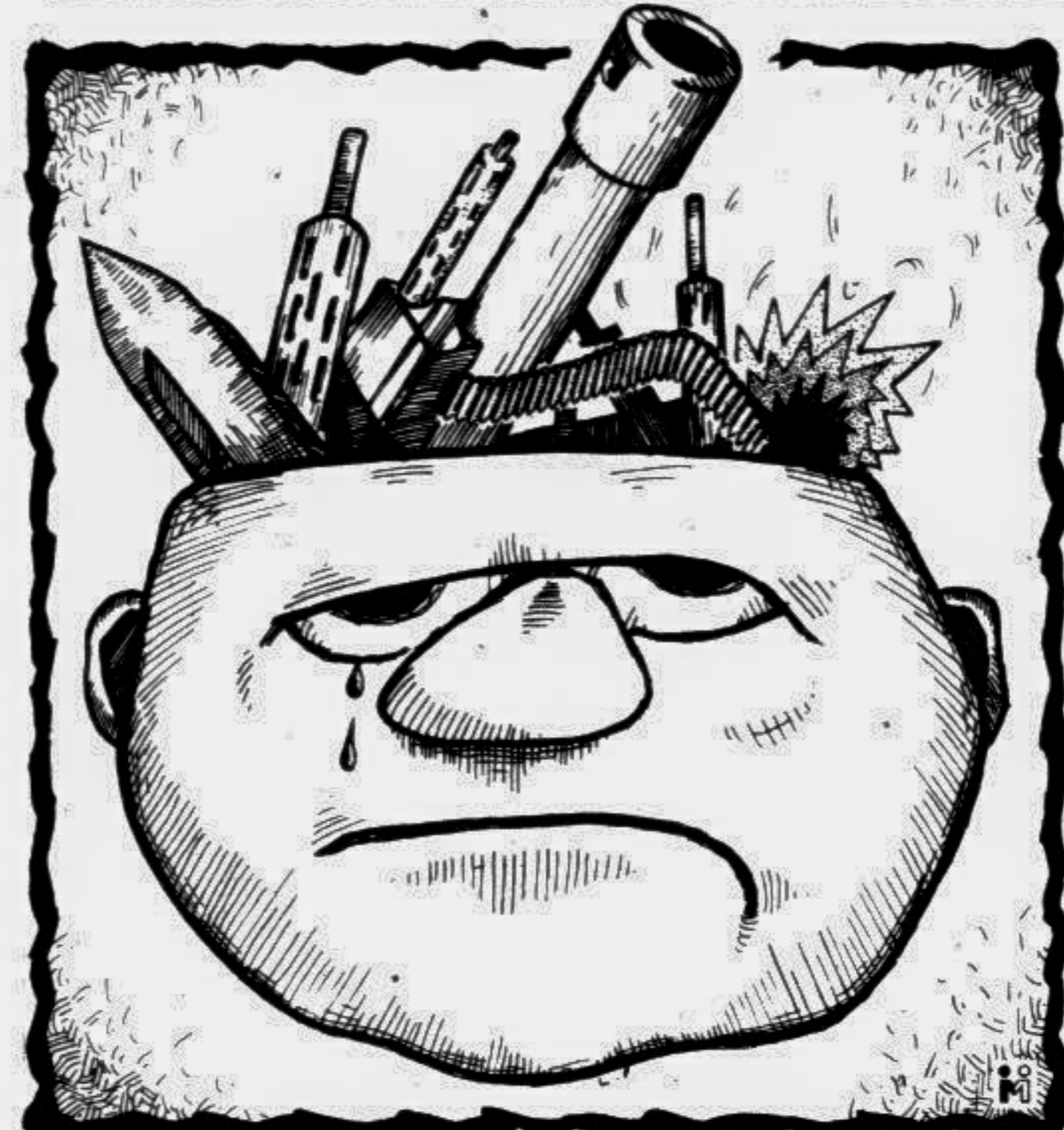
(To be concluded tomorrow)

This article is based on an empirical study by the author who is a Lecturer in Economics at The University of Newcastle, Australia. He would welcome any request from the readers for a copy of the research paper which includes references and the data.

Tito's Heirs Try to Live with Trauma of War

Petar Hadji-Ristic writes from Zagreb

The graves of the victims tell only part of the story of Yugoslavia's destruction. Left in the ashes and the rubble are the damaged minds — some so traumatised, as a Gemini News Service correspondent found out, that they would rather withdraw from the world for ever.



returned from the war severely disturbed — suffering from recurring nightmares, flashbacks, and depression. No-one can say exactly how many people in former Yugoslavia are suffering from traumatic stress. Even behind the smiling face of a child there may be a severely traumatised mind.

have not just witnessed this they have been part of it, dragging the wounded out of the streets, staying close to them. And not just anyone, but a mother, a father, a brother, a neighbour.

Dr Stuvland gives a graphic account of how a child may be affected.

They are constantly re-experiencing what they have seen: those seconds when the shell is actually exploding and tearing people apart. They are no longer able to live fully in the present because the past is always present.

But the terror of violence is only the first level of a child's war experience. There is a new horror about which psychiatrists know virtually nothing: the effect on children of being besieged in their cities, huddled underground for months without fresh air or light and always the threat of death overhead.

UNICEF says 280,000 children in Bosnia have been living in cities under siege. "From one perspective everyone could be seen as traumatised," says Dr Jensen.

