

## Bottomline of US-Japan Trade Accord

A superlative like 'historic' or 'momentous' wouldn't obviously be the right prefix to the US-Japan trade accord, signed by the two economic superpowers in Washington on Saturday. The access to Japanese market gained by the US and other foreign firms in terms of the agreement would be limited. It will be confined to government purchases of a few stated items. The Japanese telecommunications, medical equipment, insurance and glass markets would be partially open to the US companies. This could at best help the US square up with one-third of the 60 billion dollar trade deficit she annually has with Japan. That also if the US sales should actually materialise in Japan. The US has failed to get Japan to agree on opening its market of automobiles and auto-parts to the US manufacturing houses which was the real bone of contention, as these accounted for two-thirds of Washington's annual trade gap with Tokyo.

It looks like a face-saving accord both for the US and Japan. There was this deadline pressure from the USA that if Japan were to fail to give access to the USA by September 30, the US would categorise her as an unfair trader under Super-301 law and put a ban on the Japanese exports. The last-minute deal, made after 15 months of bickering, by the Japanese foreign minister and trade minister Yohei Kono and Ryutaro Hashimoto respectively, and the US trade representative Mickey Kantor on the other side, obliterated what was certain to be a worse turn in the trade war between the two countries with sanctions looming large on Japan.

But the clouds have not all been lifted from the horizon. Talks will go on for the next 12 to 18 months centring on the unresolved question of the US' gaining access to the Japanese internal market of cars and auto-parts. So, Japan seems to be on probation, as according to a US spokesman, she could still be listed as a country to be watched closely for possible future sanctions.

Both the countries are stopping short of making a clean abreast of the domestic considerations that are really weighing with them not to be fully obliging to each other. Ostensibly, the Japanese government and corporate leadership are complaining of US pressure for managed trade under a regime of pre-set targets while the US is unrelenting in its battle of words with Japan. It is said, language is a device to hide thoughts. Seldom has one found the true reflection of this adage as one does while sifting through the words both Tokyo and Washington have used in their trade diplomacy.

Japan is investing the surplus dollars in the USA to buy government bonds, real estate, other kinds of property and perhaps businesses. These may work to the advantage of the US economy in the long run. But in the short term, the continuing lack of demand for major American goods in the Japanese market is threatening to exacerbate the unemployment problem by forcing the closure and downsizing of many US industries and service-oriented companies. Unemployment can be a severely vote-cutting issue for the US presidential incumbent. Therefore, Clinton has been markedly more serious than his predecessor to reduce the trade imbalance with Japan. But his dilemma in being too harsh with Japan — like clamping any trade sanctions on her — lies somewhere else: he is on record to have committed to the ratification of the world trade liberalisation measures adopted through the Uruguay Round of GATT negotiations by the year-end. As for Japan, she may consider lowering the cultural barrier to buying more of US goods, if that is what she perceives is standing in the way of a better economic partnership with the US.

## A Sad News

Few news reports can be sadder. The Roerich property situated in a 450-acre estate in Bangalore is decidedly one of India's most prized national heir-looms. This, with hundreds of invaluable paintings and other objects of art and valuable bric-a-brac and 32 million dollars in liquid asset, is being literally scattered to the winds. Worse, the paintings, on top of many of them vanishing untraceably, are being holed by termites.

The news tugs at our heart strings poignantly for two big reasons. The two Roerichs, specially the senior, Nicholas, were veritably gods' own appointed divine painters of the sacred Himalayas and of the gods themselves of the Hindu pantheon. The subject, the quality of work and the love and life itself that went into them made the canvases produced by the father and the son something truly out of this world. The Roerich estate had in it hundreds of such works. Together with these were the lifelong collection of artistic objects from all over the world made by the two. The harm done to the collection and the paintings amounts to irreparable national loss to India and possibly to all mankind.

