

Export Performance Slippage and External Competitiveness

EXPORT growth slowed down noticeably last financial year. In the perspective of an export-led growth strategy, the performance slippage should be a matter of concern to the policy makers.

This Brinkmanship may Easily Go Out of Hand

Government, in its eagerness to match the opposition's challenge, did some things it should not have done. The widely suspected to be a contrived transportation strike made the opposition desperate and militant, leading to the strike on Sunday. The huge mobilisation of police created its own panic reaction and the city looked more under the 'siege' of the police, than of the opposition.

There is no denying the fact that things are going out of hand, and both the government and the opposition are getting locked into a chain of actions, whose cumulative impact on the economy and politics of the country is likely to be disastrous. As is natural, politics affect economics, and from the look of it, our economy is likely to get quite a bashing from the coming events. So the question is, is all this good for the people, good for our country? If the politicians do not ask this question, then the people will. And the conclusion our people come to, will determine the future of our politicians. Let no leader forget that for a moment.

Even before the so-called Dhaka 'siege' got underway, a half-day hartal was called. And as expected, no-sooner the 'siege' ended, we were saddled with three more days of hartal. This paper has consistently opposed hartals as self-defeating and wealth destroying, for a country mired in acute poverty, excessively high unemployment, extremely low level economic growth. So also today, we raise our voice, resolutely and firmly, against this programme which will severely hit at our production potential. In this instance we oppose the hartal call for another important reason. We do not think that there is any justification for it. Given our tradition of violence, Saturday's clashes, though unfortunate, were nothing extraordinary. The question almost asks itself as to what will come next, after this series of hartals. More and more of them? What happens after the second series? We are afraid that this process can only lead to severe social and economic disruption which will bring more and more hardship for our people, already suffering from back-breaking poverty. If hartals continue, we can say good bye to whatever little prospect there is of foreign investment.

For a clear understanding of our view we would like to make a very clear distinction between ends and means. For example we fully support the opposition's professed end of ensuring a free and fair election. In realising that goal, the opposition feels that the only way to do so is to have a caretaker government to hold that election. We take, again, this end of the opposition extremely seriously. The Daily Star organised a debate on the subject, and published nearly one hundred articles.

However, where we have severe problems with the opposition's stance is the means which are being adopted to realise the above ends. First of all, we have opposed the continuous boycott of the parliament. That we thought — and still do — to be detrimental to the stature and prestige of the parliament, and to the process of making the Jatiya Sangsad the centre of our politics. Now, after months of parliament boycott, it is being supplemented by frequent and continuous hartals. Parliament boycott hurt our political process. Hartals hurt the economy. At a personnel level, it takes away the daily bread of the 4 lakh or so rickshawpullers and millions of daily wage earners and small retailers.

We repeat, we are fully respectful of the opposition's desire for a free and fair election. We share many of the opposition's criticism of the government concerning corruption, law and order, governance incompetence and nepotism. We are sympathetic to opposition's view about this government's failure to curb campus violence, and about the latter's encouragement of fundamentalist trends. We support all measures to make the parliament more powerful, the government more accountable and the administration process more and more transparent.

But to achieve all this, the opposition will have to find new and more innovative ways of mass protest. We have said so before, and repeat the same today, that a meeting of lakhs of people — like the one AL held prior to Hanif's election as Mayor — has much more impact than a day's hartal.

Two things should have now become obvious to both sides. First, BNP cannot rule the country without opposition's cooperation. Second, the opposition cannot force this government to quit by hartals. The solution therefore lies in a dialogue between the two groups. Here, we would like to frankly state that the ruling party has not been serious and sincere. There has been no genuine effort at a dialogue. We understand the opposition when it accuses the ruling party to have tried to use the 'dialogue' process to subvert the 'siege' programme of the 10th.

Now that the 'siege' is over, can we have a more serious and sincere go at talks? Those who denigrate the dialogue process, only help to strengthen the hands of Jamaat and the Jatiya Party, the two biggest beneficiaries of the BNP-AL head-on tussle. Before our two leading political parties lose more public support, and their credibility gets undermined, they should hold talks and bring themselves back into the centre-stage of our politics.

A dialogue, essentially involves a spirit of give-and-take on the part of both. At the moment there is too much "digging into the ground" on both sides, and too little talk of flexibility. There is also a need for clarity of position on both sides. There has been too much accusations and counter accusations. Let us have a clear enunciation of what each party is demanding and, in return, willing to give to the other side.

