The Daily Star

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Go Slow on Strikes

Our principled position against strikes is not a judgment against the correctness or validity of the AL or LDF or the opposition demands. Their demands could be the best in the world. What we are questioning is the method that is being followed to realise those demands. It is costing our people and the country much too much.

Thursday had a strike by the LDF, Friday was a holiday, and today and tomorrow are strike days called by the AL. Four continuous days of work stoppage. Can our nation afford it? Can our economy remain competitive after such wastage of time and resources? Imagine the scene that will hit the investors team from UK arriving today. Two days of strike, which is not the whole story, but part of many that have already occurred, and of the many (God forbid) yet to come. Of course strikes occur in the West too. But general strike, when every economic activity, including movements of any sort, are stopped, occurs very seldom, if ever. After their visit, if the UK entrepreneurs refuse to do business with us, can we blame them? But, in spite of everything, if they still go ahead with the proposed deals, it will be because they will have still retained some faith in our economic future. We owe it to ourselves, and to our future generation, to build on that remaining faith.

There are three parties to a strike. Those who call for it, usually political parties; those against whom it is called, in most cases it is the government; and of course the general public, who are called upon to observe it. Our point is that, of the three parties to the strike — the callers, the target and the people — it is the last group, namely the people, who suffer most. In the current case the government, which is the target of the strike call by the LDF and the AL, suffers only indirectly in terms of public image. Even there it must be remembered that nowadays the strikes or 'hartals' do not have the same ethical and moral message as in the old days. This is so because the participation in strikes is no longer voluntary but coerced. If a poll is taken as to how many people do not bring out their rickshaws, open their shops or take out their cars out of fear, the answer in the positive, we suspect, will include a large majority.

As so much in the world has changed, so should our method of political agitation. Time has come to discover new methods to carry on our political struggle, and desist from such frequent use of strikes.

Clinton's Predicament

In an unprecedented reversal of fortune for any sitting US president since the fifties Bill Clinton has lost control of both the houses of Congress — the Senate and the House of Representatives. The mid-term polls have returned such a verdict that the speakerships of both the chambers are also going to the GOP fold. As if to compound his troubles during the last two years of his tenure, the chairmen of the two most powerful Congressional committees — the Senate Foreign Relations Committee and the Arms Overseas Committee — will be Republican, too.

That's not all. The Democrats conceding governorship of almost all the major states to the Republicans, Bill Clinton has also lost his power base for a re-election. In a roughly analogous situation though, Harry Truman won a second term.

The US voters have certainly re-spoken with a great maturity. On the one hand, they have admonished President Clinton for his lots of talk with little action, and on the other, they have tied the Republicans down to a responsible role. Both the victors and the vanquished have offered partnership to each other in due recognition of the underlying message of the popular verdict. On same issues they will be able to work together, but on balancing the budget, interest rates and government's regulatory controls they are bound to differ. The Republicans could ask for tougher trade and human rights negotiations with Japan and China respectively. They may also put pressure on the president for stricter immigration laws. The Republicans are known to be conservative and the Democrats as liberal.

It is a strange twist of fate for Clinton that while he had won on a promise for change he has to bring it about now with the help of his adversaries in whom people have reposed their confidence. It is supremely ironical also that coming on a mandate to address the domestic agenda Clinton may find himself enmeshed in international affairs.

A Dangerous Taboo

Did it start with Abu Sayeed's *Dhushar Padajatra*? Very soon after came their disapproval of *Ekatturer Jishu* by Nasiruddin Yusuf. Then the film censors sat snug on *Smriti '71* by Tanvir Mokammel. No way, said the censors also to the same director's colour feature film — *Nodir Nam Modhumoti*. What is common to these four films that so displeases the patron saints of Bangladesh's celluloid world? The answer is obvious and yet it is very dangerous.

All the four films have the Liberation War — which midwifed our state and our independence — as their subject matter. The censors should normally have been wary of laying fingers on these — for there is nothing more sacred and dear to the heart of a patriotic Bengalee than the glorious Liberation War. But the opposite happened. A conclusion from the conduct of the censors about these four — the two authored by Tanvir are still to see light — that the censors went beyond their waters in balking at these *because* these dealt with the Liberation War, becomes almost inescapable.

The treatment of that serious subject matter may or may not be to the liking of the censors. But they are not the jury sitting in judgement, Canne style, over quality of films. They are there to work more or less like sanitary inspectors guarding the mental health of the movie-goers. What they must not do is to impose a political *diktat* on the directors. And that seems to have been the case with these films.

