Founder-Editor: Late S. M. Ali

Dhaka, Monday, March 13, 1995

Rethinking Lock-in

According to SEC chairman, the regulatory body is considering withdrawing its recently imposed provision of one year lock-in for foreign investors in our stock market. The idea was to prevent foreign players in our stock market from dumping shares too soon after procuring them. The intention was to stabilise the market by decreasing flexibility of the foreign investors. The measure, at it has turned out to be, was a rather not too well thought out response to the Mexican slump, SEC, obviously after prompting from the finance ministry, took the measures to prevent such a situation here. But by all accounts, the measure turned out to be an overreaction to the Mexican incident. There are many obvious reasons why a similar slump would not occur here. However, what the SEC and the Finance Ministry failed to appreciate sufficiently, is the impact a one year lock-in provision would have on the international fund managers. The joint letter addressed by a few of them to the SEC clearly expresses the negative impact that the move have had on them. What struck them hard was the obvious contradiction between the official spirit expressed during the Euromoney conference and the ideas behind the lock-in restrictions. Credibility is one of the intangible cost of such policy somersault.

The important thing is, we have to understand what we are doing and what we want to do. Obviously we will love to have control over our stock market. But if we do, then foreign investors will shy away, because they prefer absolute flexibility in bringing in and taking out their funds, which they manage on other peoples' behalf. How to make the perfect balance between control and flexibility, so that maximum foreign funds will come and go, and yet there will be reasonable stability is really the name of the game.

As Bangladesh has only begun to emerge as a possible destination of portfolio investment, our maximum concern should be to remain a very attractive investment location. Because we are new and have to compete with several other countries from our own region and the neighbouring one, we have to be totally flexible in our regulations. Once the world gets used to seeing us as a dependable investment centre, public confidence will grow and so will the quantum of investment. Once all that happens, the regulatory regimes can also get perfected. Therefore, we recommend that without wasting time, SEC should withdraw these new restrictions, including the one year lock-in. Instead it should have a frank exchange with stock market operators, both local and foreign, and devise regulations that take everybody's interest into consideration.

Folk Festival at Sonargaon

A month-long festival of folk art and craft began on Saturday at the campus of the Bangladesh Folk Art and Craft Foundation at Sonargaon, Narayanganj. This is an undeniably big cultural event shot with the potential of great national significance. Which, however, at the same time is fully fraught with the risk of being stunted into a bon sai of unrealised possibilities for limitations imposed by the realities of being a project of a rather unimportant wing of the government. This in spite of that encouraging appendage — foundation.

From the sketchy reports of the inaugural function published in the national press one is led to believe throughout the deliberation the name of Zainul Abedin was not mentioned by anyone even for once. The whole Sonargaon thing was the great painter's brain-child. In fact, it was an obsession with him during his last years and many believe this almost pathological fixation did take a great of his artistic output. Zainul's first love — the Art Institute blossomed into wonderful maturity under his direct leadership. Sonargaon has so far decidedly not taken off and become something more than a government showpiece

with hardly anything to show.
The Sonargaon set up runs a lolk art museum - bravely. For who knows what is folk art in Bangladesh. The Bengal genius fashioned high-art statuary over centuries — sitting in village collapse. Fine and artistic textiles and jewellery specially silver filigree work — all were worked in the villages. Temples and mosques were mostly situated in rural setting. All this is the property of the national and general museums what then remains for Sonargaon? Musical instruments and agricultural and weaving implements? Those belong appropriately to the ethnic and anthropological museums. Still Sonargaon museum slogs on.

And then here is the festival. Here is where the Foundation is in real action. This is its forte this is the set up which should ideally hold the biggest rally of folk music and dance which is the be-all and end-all of the performing arts of Bangladesh. From Sonargaon - if only it could be raised to parallel Woodstock - could our beleaguered songs and music and dances of the centuries make a gigantic and redoubtable assertion of life.

A Home for Girl Children

An orphanage, exclusively for girl children, was opened at Uttara on Saturday by a counsellor of the Saudi Arabian Embassy. The outfit, possibly first of its kind in the country, is a project of a Saudi Arabian agency which has already built 35 mosques in the country and proposes to set more

such orphanages as the Uttara one. While welcoming the good turn we, however, also feel sad to think that no one - not even our collective bodies or the government - was available to attain this 'first.' There is reason for this self-pitying dejection. We as nationals of Bangladesh would with all our life want to see that our children grow as steeped in the culture of the Bengalees. We would like to be reassured that the Saudi orphanage would take special care of this point. It is only too natural that they would groom the children according to Saudi values which, granted their good points, would be quite different from the modern universal and Bengalee approaches to the matter of rearing children, specially the parentless ones, - in many respects. We make this point especially from the point of view of management. Who will be running such an institution? Is there any government guidelines on such matters? This orphanage — shall we call it so, perhaps we shouldn't — will be a good proving ground for the Saudi cooperation with our people and culture outside the unmeaning formal and ritualistic state-level going-throughthe-motions.