We repeat that hartal is too self-damaging to be continuously applied as a political weapon. We also repeat that without political dialogue, there is no way out of this impasse. And for that dialogue to be successful, we have to show some flexibility.

For the sake of the country, its people, and for that of democracy, let statesmanship replace petty politics. (In view of the importance of the issue we deviate from the normal practice and devote the whole editorial column to only one topic.)

The current phase of convertibility does not give exporters full, free, ready access and right of retention in respect of the foreign currency they earn. Had this facility been granted to the exporters, they might have been in a better position to realise a little more from the foreign currency earned by them.

drive — were some of the other measures identified in this regard.

Export of the so-called non-traditional items has grown from less than 25 per cent of the total to more than 80 per cent over the last decade or so. However, product base still remains remarkably narrow in terms of contribution to export earnings. Exportable items are more than a hundred in number. All the same, only seven products — readymade garments, hosiery, jute, jute goods, tea, leather and frozen fish — are contributing more than 90 per cent of the total export earnings. Export growth depends on how well these items perform. The lacklustre performance of the export sector in '93-94 can immediately be traced to fall in earnings from some of these products.

In recent years, export growth has come to depend virtually on a single product — readymade garments. Out of the total export earnings of \$2383 million in '92-93, readymade garments alone contributed \$1240 million. Export target for '93-94 had been set at \$2900 million, with the share of readymade garments projected at \$1650 million. In the event, readymade garments fetched \$1292 million only. Although the item earned \$52 million more than the preceding year, this fell short of the projection by \$358 million. Overall, export earnings in '93-94 fell short of the target by \$366 million. In a sense then, it is the failure of readymade garments to perform, which upset export growth projections last year.

Export diversification is a must to reduce the vulnerability resulting from dependence on earnings from a few products, or even worse, a single item — readymade garments — as the case virtually now is. The World Bank has suggested promotion of silk and leather sectors as a way of broadening the export base. These two product groups also figure among the items listed in the Export Policy crash programme. Leather is already a principal item of export. The sector accounts for 8 per cent of total export earnings. The issue now is to diversify into

than \$700 million annually from raw silk and woven fabric. India, which earns around \$250 million from export of silk, is taking urgent steps to upgrade its production and processing facilities. World trade in silk is expanding. It's high time that urgent measures are taken to develop this sector for which we have a comparative advantage like leather.

Leather and silk are not the only items that offer prospects for export diversification. The current Export Policy lists 12 items for product development

production of leather goods such as shoes, garments and other products. Recently, there were reports that export of crust and finished leather might be restricted to encourage production of more leather goods in the country. Between 2 and 3 per cent of the world's leather output is produced in this country. Our export earnings, however, are infinitesimal when set against world trade in leather. Higher value addition is the obvious answer for increasing our share in the world trade in leather.

Both leather and silk offer an additional advantage as a growth item since unlike readymade garments, dependence on imported input will not be so pronounced. The potential of silk as an export product remains virtually untapped. China, the leading exporter of the item, earns more

in its crash programme. The point is, aggressive marketing or heightened commercial diplomacy for that matter, cannot, by themselves, expand exports unless there is a stable and diversified base for supply of products at home. Once the United States decoupled human-rights issues from trade, American firms could chalk up spot business worth more than \$5 billion during a single visit to China earlier this month. They could not possibly have done so unless and assured supply base for export products was readily available at home.

Of course, the recent slide in the dollar's value against the world's major currencies, is also helping American exports. American goods have now become more competitive in the world market. This brings one aspect of policy support for

examining current perspectives: "The countries of the Middle East are the world's ancient traders. They appreciate New Zealand's interests, and the mutual benefits of the relationship. They also recognize our relative objectivity towards the political problems of the region."

— Depthnews Asia

export in our case to mind. In short, it is a question of extending policy support through a flexible exchange rate to strengthen export competitiveness of our products.

It might sound a bit incongruous to raise the issue of exchange rate management for export transactions in a regime of full convertibility of the currency on current account. However, the reality is that, despite the taka having been declared fully convertible, first on trade and then on current account, the exchange rate is still being managed by the authorities. Well, may be not directly. All the same, the conversion rate of taka against other currencies is managed alright, albeit indirectly.