The censors have no business to take political postures. Their piece of very ill-advised and bad job is sure to take a political toll of the ruling government. They are, by their wrong-headedness, doing harm not only to society but to the present government as well.

For the censors that pass the regular Dhaka trash to bar these clean and patriotic films, it very nearly becomes a crime against intellectual freedom. When released did *Dhushar Padajatra* or *Ekatturer Jishu* cause incalculable harm to the social mind of our citizenry?

Bangladesh's Export Sector: Cloud in the Horizon?

by Abdul Bayes

It is often being argued that trade liberalisation should help Bangladesh boost its exports up. However, what Bangladesh needs to remember, in addition, is the fact that absolute liberalisation may not help to the desired extent when it tends to face a world market where arch export rivals are also liberalising their econo-mies.

OVER the past decade or so, Bangladesh's export sector experienced waves of changes in terms of the thrust on and the composition of exports. The "export-pessimism" syndrome seems to have been replaced by a level of "export-optimism" and there could also be observed certain discernible shifts in the coverage and composition of exports. The maze of trade reforms, underway at the moment in Bangladesh, is clearly geared to the objectives of a strategy of export-led growth as adopted by the East Asian and some other countries of the world. However, notwithstanding public and private efforts at embracing export as the engine of growth, the share of trade sector at 7-8 per cent of GDP ironically ranks Bangladesh at the bottom of even the South Asian league table. "All eggs in one basket" seems to haunt us still with increasing dependence on garments exports (about 54 per cent of total exports and 90 per cent of non-traditional exports). Export diversification at a reasonable pace and degree is yet to take place and the heavyweight garments is more vulnerable to changes in the quota system in the OECD countries and its possible demise under GATT practices.

Bad News, Good News

However, amidst celebrity, the recent signs in export performance tend to question the assumed omnipotence of some of our vital export items. It is reported that the performance of the export sector in the first two months of the current fiscal year does not appear to console us and more disturbingly, a declining trend is reported to be in evidence for some of the major export earning sectors such as RMG, raw jute and tea. The most disconcerting episode, however, appears to be the fact that earnings from RMG displayed a declining share in 1993-94 and also continues to show the same in the current fiscal year. However, during the same period, the bright spots are said to be frozen food, leather and the knit wear sectors performing above expectations.

As told earlier, a major breakthrough in our external sector has been made via the growth of garments exports that increased from a negligible amount in 1981 to 35 per cent of total exports in 1988 and 52 per cent of total merchandise exports in 1994. The remarkable transformation could be adduced, perhaps, less to domestic policy parameters but more to the external environment. The influx of foreign investments in this sector, preceded by quota restrictions in the West, contributed a lot to generation of employment and foreign exchanges. Even though the value-addition constitutes only 25 per cent, RMG's role should remain pivotal in the years to come. The present brief attempts to highlight some of the important issues pertaining to the export sector of Bangladesh.

Exchange Rate Up, Exports Down!

It is often being argued that trade liberalisation should help Bangladesh boost its exports up. However, what Bangladesh needs to remember, in addition, is the fact that absolute liberalisation may not help to the desired extent when it tends to face a world market where arch export rivals are also liberalising their economies. The rate of changes in protection level, exchange rate depreciation etc. should always be compared with that of other countries producing and exporting similar goods and services. For example, India's exchange rate variability could be a pointer to this. Since its liberalisation efforts in 1992, Indian rupee has been devalued by 22 per cent with a substantial reduction in the real exchange rate. This compares with 16 per cent for Bangladesh during a decade or so. Likewise, the Pakistani rupee has also been depreciated steadily in recent years. Needless to mention, such a downward adjustment in the real exchange rate of neighbouring currencies tend to edge out Bangladesh in terms of competitiveness of competing export items in the international market.

Available evidence appears to show that out of 22 RMG export items, which exceed US $ 10 million in value, 16 products from Bangladesh have experienced a rise in unit values by more than 10 per cent from 1990 to 1993. In contrast, only 8 and 10 Pakistani RMG export products experienced a hike by more than 10 per cent in unit values during the same period. Another study found that "Bangladesh's competitiveness declined with India between 1991 and 1992. For aggregate exports, the ratio rose from 1.1 to 1.3 suggesting a more than 18 per cent decline in competitiveness. The implication is that Bangladesh's export competitiveness relative to India declined since India's reform programme began in June 1991." The same study also holds that, as compared to Pakistan, "for aggregate exports, the ratio rose from 1.2 to 1.5 between 1987-88 and 1991-92 implying a 22 per cent loss in competitiveness."

