

New Power Plant

The ECNEC on Wednesday okayed the setting up in Mymensingh of a Tk 280-crore 60-megawatt power station outside the ambit of the state monopoly PDB. This is a very onerous decision and one very sincerely hopes that it succeeds and shows a way out of the present untenable power situation.

For many reasons cost of power production here is on the high side. But a corruption-riddled trading practice pushes this up to a price that is one of the highest in the world. This one element inhibits the most the pace at which we should have raced to an economic take-off. A vicious circle is at work here. The exorbitant price of power lures the big consumer to go for underhand payoffs that result in drastic underbilling. The overall return from distributed power thus being less than the cost of production — service included — the price has to be maintained at an unreal and dizzy and economically suicidal height.

Why cannot PDB or government as a whole beat this vicious circle? The answer to that would be far too involved for this space to take. One main ingredient in the government's incapacity to take on this challenge is the CBA — the collective bargaining agent — for the employees of PDB. The ruling government and the CBA in power strike up a symbiotic way of survival. The CBA is mostly responsible for the bane of Bangladesh's power sector, namely systems loss. Which is mostly trading loss due to underbilling and no-billing for power distributed and consumed. The CBA must protect its constituency that is the beneficiaries of the unearthly systems loss, some 20 per cent and more over actual technical systems loss. And the government must protect the CBA for political reasons.

The Mymensingh experiment should succeed as a way to beat this big obstacle to industrialisation and social progress. A corrupt state-ownership of such resources, power in this case, has proven to be exploitative of the people, their present and their future. Let the Mymensingh plant, although not as privatised as indeed it could be, occasion a fair competition between the PDB and the private plant — in service, efficiency and above all in price at the consumer level. The thing to watch would be the percentage of systems loss. Let the new plant pass the test. Keep it, if you need. Systems loss must come down to around 15 per cent otherwise the experiment will lose all meaning.

Leaning Towers of Dhaka

Another high-rise building has been revealed to have had faulty construction, leading to its tilting on one side. Some months ago a similar incident occurred in another part of the city. In both the cases loss of life was prevented through timely evacuation.

Several issues need to be addressed urgently. How is it possible that such dangerously faulty construction is occurring nowadays? There are thousands of buildings in the city that are decades old and nothing appears to be happening to them. It is only in the new buildings that such dangerous construction flaws are showing up. So the first point is that either in the designing, or in the construction severe faults are being overlooked that is putting the lives of the building occupants at risk. Is it possible that our architects are at fault? Is it the engineers who are either not qualified or are not sincere in their tasks? Or is it the owners of individual houses, recklessly seeking ever higher profits, are adding storey after storey, without consulting the relevant professionals, saving money on that score also? Given the nature of the last two incidents the last explanation appears to be the most likely. In other words, owners either by misrepresenting facts, or with false papers, are procuring permission of RAJUK (the relevant government body) and making new constructions that are not permissible under normal circumstances. There is also the possibility of corruption at RAJUK which looks the other way while these unauthorised constructions are playing havoc with urban expansion. We are not aware what steps this all powerful body took to investigate the flaws in the system after the last occurrence, several months ago.

Given the serious implication of this phenomenon, we suggest the formation of a high powered inquiry committee consisting of independent experts who should look into the whole process of how RAJUK examines and approves new projects and how it supervises construction once it is started, and how to prevent corrupt officials, and practices, from harassing ordinary people. We urge the relevant ministry to look into the matter seriously and set the inquiry process in place.

Politics of Vengeance

Few weeks back, in a move that can be said to have greatly intensified the already bitter relations between the two main contending politicians in Pakistan — Prime Minister Benazir Bhutto and the leader of the Opposition Mian Nawaz Sharif — government arrested the father of Nawaz Sharif on unspecified charges. The elder Sharif is a well known industrialist, however his assets are widely rumoured to have swelled during his son's tenure as the PM. Last week he was released on bail. The arrest of course reminds us all that Sharif had put into prison Benazir's flamboyant husband, Asif Zardari, and that Benazir is now paying him back the same courtesy. Without going into the details of the case, one can say that if the two leaders were in good terms, regardless of the amount of wrong doing, this arrest would not have occurred. Given its strong feudal base, Pakistan's politics was always a bit too personalised. What is new is that it is now becoming extremely vengeful.

Going by the route of revenge and not reconciliation, Benazir is risking the politics of their respective parties to become more and more dirty and personal. In addition to Sharif's father, there have been some other instances of opposition leaders being harassed either through arrests, or through criminal or income tax related cases being lodged against them.