Since the ongoing phase of convertibility of currency was introduced, the exchange rate has remained remarkably stable. This is often cited as a plus point of economic management. May be it is — to an extent. Stable exchange rate keeps the cost of imports down to existing levels and helps subdue inflation. The producers of goods for the domestic market would be happy as they can keep costs down. Even exporters of products with high import contents also would have reasons not to feel unhappy about it. Gains from lower exchange rates accruing to the readymade garment exporters would probably be eaten up by higher costs of imported fabric and accessories. Investors also should feel happy. Cost of investment is more predictable and debt servicing liabilities for borrowings from abroad would not spiral. Lower conversion rates for the taka would bring the government some gain by way

of higher revenue on receipts of duty on the unit value of imported goods. However, higher costs might also check off flow of imports, affecting total revenue yields. Besides, the cost of public investment would go up in terms of local currency and so would debt servicing liability.

Nonetheless, the sudden slippage in export performance raises fears of loss of external competitiveness. The current phase of convertibility does not give exporters full, free, ready access and right of retention in respect of the foreign currency they earn. Had this facility been granted to the exporters, they might have been in a better position to realise a little more from the foreign currency earned by them. This could have helped export competitiveness. As it is, the World Bank notes that the effective pace of real depreciation of the taka has been substantially less than that of several potential and actual competitors. It might be argued that as the taka's conversion rate reflects the real effective exchange rate, measured with reference to a basket of currencies of major trading partners, there should be no fear of loss of export competitiveness. Yet, it is disconcerting to find that among the countries in the subcontinent, the Asian Development Bank publication, Asian Development Outlook 1994, puts our 1993 real effective exchange rate index at 81.9, as against 47.3 for India, 59.5 for Pakistan and 62.4 for Nepal. All these countries have a competitive edge over our exports then! Is it that we have bought exchange rate stability at the cost of export growth? What about the export-led growth strategy then? Well, these are questions that the policy makers can answer best.

NZ Official Says Pan-Arabism Not as Strong as before

GREATER independence of action by governments in the Middle East today is one of the most striking developments in the region.

This is the view of a self-confessed geographically-distant observer, the New Zealand Minister of Foreign Affairs and Trade, Don McKinnon.

In a recent foreign policy seminar at Otago University, Mr McKinnon observed, "Pan-Arabism no longer seems to command ready compliance."

Mr McKinnon, who is also New Zealand's deputy Prime Minister, said the region had been jolted by the Gulf War. It was not that "the unifying factors of civilization — language and religion" were no longer at work in the region, or that Arab attitudes to outsiders had changed, but sub-regional arrangements had been strengthened. The collapse of Russian communism and the fragmentation of the

Soviet Union had removed one political option, the foreign minister said.

The revival of Islam, fuelled by social and economic pressures, was showing up as a new political activism in some areas.

Middle Eastern governments were having to cope with bigger populations, diminishing natural resources, increasing discrepancies in wealth, continuing expenditure on arms and more critical assessment of their performances by their own peoples.

Mr McKinnon added: "... We have no political agenda in the Middle East, nor are we party to anyone else's."

"But we do, like many others, have a large stake in the region's stability and prosperity. Our interest is primarily economic. And so is the region's interest in us."

"We produce what the Middle East eats. Many of those countries have the

Middle Eastern governments have to cope with more critical assessment of their performances by their own peoples

Ian McCrone writes from Dunedin, New Zealand

New Zealand still imports half of its oil needs. Its exports to Middle Eastern countries — mainly meat and milk products — were NZ\$867 million (US\$511.5 million) last year.

But the bill for imports, nearly all oil, was NZ\$818 million (US\$482.6 million).

While Algeria is rated as a very important market for milk powder and Morocco is a growing one, the Gulf nations dominate the trade pattern.

Saudi Arabia was New Zealand's 14th largest overseas customer last year, taking produce worth NZ\$240 million (US\$141.6 million). Live animal and meat sales brought in NZ\$150 million (US\$88.5 million).

Joint ventures in countries like Egypt, Saudi Arabia and Iran are helping to expand sales of New Zealand dairy products and a diplomatic post

was set up recently in Turkey, where timber exports have been increasing steadily.

The New Zealand government is keen to attract more investment from the Middle East. Several missions from Gulf nations have visited in the last few months to look for opportunities.