In addition to the price comparison, specific export items from India and Bangladesh compete (or collide?) head-on and are substitutes in third country markets. Given this hypothesis, a real depreciation of Indian rupee vis-a-vis Taka could turn out to be inimical to the growth of Bangladesh's exports in those countries. Evidence on this question is provided by recent work done to estimate the impact of the exchange rate in India's real bilateral exchange rate vis-a-vis each of its rivals (including Bangladesh) on India's exports in different markets. More precisely, the evidence says that a depreciation in India's bilateral exchange rate relative to Bangladesh raises India's share in the given third country market relative to Bangladesh (for example, in Italy where Bangladesh and India account for one-fourth of the market for bovine/ equine leather other than calf or shrimp in Japanese market).

The above line of arguments should recommend an urgent depreciation of Bangladesh Taka to increase price competitiveness and assure a retention of the market share in various commodities. Available studies tend to show that during 1985-89, Bangladesh's bilateral purchasing power parity (PPP) — real exchange rate — strongly appreciated relative to Pakistan (29 per cent), India (21 per cent), Sri Lanka (14 per cent), Indonesia (52 per cent) and Malaysia (30 per cent). In the post 1989 period, the bilateral exchange rate appreciated with India especially after the devaluation in 1991. In other words, Bangladesh's adjustment of nominal exchange rate could hardly be in consonance with competitor countries' inflation and exchange rate. It may be mentioned here that excepting the massive devaluation in 1975, Bangladesh has been the most conservative player in the game of exchange rate manipulations over its economic history. This should perhaps be unbecoming for a country that vows to follow the foot prints of export-led growth countries where exchange rate played an active part in boosting exports.

Tariff Regime

There is a growing notion that Bangladesh is heading relatively faster with tariff reductions as compared to its potential rivals. The maximum tariff at the moment is 60 per cent compared to 509 per cent in 1990-91 and 304 per cent in 1992-93 — a big downward jump indeed! But India's maximum tariff rate is reported to be 65 per cent in 1994 as compared to 400 per cent in 1991. Now look at the unweighted average tariff rate. At present the rate is 30 per cent for Bangladesh as compared to 89 per cent in 1990-91 and 50 per cent in 1992-93 while India slashed the rate from 128 per cent in 1991 to 53 per cent in 1994. In terms of percentage points for tariff reductions, India appears to be ahead of Bangladesh. The coefficient of variation is 67 per cent in Bangladesh as compared to 25 per cent in India implying increasing variation in tariff reforms across sectors in Bangladesh. The import weighted average tariff level in Bangladesh constituted 30 per cent in 1992-93 as compared to 42 per cent in 1990-91. But India slashed the rate from 87 per cent in 1991 to 32 per cent in 1994. The import weighted average rate is 32 per cent in Sri Lanka and 10 per cent in Nepal. Thus as compared to her neighbours, Bangladesh does not appear faster in tariff reductions, although absolutely speaking, Bangladesh made remarkable strides in this respect.

Lapping Lip Service?

An export-led growth strategy needs more than lip services now seem lapping. The EPB, under the Ministry of Commerce and guided by government regulations, can hardly deliver the goods. Earlier in this column, we raised the urgency of a National Export Commission headed by the head of the government and also pleaded for equipping EPB with more resources and technical capabilities than it is endowed with at present. The poor supply response, despite a volley of reforms, should have demanded more serious thoughts on these. The future of Bangladesh's export potentials seem to lie more on leather, frozen food, knit-wear and other underdog non-traditional items. The exporters of these sectors need more care in future in terms of research, incentives and infrastructural facilities. And lastly, tariff and exchange rate liberalisation, unless backed by domestic deregulations, debureaucratisation, privatisation etc. could yield very marginal dividends. All these achievements, of course, depend on firm political commitment.

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Gulf Scorecard Shows Plenty of Winners

Michael Jansen writes from Nicosia

President Saddam Hussein marched his army towards the Kuwait border, and then he marched them back again. By doing so he showed that UN sanctions against Iraq are themselves a source of instability in the region.

IF Iraq agrees to recognise Kuwait by November 15, it could increase pressure to lift the crippling United Nations sanctions which are killing up to 1,800 young children and elderly Iraqis every month.

On that date, the UN Security Council is scheduled to review the economic boycott of Iraq, imposed in part to counter Baghdad's refusal to recognise the neighbour which it invaded four years ago.