There is much that Benazir is doing right. But there is much that she also is doing wrong. The rising tension in Sindh will require the Pakistani PM and the Leader of the Opposition to put their heads together. Now that the fight is all out, Nawaz Sharif will exploit the troubles there to weaken Benazir's government. Will that serve the national interest of Pakistan? The answer is obvious.

There's Way but there's No Will, Seemingly

by Abdul Bayes

It is, perhaps, by sheer coincidence that both his arrival and departure cost us a part of our remaining feeble image to fade outside. The world could know that united we fought for the establishment of democracy and divided we attempt to preserve it!

SIR Ninian Stephen had left Dhaka after five weeks of hectic parleys with the confronting political parties in Bangladesh. As we know, he came to Bangladesh as an envoy of the Commonwealth Secretary General to facilitate a dialogue between the two arch rivals who seem facing each other everywhere but in the parliament. It may be recalled here that the Secretary General of the Commonwealth recently paid a visit to Bangladesh and, observing the foaming political crisis, offered to spoon a dialogue through his emissary. The major political parties, however, quickly responded to the call of the Hon'ble Secretary General and gave him a green signal to go along. Given their long career in political struggle, a rich heritage in consensus building for right cause and love for the nation, it was surprising to see how such an offer could be eulogised by our learned politicians on both sides of the fence. More so, as Sir Ninian arrived and started the process of dialogue, the donor communities also got involved (although indirectly), in the whole political drama. The politics of the country, like its development, also began to be "sponsored" by the donors, at least for that moment.

But those who care little about politics in Bangladesh (but possibly care more for

their day to day economics) just could not take in zest such an arrangement where referee from outside was deemed an urgent necessity to fix up our own political game at the moment. It appeared more frustrating given that we have a good track record of political resolutions among ourselves. The 12th amendment to the Constitution could, possibly, be cited as a pointer to this. However, once the envoy was into Bangladesh, people generally expected something positive to happen.

Yes Sir, No Sir

It is reported that Sir Ninian Stephen left Dhaka loaded with anxiety and despair. Anxiety seems to emanate from his anticipated future costs of a failure of the dialogue that he travelled so much to enunciate, and despair stemmed, perhaps, from the failure of his attempts in Bangladesh (but not in South Africa or Ireland where he succeeded). Such a mood of dis-course should be quite expected. The enthusiasm with which our learned political leaders faxed their exuberance of hearing from Sir Ninian

should possibly made his bottom line of expectations up. But the man who successfully negotiated the dealings in South Africa and Ireland could hardly realise that this time he was visiting a country where there is a famous saying: "I would honour the arbitration but the palm tree is mine" meaning, not to lose claim. And the adage could, possibly, be more applicable to politicians of Bangladesh than any others inhabiting it.

Of course, in the whole process of the dialogue, certain positive results did in fact occur. For example, both the parties seemed to have accepted the virtues of a caretaker government in the country but differed only on its composition. Second, both the parties seemed to have rediscovered the utility of a dialogue and the desirability of a confrontation. And third, both sides seemed at the pivot of nerve tingling on the face of a collapsed dialogue. However, despite all these positives Sir Ninian's 37 days in Bangladesh ultimately failed to deliver the goods.

It is, perhaps, by sheer coincidence that both his arrival and departure cost us a part of our remaining feeble image to fade outside. The world could know that united we fought for the establishment of democracy and divided we attempt to preserve it!

Quite naturally, his remarks at departure, tended to infuriate the opposition camp and made the ordinary citizens bemused.

Where are We Now?

Given that our hopes of a resolution is now apparently dashed to the ground, ring of concerns should obviously loom large on the political horizon. Already the economy has paid heavy tolls in terms of hartals, gharaos, half-hearted reforms and apparent chaos in administration. The upcoming opposition programmes forcing the government to accept the caretaker bill, if pursued vigorously, could upset the whole calculus of macro-economic stability and economic reforms that Bangladesh needs so urgently to uphold its poverty alleviation and economic growth targets. It should be borne in mind that a political stalemate of such an order tends to breed a number of socio-economic costs for the society. Some of these costs are quantifiable but more important costs comprise those of ordinal in nature e.g. political fatigue, bad image abroad, deceleration in work ethics etc. More biting impact could also come from

people's apathy towards elected/democratic government and, maybe, a growing inclination just for the opposite.

Where to Go?