Mr McKinnon told the Dunedin seminar, which was

examining current perspectives: "The countries of the Middle East are the world's ancient traders. They appreciate New Zealand's interests, and the mutual benefits of the relationship. They also recognize our relative objectivity towards the political problems of the region."

— Depthnews Asia

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.

"Am I a fool?"

Sir, I hope Ms Natasha Kamal (Letter 8-9-94) meant only to be amusing and not to be taken seriously in her response to my letter "Am I a fool?" Though I never was more than a cursory reader of History, and never been to Rome — I do remember seeing a movie titled, "Fall of the Roman Empire."

However, it is commendable that a traffic policeman has now been added to the other adornments at that particular road junction.

Munirul Haque DOHS, Dhaka

Pollution rights

Sir, In certain selected cities, the US Environmental Protection Agency (EPA) has given companies to buy and sell the right to pollute as part of a plan to encourage them to clean up their own operation. And it has worked well, given the greed a chance in pursuit of profit.

Likewise, such permit could be bought and sold in the metropolis of Dhaka. Chittagong, Khulna and Rajshahi for any kind of pollutant, to which the EPA would set the specific limits for each polluting company. Companies that reduce their pollution below limits, would receive credits to be sold to other firms wishing to expand or go beyond their own limits.

However, as a check and in order to improve the overall situation the quantity of pollution permit issued must be reduced periodically and no firm would need to shut down immediately if its owner could buy time by obtaining extra pollution permits.

Col Mirza Shafi (rtd) Banani, Dhaka

Indo-Pak relations

Sir, India is found to be very keen to improve its relationship with Pakistan. This was mentioned by the Indian Prime Minister in his country's independence day address on the 15th August 1994. The attitude of India was very polite to solve its different matters with Pakistan, particularly the Kashmir issue. But it is a matter of regret that the Indian government is very reluctant to solve a single major problem with our country — the Ganges water sharing issue.

If the Indian government would have shown at least ten per cent of legitimate response to our water sharing cause, compared to what they expect from Pakistan on Kashmir, the very serious problem with our country would have simply disappeared long ago.

Motins Samad Chowdhury Phullola Tea Estate, Sylhet

An appeal

Sir, Those who are out of employment, lead miserable lives. But the lives of those who are retrenched from jobs after serving for some time are more miserable. More than six hundred workers including other staff of Sirajgonj Spinning and Cotton Mills have fallen deep into unbearable conditions.

The mill run by some private owners was closed a few months back. Though it resumed its function afterwards, reportedly, the help of bank loan, it is now closed again by the owners. Those who work in and live by this mill alone are now bound to live virtually an inhuman life. In these circumstances, we appeal to the democratic government to take effective measures to open the mill, if necessary ordering/persuading/even bypassing the existing directors.

Mahmuda Khatun Shathi Sirajgonj

What's wrong?

Sir, What's wrong with the efficiency of the government?

— Hardly right, always late? — Maximum indecisiveness?

— Mounting list of pending issues, masterly inactivity on thorny issues?

— Plain lack of leadership and statesmanship?

— All quiet on civil service reforms, dragging for three years?

— Shortage of power, telephones and houses for next 10 years?

— Micro economies sluggish and sticky?

— Inability to contain disruptive forces?

— Continuing campus instability, future of higher education at stake; insecurity in the academic world?

— Immoral business practices in the health and private education sectors?

— Uncontrolled corrupt practices; fringe attempts, without striking at the core?

— Seeking to survive mainly on publicity of a large number of heterogeneous development projects?

The mounting problems tend to sap public confidence. The lack of firmness and toughness erodes authority.

A. Zabr Dhaka

OPINION

Private Banking — as One Sees it

Arun Sarkar

Discussion of any sector in isolation of the whole economy is not tenable and often misleading and misconstrued. Even so, banking occupies a centrally important position in the financial world of a country and while economic activities affect the banking, banking itself can salvage or ditch an economy. Therefore, when we discuss banking, we should not forget the economic as well as socio-political and cultural channurings for better understanding of the subject. Admittedly, this is not an indulgence in any academic discourse but merely a layman's view.

It is often alleged by the middle class clients (supposedly the majority of the clientele of the banks and their total deposit is significant) that the banking sector in the country is least bothered about the diminishing quality of service while ironically the aim to achieve towering profits remains intact.