Adds Dr Inger Agger of the European Community Task Force: "To live in a war situation is hurtful for anyone, even for us."

Treating trauma is gruelling work and the burn-out rate is high. After listening to 20 sto-

ries a week, therapists may begin to suffer nightmares and experience flashbacks.

"They can be overwhelmed by the whole business, be confused and get all the symptoms of the people they are trying to heal," says Dr Agger, adding that helping the helpers is now a major issue among those working with war victims.

Even before the war, mental health in the former Yugoslavia had a low priority. Now with the economic and social destruction the severely mentally ill, are suffering terribly.

"Even if these have not met the war, the most vulnerable of all, the mental patients, are living in conditions below any human dignity," Jensen says.

Dr Jensen tells of Muslim patients who were bombed out of the hospital they once shared with Croats in Mostar now wandering through the rubble with almost no one to care for them.

"The whole mental health staff on the east bank is two burnt-out psychiatrists, traumatised themselves, a nurse and one social worker. Four people for 60,000 people, most of them living in cellars."

The region does not have the thousands needed to treat those suffering from traumatic stress. Nor could such numbers ever be realistically trained.

Says Dr Jensen: "Maybe five

to ten per cent of the people will have such a perceived need that they will need family counselling, family therapy — the things we would offer if they had been in a traffic disaster or plane crash."

On that scale, some two million people are today likely to be severely traumatised.

Jensen believes some of those people will simply drop out of reality because of their inability to cope with what they have seen and experienced. Others will turn to alcohol — health will deteriorate, both emotional and physical, and the region will take generations to recover.

But at least there is some hope for healing. Dr Agger talks of peace-building strategies such as the UNPROFOR tent on the no-man's land between east and west Mostar where Croats and Muslims can meet again and heal the wounds of war.

Some symbolic method of cleansing the land of hatred and re-dedicating it to peace must be found, she says.

"If we do not help people build peace with each other the war will never stop. Maybe it will stop temporarily, but it will start again just like the trauma from the Second World War: still alive coming out again because no real peace was built."

The task ahead is daunting. Says Dr Agger: "Overcoming this hatred and resentment and creating some kind of reconciliation will require a lot of difficult psychological and spiritual work."

PETAR HADJI-RISTIC is a British freelance journalist, who writes on the former Yugoslavia.

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.

Housing estates for Sylhet town

Sir, Plots were developed and allotted by Housing and Settlement Department in three phases in 'Shahjalal Upposahar' in Sylhet town. This satellite-town is in the north of the river Surma. At present there is hardly any land left for development of any housing estate in the main town. But there is lot of scope for development of housing estates to the south of the river. Land there is much cheaper. With the construction of

Shahjalal Bridge, movement of traffic and people from the south of the river to the main town in the north has become quite easy.

There is a lot of demand for plots. But in the absence of any new scheme the government cannot offer plots to members of the public. It is possible only for the Housing and Settlement Department to develop a modern, well-planned and well organised Housing Estate to the south of the river Surma. Once they initiate the first housing estate it is likely that private housing companies may

also follow suit.

May I, therefore, request the Ministry of Works and the Directorate of Housing and Settlement to look into the matter and take initiatives at the earliest to cope with the growing demand for plots in Sylhet town.

Saleh Ahmed Chowdhury
Dhaka Cantonment

Slay the dragon of unemployment

Sir, The G-7 leaders met recently in the Italian port city of Naples. The leaders of the world's richest nations discussed unemployment problems, trade disputes and world trouble spots. The leaders conceded that they had failed to slay the dragon of mass unemployment.

If the G-7 leaders could vow to accelerate reforms to try to create new jobs, cannot our

SAARC leaders also similarly vow to take steps to create fresh jobs for the young generation of this poorest part of the world?

As we are among the most economically disadvantaged nations, we should think of creation of new jobs more earnestly than other nations do.

Economic disaster is the deadliest problem for almost all the SAARC countries. The governments and the opposition parties of the region have to think and remain much more busy and concerned with the economic issues for poverty alleviation. As for Bangladesh, our opposition parties also have a hard task to find out ways and means to a complete rescue from the economic downfall the country is presently in. Our present economic policy needs a little bit tariff-cut to boost trade. Our products can easily capture the

international market as we have a vibrant labour force who can be hired on low-wage in comparison to that of other countries of the world.

So, the ruling party and the opposition parties should not indulge in mud-slinging politics that is neither desirable nor justified. How to slay the dragon of unemployment should be their prime concern.

Fayezur Rahman
Masdar-Godardaghat
Narayanganj

Saving historical sites

Sir, In our country, winter brings thought of visiting historical places and going for picnic. And this trend of our people could be utilised for advancement of internal tourism and/or maintaining historical properties and gardens around the country.

An annual subscrip-

tion/long-term membership for self or families could be offered at reduced rate by the DCC in coordination with other bodies concerned. Not only visit rights, these people would be even entitled to receiving copies of publications/brochures and get invitation to events organised for the public like the civic receptions etc. People could buy these documents as a wedding gift or an old age gift for recreational visits.

Therefore, by opening the doors of historical/interesting places around the country this way to the public the DCC and other corporations including the BPC could earn enough to maintain the sites which are now in terrible state of repair needing immediate restoration as also improve and expand facilities for the visitors there.

Col Mirza Shafi (rid)
Baran, Dhaka