For us Bengalees there is a more important — and sentimental — connection, more than the maverick Russian genius of Nicholas and Svetoslav Roerich could alone evoke in us. The estate was built up also by the legendary spouse of Roerich junior — Devikarani. The first screen heart-throb of the entire subcontinent. Devikarani was universally adored in Bengal even before she married Himangshu Roy, the founder of Bombay Talkies, and became the darling of all in undivided India. It was national news when the widowed superstar married Roerich junior. And over the years two became one of the most celebrated and beloved couples of India, what with their enlightenment and dedication to a life of art, what with the perfect harmony into which they built their lives.

That the life's work of our dear Devikarani — one can recall her opposite a fledgling Ashok Kumar singing *Mein bun ki chidiya in Achhut Kanya* at will — and some of the art treasures coming down from the brush of Nicholas Roerich whose sets for Diaghilev's Ballet Russe performances and Himalayan paintings put him in the vanguard of early twentieth century painting are being let to lose their way into oblivion, is a news that must sadden all lovers of culture.

# The Political Economy of Land Taxation: Interest and Clout

by Dr Akhtar Hossain

This article examines the land taxation policies in Bangladesh within a political economy perspective. In doing so, it highlights the socioeconomic background of the Members of Parliament in Bangladesh, who were elected in 1970, 1973, 1979 and 1991. It reveals that because the political and bureaucratic elites in Bangladesh have direct and indirect landed interests, they have allowed the land taxes to disappear over time without imposing any substitute direct taxes on agriculture.

article reaches a conclusion that to promote economic growth through agricultural modernisation in Bangladesh, land/agriculture should be taxed to raise funds for investment in the rural sector. However, this task should not be left in any corrupt or inefficient hand or to the central revenue administration. A properly constituted, supervised, and accountable local government at the village level may be capable of collecting land/agricultural taxes for investment in the rural economy.

## Land/Agricultural Taxation Policies

Land taxes remain a political issue in Bangladesh. Because about 85 per cent of total population in Bangladesh live in the rural areas and almost all of them own farmland and/or homesteads, the incidence of land taxes falls on all the rural people. It indicates that land taxes have an ability to create passion among the rural people. The fact that the politicians and bureaucrats in Bangladesh have allowed a traditional source of government revenue to disappear over time without imposing any substitute taxes on agriculture manifests the sensitivity and importance of land taxes in the national politics. By looking at the class character of political elites in Bangladesh, one can identify the conflicts of interests of politicians in land taxation. In fact the continuation of paternalistic agricultural/land taxation policies in Bangladesh manifests a nexus between landowners and politicians.

A politically popular decision, taken by the Mujib government, was the abolition of land taxes on all holdings of upto 8.3 acres per family. All the arrears of land taxes on holdings upto 8.3 acres were also remitted. Such exemptions relieved about 90 per cent of agricultural land and about 99 per cent of rural population from the purview of land taxation. Collection of all other taxes and fees, which were related to land taxes but were not abolished, sharply declined in the wake of the abolition of land taxes.

Not only did the Mujib government abolish land taxes on holdings of upto 8.3 acres per family, it was unwilling to impose higher land taxes on holdings of rich farmers on the belief that farmers suffered

heavy losses of income and assets during the liberation war and that the time was not opportune for imposing land taxes so soon after independence. Despite such a pretension, it was obvious that the government's decision not to tax agriculture in any form was taken largely for political reasons. Even though some farmers incurred losses in income and assets during the liberation war, they gained from high prices of agricultural products and from huge subsidies on agricultural inputs. It appears that the Mujib government did not want to antagonise its rural power base by imposing taxes on land or agricultural income. The government was even reluctant to impose taxes on the earnings of affluent urban rental property owners.

There were only marginal changes in agricultural/land taxation policies in Bangladesh during both the Zia and the Ershad regimes. In 1976, a Land Development Tax Ordinance was passed by which the land and other taxes were merged together. For the agricultural land, the rate was fixed at a nominal rate of Taka 3 per acre for households owning upto 8.3 acres of land and of Taka 15 per acre for households owning above 8.3 acres of land. In 1982 the rate of land development tax was changed by an Ordinance which made this tax similar to a graduated land tax. Land owning households were classified into six groups and a higher rate of tax was introduced on larger landholders. Because agricultural income taxes became an unimportant source of revenues for the government, they were merged with personal income taxes at the end of 1970s.