In this gloomy political weather, the government can hardly afford to be an observer of the situation (and make forecasts) because the more days are let to pass in this fashion, the less powerful is likely to be the grip on the overall situation. Nor can the opposition be oblivious of its responsibilities to the nation. The seed-bed of democracy, now under threat, needs to be nurtured with care from both the sides because a failure to do that could be worthy to none. Therefore dialogue should again be the pivot and government should immediately take up the matter with right earnest. There is no reason to believe that everything is gone with the wind after Sir Ninian had left. In fact the new process of negotiation should start from where it ended before. We would hope the best not because, as a Daily Star editorial remarked, "we have reasons to be optimistic but because we are afraid to be pessimistic". There is way, but there should and must be will to find it.

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THE TRADE POLICY DEBATE

Arguments for Intervention

ECONOMIC arguments for protection come in two basic categories: the market power argument and the infant industry argument.

THE MARKET POWER ARGUMENT, generally, is for intervention in international trade to exploit various types of market power for furthering national interest. There are two cases: old and new.

The Old Case: This case is often described as the optimal tariff argument. Large countries possess monopoly power in international trade. These countries control a significant share of the world market for some commodities, such as Brazil in coffee, Japan in automobiles, and the US in computers.

In its export markets, a large country can act like a monopolist, by restricting output and raising price in the pursuit of maximum profit. In its import markets, a large country can act like a monopolist, by restricting purchases in order to buy the commodity at a lower price.

In this case we have a distortion in international market. Free trade is not Pareto optimal. Applying the optimal intervention rule, intervention in trade in the form of a tariff or export tax set in a way as to maximize national advantage is warranted. Validity of this argument requires the presence of non-negligible market power in international markets. Its application was limited to cases (such as jute and oil) where market shares were significant and entry was difficult.

What this argument shows is that maximizing national income is not the same as maximizing global income. A large country can benefit by limiting the volume of trade and these gains come entirely at the expense of foreigners. The optimizing country in effect grabs a larger slice of a smaller global pie. Thus, from the

global point of view, there is no such thing as an "optimal" tariff.

Since the optimal tariff causes losses to the rest of the world that exceed the gains to the tariff imposing country, we can invoke the "transfer principle" to argue that the rest of the world will be better off by making a lump-sum transfer, equal in size to the gains from optimal tariff, to the tariff imposing country if it does not have the capacity to retaliate. Thus, at least in principle, there exists an alternative policy that maximizes national advantage while avoiding the global efficiency losses.

Of course, it is not reasonable to assume that the rest of the world lacks the capacity to retaliate. This was recognised long ago by Adam Smith: "As every man doth, so shall it be done to him, and retaliation seems to be the great law of nature."

This "great law of nature" had only been underscored by the inter-war experience and the apparent reaction to US, Smoot-Hawley tariff. Retaliatory measures by the foreign country can be expected because the home country's optimal tariff reduces foreign welfare. When that happens, it is no longer clear that the home country can benefit. Many outcomes are possible. What is impossible is for both countries to benefit because tariff reduces global income.

Early conjectures were that though a country might reap a short run advantage by using a tariff to exploit its market power, retaliation would leave all countries worse off. Later

analysis by Jonson (1954) demonstrated that theoretically a process of retaliation and counter-retaliation may end up with all the parties being worse off than under free trade, but this is not a necessary outcome. In a retaliatory game between two trading partners equilibrium may occur at a point where one of the parties is better off than under the initial free trade position.

As Bhagwati (1989) observes, although retaliation could not be demonstrated to rule a final gain to the original offender, that it could immunize such a country (and others) has been analytically established, calling in doubt the wisdom of this time honoured exception to the argument that free trade would maximize a nation's welfare. This can explain why empirically one does not observe support on the part of policy makers and economists for government intervention on terms of trade grounds in large developed countries despite the awareness that these countries possess monopoly power in international markets.

Policy makers in developing nations, however, often advocate the use of restrictions on their primary product exports to improve their terms of trade. But they often fail to do so for two reasons. First, when there are usually a number of developing countries producing most primary products, mutual cooperation is needed to establish an effective international commodity agreement. Frequently, this cooperation is not forthcoming and fails to last for long even if it is. Second, the developed coun-

tries must agree to not retaliate. In some case (coffee, tin and sugar) they did in fact agree on income distribution grounds or for foreign policy reasons. But all these commodity agreements eventually broke down.