President Saddam Hussein risked war again in October by marching 64,000 men, tanks and artillery in the desert an hour's drive from Kuwait, in protest against the sanctions. The move demonstrated that the stringent regime of sanctions imposed by the Council in August 1990 was, in itself, a source of instability in the Gulf region.

The United States, Britain and to a lesser extent France, countered the Iraqi deployment by introducing ships, aircraft and troops (the US claims 30,000 while some observers say 1,500). They have also secured the adoption by the US-dominated Council of a resolution demanding a return to the status quo before the deployment and have threatened Iraq with military action if it does not comply.

A scorecard tabulating the results of the latest round between Iraq and the US shows gains for both sides.

The crisis boosted popular support in Iraq for Saddam Hussein, who showed himself ready to take action against the sanctions.

By deploying his army in the desert, Hussein also forced dissident elements in the armed forces to concentrate on the external enemy rather than plot against their government.

By creating an atmosphere of crisis, Baghdad placed the issue of sanctions back on the world's agenda after its exclusion for at least two years at the insistence of the US and Britain

Iraq also split the 1991 US-led 30 nation coalition. Russia and France openly disagreed with US policy on how to counter the build-up while none of the Arab members of the former coalition outside the Gulf-Syria, Egypt or Morocco — offered to back any US military initiative.

The US — and particularly President Bill Clinton, facing mid-term elections in November — has made considerable gains as well.

Clinton repaired his reputation for indecision by promptly ordering US forces to rush to assist Kuwait. The US also managed to deliver a credible deterrent within a matter of days and to make the most of equipment pre-positioned in the Gulf to stage noisy and well-televised war games in the desert near the Iraqi border. These moves boosted Clinton's popularity and projected the impression that the US was both decisive and invincible.

However, Washington's quick response has had negative results in the region. Above all, it demonstrated once again that Kuwait and Saudi Arabia are unable to protect themselves in spite of the expenditure of billions of dollars a year on the latest US and British weapons systems.

Washington and London keep pressing for ever more expensive arms deals in order to sustain their military industrial complexes. This could kill the goose who lays the golden egg. Kuwaitis and Saudis just might come to the conclusion that it is cheaper to forego arms purchases and simply hire protectors and equipment when the need arises.

The Kuwaiti people suddenly discovered that US protection did not come cheap. At the end of the first week the bill was estimated at $800 million and could be expected to rise to $2 billion before US forces go home. Kuwait, which paid $25 billion towards the 1991 bill, is expected to pay the bulk of the costs this time. The Kuwait government has proposed taxes on untaxed Kuwaitis, who hotly rejected the idea.

Saudi Arabia, which may be called upon to pay the balance on top of its 1991 bill of over $50 billion, is in such strained financial circumstances that it cut its annual budget by 20 per cent and postponed payments to US contractors and arms manufacturers. The cuts were made by trimming educational, health and welfare services to its people.

The Saudi Islamist opposition has condemned the US deployment in the area and will exploit popular dissatisfaction with a monarchy it says is totally beholden to the "infidel" West.

For these reasons the Kuwaitis and Saudis could sooner rather than later decide it is less risky to lift sanctions against Iraq than to court further crisis.

These countries went along with the decision of the Organisation of Petroleum Exporting Countries (OPEC) last November to freeze oil production at the 1993 level of 24.5 million barrels a day in order to make it possible for Iraqi oil to be reabsorbed without causing the price to collapse. OPEC is expected to reimpose this ceiling when it meets in the third week of November, after the Security Council's consideration of sanctions.

If the Council decides in favour of easing sanctions after six months, Iraq could resume exporting 1.5 million barrels a day, about half of its pre-war quota, without disrupting the market.

But the situation is precarious because Iraq remains unpredictable. Washington argues that Saddam Hussein's unpredictability is the obstacle to the lifting of sanctions. Washington and London now state openly that this will not happen while he is president of Iraq.

However, his removal carries risks the West has so far not been prepared to entertain. It could precipitate civil war and chaos and the division of Iraq, the core country of the eastern Arab world, into three separate communal entities — Kurdish, Sunni and Shia, each threatening to its neighbours.

Or it could produce a democratic Iraq which could destabilise the absolutist monarchist and princely states in the neighbourhood where there are active secular and Islamist opposition groupings campaigning for democracy.

This means the US-Britain combination could be force to compromise and accept, however grudgingly, a timetable for the lifting of sanctions.