Therefore, it is revealed that Bangladesh does not have a well-designed land/agricultural taxation policy suited to raising tax revenues. The direct tax burden on agriculture has remained low, even when it is compared with direct tax burden on the non-agricultural sector. The agricultural sector did not pay much indirect taxes either, even though it received huge subsidies on inputs in the 1970s and early 1980s.

## Landowners and Politicians

In Bangladesh, those who hold political-bureaucratic

power at both the apex and base belong to the landowning class, even though they do not necessarily live in the rural areas. Politicians, bureaucrats, and urban professionals gain directly and indirectly from agriculture by holding farm land. The prevalence of the extended family system and the Muslim laws of property inheritance allow also the urban politicians, bureaucrats, and professionals to inherit farm land from their parents and relations generation after generation. Given that land has a seductive attraction in a traditional society, not many absentee landowners are inclined to sell their farm land just because they no longer live in the rural areas. Politicians in particular have an incentive not to uproot themselves from their ancestral land because wherever they live, they usually get elected from the rural constituencies where they or their parents used to live. Having a landed aristocratic past may indeed be a major political asset in Bangladesh because in an underdeveloped political system, voters show a certain degree of parochialism and many politicians are eager to beat it up to maximise their political gains.

It was not merely the nostalgic childhood memory and the rural upbringing of the Awami League politicians that made them sympathetic to landowners, they themselves were the direct beneficiaries of the low tax burden on agriculture. Given that the average size of farm in Bangladesh was roughly 2.5 acres in the early 1970s, about 90 per cent of the Awami League Parliamentarians elected in 1970 and 1973 owned land above the average farm size. Importantly, about 55 per cent and about 60 per cent of the Awami League Parliamentarians elected respectively in 1970 and 1973, held 10 acres or more land. It indicates that the Awami League Parliamentarians in 1970 and 1973 benefited directly from the low tax burden on agriculture.

Because of the conflict of interests of the Members of Parliament, the Awami League government also did not introduce any effective land reform measures. Even though the Awami League politicians pledged radical land reforms during the autonomy movement in the late 1960s, in 1972 the Mujib government

fixed the ceiling on landholdings at 33 acres per family, which was exactly the level determined in the early 1950s, and there was no attempt to redistribute land among landless farmers.

The Mujib government's land reform measures also served the interests of the Members of Parliament elected in 1970 and 1973. For example, even though an effective land reform measure would have required a ceiling on landholding of, say, 10 acres or below per family, the ceiling on landholding at 33 acres per family benefited about 60 per cent of the Members of Parliament who owned landed property of more than 10 acres. On the whole, the land taxation and land reform policies of the Mujib government benefited the rich and medium farmers, who were the rural power base of the Awami League, and Members of Parliament.

The class character of the Zia government was not much different from that of the Mujib government. Statistical data reported in the Statistical Pocket Book of Bangladesh 1979 and in an article by Professor Talukder Maniruzzaman of Dhaka University reveal that

the socioeconomic background of the Members of Parliament during the Zia government in 1979 was similar to that during the Mujib government in 1973. Detailed information on the socioeconomic background of the Members of Parliament during the Ershad government in 1986 is not available. However, because the Members of Parliament of the then ruling Jatiya Party were the deserters from the Awami League, BNP, and other opposition parties, and because the Awami League was the major opposition party in the Parliament, the socioeconomic background of the Members of Parliament during the Ershad government was not much different from that of the Mujib or the Zia government.