The New Case: The "new view" of international trade analyses international markets in which there are a small number of countries supplying a product, and in each country there are a small number of firms. In this context, trade policy can be used to tilt the terms of oligopolistic competition to shift excess returns from foreign to domestic firms. There is a case for strategic protectionism.

The strategic trade policy argument shows that at least under some circumstances a government, by supporting its firms in international competition, can raise national welfare at another country's expense. It provides a theoretical justification for subsidizing exports. In the context of the traditional competitive model, export subsidies unambiguously decrease welfare irrespective of whether the national has monopoly power in trade. It is obvious that oligopoly is the more pervasive international market structure than either perfect competition or pure monopoly. Yet, the new trade theorists generally do not urge governments to initiate strategic interventions in oligopolistic international markets.

The following qualifier is typical in this literature: "We do not, of course, wish to suggest that policy makers single-mindedly pursue welfare-maximizing policies of the sort

described here, nor that policy makers have access to all the relevant information required to formulate such a policy."

The Infant Industry Argument

This is an argument for temporary protection to correct a distortion that disappears gradually with the passage of time. It has its old as well as modern proponents. This argument, with deep historical roots, essentially posits that some industries have initially high costs but may, in the long run, have a comparative advantage after a temporary period of development. This cannot happen without protection because of various externalities which prevent the price system from sending the right signal to the private entrepreneurs.

It is now generally agreed that the infant industry argument is a special case of the general proposition that a first-best intervention should be directed to the source of the distortion. In concedes that protection will improve welfare even more.

Irrelevance of protection: Baldwin (1969) makes a strong case that protection may not at all represent a welfare improvement contrasted with laissez-faire because it does not induce behavior to capture the externality and thus imposes costs without correcting at all the source of the distortion. Thus, even when the proposition that there are cap-

ital market imperfections, externalities and that costs will fall over time is correct. It is not entirely clear that intervention via trade policy will improve welfare contrasted with laissez-faire, much less that a tariff or production subsidy will induce an optimal level of activity in the industry.

Consider the case of a firm which must invest in technical know-how which will become freely available to other firms after the initial investment. Baldwin points out the following: "A duty raises the domestic price of the product, and from the viewpoint of the domestic industry as a whole, makes some investment in knowledge more profitable. But the individual producer still faces the same externality problem as before, namely, the risk that other firms in the same industry will copy-without cost to themselves, any new technology discovered by the firm and will then drive the product's price or factor prices to levels at which the initial firm will be unable to recover the costs of acquiring knowledge."

Even the proposition that comparative advantage will change over time and that entrepreneurs maximizing according to static considerations will make the "wrong" decisions is an argument for provision of additional information and forecasts. It is not obvious that tariffs will induce the economy along the path of comparative advantage.

Next: Why Trade Barriers Continue to Prevail

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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.

For a fool-proof election system

Sir, The key point in the present political impasse is the allegation of rigging in election and the consequent unfair result. Because the party in power is blamed for the rigging or not controlling the rigging, there has been a demand for caretaker neutral government. The question, however, arises: Will the establishment of a caretaker government stop the rigging? Was the last election under the caretaker government of Justice Shahabuddin free from rigging? If the answer is yes, then why Sheikh Hasina claimed that there was 'subtle rigging'?

Who does the rigging? The answer, then, is — the activists of the parties in power or otherwise and/or the persons who conduct and control the elections. Thus it boils down to the point that the machinery actually conducting and controlling the election does or does not do the rigging. The government machinery plays an important role during the elections but these are people of the country and naturally have alliance with one party or another. But their activities have to be neutral in discharging their duties during the election process.

So, to have a free and fair election the election process should be organised essentially

to have: (i) a voters' list containing only the names of all genuine voters; (ii) fool proof identification system so that none can vote impersonifying another (identification cards and local groups who personally know, their own villagers can contribute to achieve this); (iii) polling officers and presiding officers have direct activities in the process and, therefore, they should be free from fear or reward from any political party or even caretaker government (to achieve this, the Election Commission should select and administer them as their controlling office with hiring and firing power); (iv) counting of votes should be done in secure places well guarded by the security personnel who should be temporarily placed under the command of the Election Commission until the counting is over and the result declared; (v) during the counting period, all relevant polling officers, centre in-charges, presiding officers must be present at the counting centres and be responsible for the ballot boxes that have been used and those returned unused; none of the persons should be allowed to go out of the counting centres till the counting is over and the result declared (food and drink should be supplied to them in the centres).