Fast Food Syndrome

In this regard, reportedly the private banks have come into being with some perceivable fanfare to provide improved service and new dimension of banking but right at the moment, like many other organisations, it is widely believed that they are suffering from, say, fast food syndrome.

In the recent past, we have seen fast food stalls/shops/confectioneries mushrooming, ushering in more delicacies from different regions of the world to relish the palate of the citizenry. Many or some of such places, at their inception, sold burgers and sandwiches with double layer stuffings — one of meat and another of good quality (foreign) cheese and salad, say, at Tk 15/-. Later they replaced much of the meat with pulses and foreign good quality cheese with local poor quality cheese and began to sell the same, say, at Tk 20/-. True, while the prices of products remain to shoot high, the quality happens to be nose-diving.

At the outset, the private sector banks wooed the clients. And even today, when opening a new branch, they invite the clients with a promise to give better service; but in many cases they forget that promise very soon. One of the reasons might be that they have started to staff with poor calibre personnel at low pays, often having links with the influential, and strive to earn super-normal profits. The banks, with some good

reasons, usually are reluctant to invest in some vitally important sectors such as housing even if these are highly secured at a reasonable profit. Perhaps the low and slow returns are having the dampener effect.

The Smart-look Show

If one comes out on the streets of Dhaka, one finds fabulously greater number of persons wearing ties and double breast coats. Many of them are serving in banks. As required by the banks' employees to put on dresses as prescribed, the employees naturally put on such clothes. Some of them look smart, no doubt.

Lamentably, complaints have it that if one has a short talk with (many of) them, in many cases, one will be shocked to find out that their dresses belie their lack of commonsense and professional knowledge. Some outrightly blame the fall of quality in education imparted at the institutions, others point out that they are not employed on the basis of merit; that in many cases, the appointments are made on the strength of connections with the higher-ups of the community.

Without improvement of acumen and quality of service, this is no doubt a mockery and wastage of resources. While empty vessel sounds much, the economy moves with the crunch.

Connection/Recommendation Overriding

Whether it is recruitment or sanction of a credit line, it is alleged, the connections and recommendations play the upper hand. One with all the merits may fail to get an appointment letter or sanction letter of a credit line whereas one might not have fulfilled the set criteria but by dint of wide connections and recommendations from the influential gets either or both.

This has helped in undermining the utility of talents thus pulling down the quality of services.

Effortlessly one can recollect that when the government of Begum Khaleda Zia came into power, some lists of defaulting borrowers were published in the newspapers and the government made much drum-beating about taking disciplinary actions and penalising them but till date no action is reported. Like any other sector, in banking too, the government apparently pursues the policy of all shouts

and no actions.

Corruption

It is no more any hush-hush business about corruption in this country. It is now obvious. The corrupt, as many allege, seem to be more righteous than the honest. Corruption has engulfed the whole nation. The banking sector is also not out of that framework. It is therefore unwittingly to contemplate a corruption-free banking in the country.

Many have the tendency to point out one thing that if one would look at many of the managers/credit/foreign exchange officers of different banks, one would be convinced that often their extravagant spendings give credence to alleged aggrandizement of wealth beyond means. We should remember that few of us have come of the zamindar families. Allegedly, the salary and allowances they get are not supposedly enough to permit them to build palaces in posh areas of the big cities.

Thus to get over the guils, alleged or otherwise, as hinted above and to ensure better service, as envisaged, the following may be contemplated:

a) Each and every bank should streamline a fair system to ward off any sort of corruption (Money is the main commodity — the raw material and the end-product — in the banking sector).

b) Whether it is as simple as recruitment of an employee or as complicated as sanctioning a credit, the more the merits find priority over recommendations from influential quarters, the better it is.

c) A mechanism may be developed to see that the controlling authority and the managing authority are not too frequently having dinners together.

d) The communication of information in the institutes may be made a both-way traffic i.e. bottom-up and top-down phenomena.

e) There should be incentives for the employees. The employers, apparently, have the tendency to curtail benefits in time of troubles but in heydays they do not share the good profits.

f) A device be evolved to turn down undesired requests without inviting any harm to business/official relationships. g) The controlling authority should not invest in any form in the business of the governed. h) The socio-economic and politico-cultural issues should also be taken into cognizance by the owners and the management as well as the governing authority.