## Agricultural Policies of Zia and Ershad Governments

Even though the Awami League lost its credentials and popularity after the overthrow of the Mujib government in 1975, it was perhaps assumed still powerful enough to challenge the legitimacy and authority of both the Zia and the

Ershad governments. Therefore, seemingly, it was able to force both the Zia and the Ershad government to design, adjust and implement economic policies in a politically defensive manner, in the sense that even though both the Zia and the Ershad governments changed most economic policies undertaken by the Mujib government, they were conscious of the political implications of revised or new economic policies. As a result,

most contentious economic policies, such as agricultural/land taxation and land reforms, did not get priority even though both the Zia and the Ershad governments gave the impression that they were making efforts to mobilise resources from agriculture by changing the taxation and land tenure systems.

The taxation policies of both the Zia and the Ershad governments were dictated by their need for political support from particular subsets of the population. Contrary to their claims of independence from organised interest groups, both the Zia and the Ershad government were linked with and dependent upon various interest groups. As a result, except for some cosmetic change in taxation policies, there were no serious efforts by the Zia and the Ershad governments to raise tax revenues from any sources. The availability of foreign aid softened budget constraints of both the Zia and the Ershad governments.

Instead of raising taxes, cutting expenditures and improving the performance of the public sector enterprises, both the Zia and the Ershad governments maintained large budget deficits and remained dependent upon foreign aid and loans for development expenditures. Both the soft budgetary policy and the aid-based development strategy served the interests of the Zia and the Ershad government as it enabled them to continue with their paternalistic roles towards the vested interest groups of the society. Both the Zia and the Ershad governments politically rehabilitated many large landowners, and some of them gained political power locally and were elected to the Parliament. The entry of large landowners at the centre stage of politics made it difficult for both Zia and the Ershad government to enact taxation and land reform policies that might hurt the landowning class.

(To be concluded tomorrow)

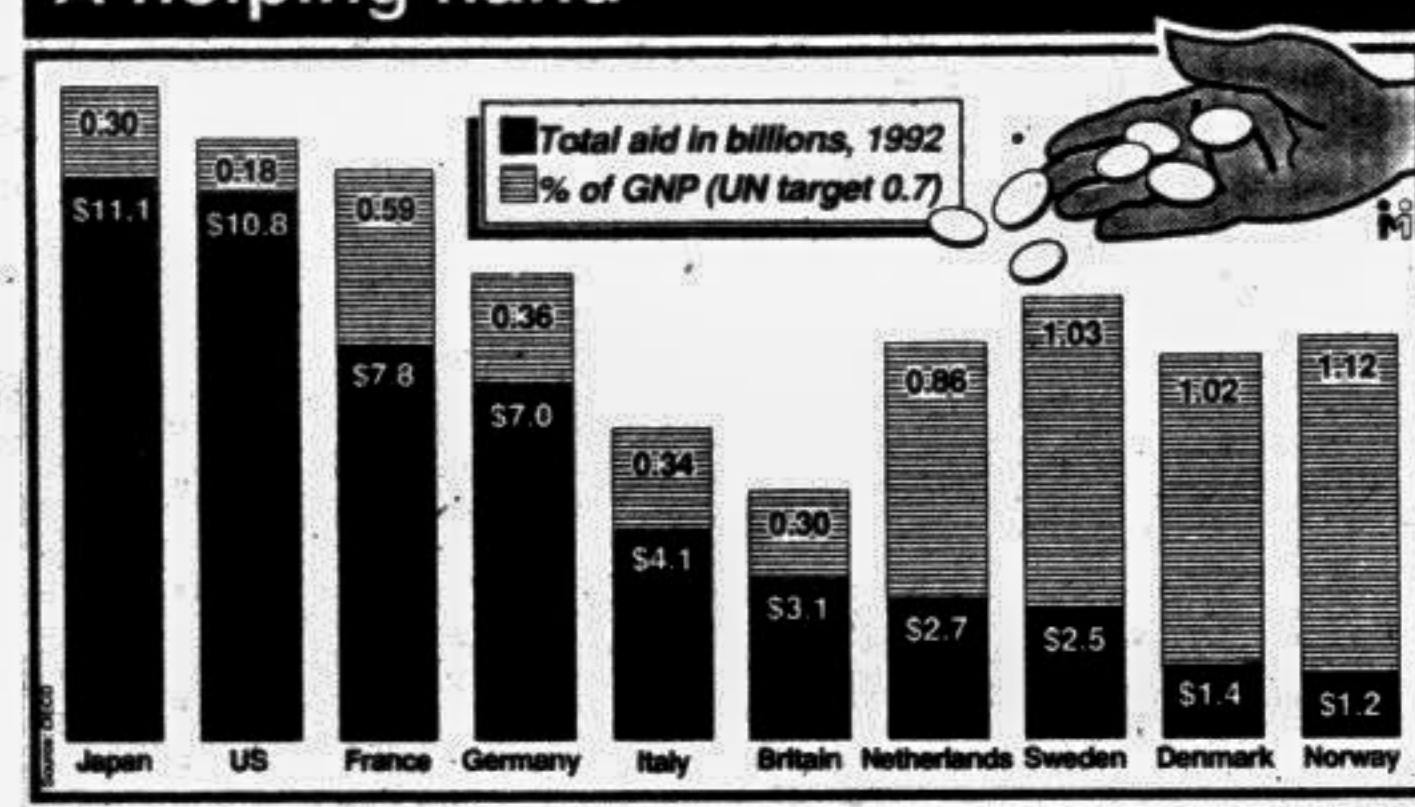
The writer is Lecturer in Economics, University of Newcastle, Australia.