Arrested foreigners

Sir, Recently two Indians and four Tamils, expectedly of Indian origin, were arrested at two strategic points of our metropolitan city. The two Indians, one of them a lady with a dagger, were taken into custody from the Sangsad Bhabna, of all places.

At a time when an international conference is being held in Italy to determine how to combat the growing international network of organised crime, I find the arrest of the Tamils at Zia International Airport with forged Bangladeshi passports eventful. What worries me is that if Dhaka is being developed as a transit point of the network, and more so because of similar incidents in the past.

Surprisingly, after the arrest of these foreigners we have hardly had any further news about them. The arrests were indeed commendable but further news would divulge the cloak and dagger facts to us, the general public. If anything at all, I would hate to see my country being gradually sucked

free and fair elections. Simply having a caretaker neutral government, if we find the real neutral persons, is not going to solve the problem of election. So, the first and foremost need is to adopt a fool proof election system which will be able to ensure a free and fair job of election. After this, if it is necessary to have a caretaker government or interim government or national government, there is no reason we should not have it. Why not do the unavoidable, that is, the establishment of a fool proof election system first when the Parliament is still there?

A citizen

Opposition programmes

Sir, We are deeply troubled by the contents of the speech of Awami League chief and leader of the Opposition Sheikh Hasina which she delivered on November 15, in Gaibandha. She is demanding election under a neutral caretaker government for political stability and to end current political unrest. But, perhaps she has forgotten that there was no political unrest as such till demand for a caretaker government brewed.

With frequent calls for hartals and blockades lives of general public are becoming miserable. People are becoming fed up with these activities. Sheikh Hasina had earlier announced 48-hour hartal on 7th and 8th December. Now she is threatening to give hartal calls for 15 to 72 hours!

December is a very important month for educational institutions. Final examinations of schools are held in this month and Degree Pass examinations are also going to be started. Students and guardians are passing through a very disquieting period.

Considering this and other aspects, I think opposition political parties should refrain from such actions as disrupt normal life and peace.

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into the existing international crime syndicate in part or in whole. Let the concerned authorities beware of this fact looming in the face of the nation.

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Not a Sporting Nation

The Bangladesh contingent return from the recent Asiad at Hiroshima brought back one silver medal for 'Kabbadi', and one medal for sports administration, for good management of sports, with indirect technical assistance from our famed bureaucracy. Some of the competitors in the team preferred to stay back after the preliminary knockouts — the call of the belly prevailed over the sporting spirit.

It may be all right to send the under-rated athletes abroad to gain international experience, but one wonders how the Games rules allow entry into any event if the individual's timing or performance is below the set minimum standard.

We know our performance standards for the last 20 years, and the slope of the improvement curve creeping up almost horizontally, may be at plus one percent per year. For the foreign exchange spent, we can hire several foreign coaches for several years to train our athletes and the local trainers.

The politicians, the society, the administration, and the elders are utterly indifferent towards improvement in the athletics sector (not covered by big business sponsorships as in the case of the super Clubs). No encouragement comes from these highly influential bodies. Besides, the physical and morale-building incentives are not there, either in cash or kind, before winning a medal, not after.

As is well known, there are several phases before reaching the planned objective. The first is provision of training facilities in the form of physical infrastructure and local full-time coaches down to the secondary school level in each district. Next is the holding of

OPINION

Not a Sporting Nation

Alif Zabr

regular competitions at the local level; progressively going up. These local competitions have been taking place for years, but the standard is not improving. Those who deal with sports know all the answers — but new records are not being created at the tracks.

Then comes the important part of spotting for talent. The sports spies are watching everywhere. The promising performers are picked up and herded off to the divisional coaching centres for higher competitive training. Not empty handed, but armed with scholarships and stipends. The schools must give merit points as they do for written examination on different subjects. There are no grades or marks for proficiency in sports during the academic years at school, college, or university — not officially recognised during admission or final exams.

The political parties use thousands of students for political activities involving millions of student-hours in, say, five years. Why the extra-curricular time is not diverted to sports? Who are responsible for this state of affairs? What percentage of time should the students (that is, the athletic-age group) devote to agitations and street activities? This is a huge national wastage, not seen in the developed countries.

Our national planners should give more attention to sport activities in the 5-Year Plan and ADP. All the VIP movement is restricted to prize-award ceremonies and speeches full of non-operational platitudes no better than intellectual garbage.

We are not a sporting nation, thanks to our sedentary leadership and mike-syndromes. We are not a sporting nation, thanks to our sedentary leadership and mike-syndromes.