— GEMINI NEWS

MICHAEL JANSEN was born in the US, lives in Cyprus, and has covered the Middle East for many years.

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.

Casablanca conference

Sir, The three-day Casablanca conference sponsored by Washington and Moscow held in Morocco and attended by 61 countries has pledged to work toward breaking down trade barriers between Middle East countries. It has also taken the following three important decisions: Furthering peace between Arabs and Israelis; Recognition of the urgent need for economic development on the West Bank and Gaza Strip requiring special attention from international community; Overcome trade obstacles including boycotts, and noted favourably the Gulf Cooperation Council's decision to ease the Arab boycott of Israel.

We are very much surprised and shocked as to why the Casablanca conference has not taken any decision or passed any opinion on the lifting of the UN economic sanction against Iraq?

We wonder whether in the name of cooperation, trade and peace the entire Middle East, Arab countries and the North African Muslim countries are being subjected to a 'divide and rule' policy by some western powers!

We would earnestly request the OIC and the Arab League to pass resolutions immediately urging the United Nations Security Council and the USA to lift the economic embargo imposed on Iraq four years ago. We would also request our Ministry of Foreign Affairs to take necessary action in the matter.

O H Kabir
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People's Council

Sir, The existing political crisis of the country may be solved by forming a People's Council which can be accepted both by the ruling and opposition parties in the Parliament with necessary amendment made in the Constitution.

Take it as a seven-member "People's Council" to be headed by the Chief Justice of Supreme Court of Bangladesh as its president. He will select another six members from among retired Supreme Court judges, retired non-political civil servants, and two representatives from international community. The Council will work for 3-6 months and will be dissolved after the first meeting of newly elected National Assembly (Parliament).

The Council will advise the government and Independent Election Commission (IEC) on neutral, free and fair election while the government will remain under obligation to follow the advice. However, in case of exigency the People's Council may dismiss the government and act as interim government for the above mentioned period.

The People's Council will appoint the Chief Election Commissioner (CEC) of the IEC and the CEC will appoint other four members of the IEC in consultation with the People's Council.

One of the four IEC members should be a retired Judge of High Court, one a retired Vice-Chancellor of university, one non-political civil servant and one journalist. Except the CEC, the other four members will work for 3-6 months and their contract will be terminated after the election.

Md Abu Sayed Mondal
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A cure for 'system loss'

Sir, In the United Kingdom, for last few years, a new kind of domestic meters are in use known as 'key budget meters.' These meters are like card phones introduced in Bangladesh last year. A key budget electric meter operates when you insert a magnetic key which is like a prepaid phone card but smaller and thicker in size. These keys are obviously computer coded and once you insert it into the meter in your house the power supply is on for use. Power will go off after the duration coded in the key is consumed. Then you replace the key to keep the power going. Usually a key can last for 10 to 15 days or depends on how much power you consume.

Keys for the meters are sold through appointed agents in all localities and are available in different denominations like phone cards.

I would request DESA, PDB and donor agencies who are clamouring to curtail 'system loss,' to introduce key budget meters for domestic use in our country as soon as possible. Use of these meters would not only save the consumers from ghost bills and harassments allegedly by unscrupulous employees of PDB but would also curtail system loss and save mountains of paper works.

I hope my suggestion would get proper attention and response.

Ziauddin Ahmed
Motijheel C/A, Dhaka

Skill for hire

Sir, Good job Bangla-Malay amity! 50,000 is a good figure for Bangladeshis who will be hired by Malaysia every year.

Skilled and unskilled fortune-seeking nationals have been leaving their beloved motherland ever since the nation's independence; even well-placed "experts" do not hesitate to venture abroad in search of "paradise."

Nevertheless, a number of lucky ones do return home rich-cum-investors - a positive outcome of so called brain-drain paying back to this aids receiving LDC.

As for this poor state, manpower being one of the most profitable export commodities lately has become a powerful forex source empowering national economic activities.

Now as a mere apprehension, an economic watchdog may have to speculate on the consequences of unforeseen sharp decline in and even stoppage of the hot trade, should the use of Bangladeshi skills go arrested abroad.

Moreover, some also think, if the buy-out of the better workforce continues for long, the likelihood is this country's manpower strength will grow weaker resulting from the exhausted quality human resources coupled with improved standard of functions abroad.

With a precaution at that the dependence on foreign hiring should be substituted, with more prospective non-human resources, and sooner the better.

Besides, had the definitive figures like this Malaysian deal been worked out with all other countries, the ever increasing employment pressure could have been well under control by now.

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