## Global Aid Becoming Investment Business

Daniel Girard writes from London

Financial resources flowing from rich countries to poor remain high. But with business investment to a select few developing countries increasingly muscling out traditional aid, it is the most impoverished people who suffer.

### A helping hand



governmental organisation (NGO).

Christian Aid and a group of other Third World charities are pressing for reforms to the World Bank and IMF at the 50th annual meetings of the Washington-based institution in Madrid (October 4 — 6). Critics want the debt of developing countries substantially

reduced, controversial structural adjustment programmes (SAPs) altered and the two bodies democratised so that they are more accountable to taxpayers in rich countries and recipients in poor nations.

World Bank officials admit their record has not been perfect but they insist the institution has contributed to global

economic and social progress in the past half century. In developing countries, average life expectancy has increased by about 50 per cent; the proportion of children attending school has risen from less than half to more than three-quarters; and average income per person has more than doubled, they note.

Spokesperson Geoffrey Lamb said the Bank will continue to fund "free market friendly" projects because, despite the short-term negative impacts on social programmes, SAPs are the best way to go about reducing poverty.

Lamb admitted the social components including health care and education of the first generation of SAPs — large loans to countries contingent on them liberalising their economies — had been "quite inadequate" but current policy is aimed more at softening the blow for the poorest of the poor.

"Increasingly we will not lend in situations where we are not satisfied of the viability and proper implementation of a project," Lamb told reporters at a news conference releasing the Bank's 1994 annual report. "Which is not the same as saying we will not make any more mistakes."

No matter which side of the debate they are on, few people dispute the fact that global aid has changed dramatically since the fall of the Berlin Wall in 1989. The former Soviet Union, once a large aid donor, has not only stopped paying out, but, along with its now-independent republics and other former Eastern bloc allies, has become a major recipient of assistance from main global lenders — the World Bank/IMF, the 22-member Organisation for Economic Co-operation and Development (OECD) and regional development banks.

The world's poorest countries have paid a heavy price for this shift.

In its report earlier this year, the OECD noted total assistance to developing countries in 1992 reached a record \$159.1 billion, a 21 per cent increase from the previous year.

But further examination of the figures for so-called development finance, shows continuation of a disturbing trend for have-not countries. Concessional money — cut-rate loans, grants and other concessions — fell 3.5 per cent between 1991 and 1992 while private flows — direct investment, international bank lending and other private money — increased by nearly 53 per cent.

Between 1984 and 1992, private flows increased from just over 39 per cent to nearly 57 per cent of OECD countries' total resources to the developing world.

Few people dispute individual business investment is needed to make the world's poorer countries more self-sufficient. "Aid should never be looked at as the solution to poverty worldwide," says Harriet Lamb, of the World Development Movement (WDM), a British NGO. "No

country wants to be dependent on aid."

But as private investment figures show that is exactly what is happening. It is typically only a select few "economically attractive" nations that get the money. According to the 1994 United Nations Human Development Report, although private flows to developing countries have increased dramatically in recent years, between 1989 and 1992, 72 per cent of the money went to just 10 countries. Sub-Saharan Africa received just a six per cent piece of the pie and the least developed countries only two per cent.

Lamb of WDM said economic adjustments are definitely needed in poor countries to reduce poverty and make them more efficient and attractive to foreign investors but the SAPs are being universally applied without taking into account differences between the nations.

Lamb added that developing nations' debt — which according to the World Bank was \$156.4 billion or nearly 54 per cent of the gross national product of sub-Saharan Africa in 1993 — must be reduced.

She applauded "that the agenda at the Madrid meetings will include a discussion about the IMF selling its estimated \$15 billion in gold reserves, using perhaps one-third to reduce debt of the poorest countries."

Most observers say aid to developing countries is a question of priorities on the part of donor nations and recipient governments. As long as richer nations put winning new markets for domestic products and securing contracts for their industries ahead of improving the lot of the poor, few see poverty being tamed.

The Human Development Report notes that only seven per cent of the funds from bilateral donors is directed to education, primary health care, rural water supplies, nutrition programmes and family planning services.

Those crucial areas could easily be paid for by diverting small percentages of the budget developing countries devote to military spending. About 12 per cent of the \$125 billion those nations put toward defence in 1992 would provide primary health care and safe drinking water for all.

— GEMINI NEWS  
DANIEL GIRARD is a reporter with The Toronto Star newspaper.

## 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.

### Drought and Rangpur

Sir, In all earnestness we would request the honourable State Minister for Planning to go much deeper into the problems of the 'Drought affected areas' (The Daily Star report Sept. 29). Firstly, we would like to take up the case of the Greater Rangpur District. Even in normal times the Greater Rangpur District (excepting Gaibandha) experiences a much higher unemployment and poverty level than any other area of the country. Such a situation came to the attention of the media and the government in October-November '91. At that time various measures were suggested and discussed for giving special

medium and long range attention to the special poverty situation in the Greater Rangpur District.

The measures could be (I) giving to priority attention to the development of infrastructural facilities which are in their poorest as compared to that in the other parts of the country; (II) supply of all agricultural inputs at subsidised and concessional rates; (III) provision of agricultural loans at special concessional rates and terms; (IV) providing incentives to small entrepreneurs towards the development of agro-based and other relevant industries.

Doling out of 'alms' to the people is an affront to human dignity. The two hands of the

worker have to be activated through the creation of jobs. The people of Rangpur would now like to see more of economic activity in their area, rather than short-term charities. The Rangpur issue has to be taken care of adequately in the Fifth Five-year Plan.

It should be known to the government channels that due to the drought situation in the northern region, the prospect of Aman crop is bleak.

We would request the honourable State Minister for Planning to examine the problem of 'drought' in its totality. The early warnings are already there.

Shahabuddin Mahtab  
Siddheswar Road, Dhaka

### GO-NGO interaction

Sir, My attention has been drawn to the write-up 'GO-NGO Interaction: Some Lessons and Strategies'. I would like to thank Dr Saleemul Haq for providing a brief but clear picture of GO-

NGO involvement in national development. Such reports can be very useful and helpful to the general public so that they have a clear idea regarding developmental activities and GO-NGO relationship. We all know that recently a vested quarter is desperately trying to destroy the image of NGOs and obstructing the developmental process from functioning smoothly. As a result the public mind may suffer from confusion regarding NGO activities as well as their contribution towards national development.

I feel that the mass media can play a very significant role here in raising people's awareness as well as clarifying confusions by revealing real facts and figures. In this way, besides keeping the people well informed, they can also be encouraged to become a part of the whole developmental process.

Md Ikram Ahmed  
3rd year (Hons), Deptt. of History  
Dhaka University