If the Uttara girl children's home can offer to its inmates a real home - loving and caring in a very Bengalee way — it will make a breakthrough. Let us hope it does.

Confronting Foreign Products at Home and Abroad

N my ramble on Eld shop ping in these columns last week. I made a mention of domestic products being palmed off as foreign manufactures. Albeit, market watchers say that there were plenty of 'genuine' foreign articles too on the offer list of the shopkeepers. Some of these had obviously been smuggled in. All the same, these goods did not really hurt the domestic manufacturers of competing prod-

Goods made by the local producers were generally price competitive. Nor did the buyers had much of a reason to gripe about quality, design and overall standard of the local stuff. Domestic products seemed to have by and large taken the incursion by foreignmade goods in their stride. If so, the emerging trend holds implications for the import liberalisation component of the

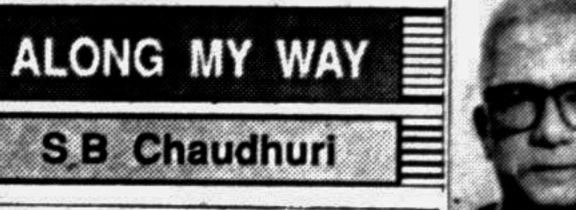
ongoing reform programme. The findings of a survey of market shares for toiletries in Dhaka metropolitan area, released a few weeks ago, also indicate that local manufactures were holding foreignmade competing products at bay. The survey, sponsored by the Dhaka University Bureau of Business Research, covered washing soaps and detergents. shampoo and toothpaste. Conducted between April and December last year, the survey was fairly representative in character, eliciting answers from some 276 retail shops in 10 city areas.

The survey found that de-

spite availability of imported varieties: local products held some 80 to 90 per cent of market shares of this products. Is the domestic industry maturing then to acquire capability to take on foreign products? True, among the domestic producers, multinationals were doing best. However, this should not cloud the fact that these companies too are local producers of goods. Multinationals are admittedly more efficient of the lot. But that precisely is the point. Goods made by the multinationals sell better because they are efficient producers. Anyway, findings of this survey also should have a bearing on the pace of import liberalisation programme. If some local products can hold back competition from imported goods given an enabling environment, so could others. Import liberalisation need not falter just for fear of competition

from abroad. Import liberalisation is proceeding along two tracks basically. These are, tariff rationalization and removal of quantitative restrictions. Tariff rationalization mainly takes the form of revising customs duty structure. The general idea is to make customs duty less burdensome for importers. That way, it would then be less of an impediment to import of goods. Reform of the tariff structure thus entails lowering of customs duty rates. The exercise also branches out into related areas such as reducing the number of applicable duty rates, defining products subject to tariff more precisely, eliminating multiplicity of the levy and so on. Paying customs duty would then perhaps be less irksome for importers. Anyway, what it all add up to is that lower incidence of tariff reduces the cost of import. Goods imported from abroad are available at lower prices, promising a higher market

Tariff reform by itself will not ensure free flow of imports unless foreign goods are also enabled to enter the domestic market. In other words, quantitative restrictions on imports have to be dismantled. Otherwise, import liberalisation ceases to be meaningful.



Total prohibition or ban on import of specified items is the most commonly practiced form of quantitative restriction. However, it can take other shapes too, such as value ceilings, requirement of prior permission of specified authorities and so on. In fact, nontariff barriers against import can take myriad forms. Import liberalisation programmes aim at eliminating all such obsta-

Mainstream modes of import liberalisation aside, exchange rate policies also impact inflow of goods from abroad. Depreciation of the exchange rate would increase the local currency cost of imports and may thus act as a brake. On the other hand, jacking up the exchange rate, as was done by the central bank last week, would reduce the local currency cost of imports and could stimulate the flow of foreign goods. However, exchange rate policy formulation is guided by a host of other weighty considerations. Import liberalisation is rarely the prime factor that go into making the policy. Rather, developing countries mostly use exchange rate policy to boost export by depreciating the currency.

As between the two mainstream import liberalisation measures, tariff reforms appear to be on the faster track Average customs duty now is about 26 per cent or roughly half of what it was three years back. Number of duty rates has been reduced to 11 from 18. Number of broad category of items with duty rates above 100 per cent has been brought down to some 17 from 264. Now there are talks of scaling the average duty rate to 20 per cent. Capital machinery are mostly imported free-of-duty anyway. Benefits of further duty reductions will probably accrue mainly to industrial raw materials and intermediate goods.

In contrast, the pace of reforms in the area of quantitative restrictions on imports appears to be decidedly sedate. True, import procedures have been simplified significantly. Nonetheless, the programme for lifting bans and other restrictions on the import of goods seems to have fallen behind schedule. The arrangements agreed with the IMF under Enhanced Structural Adjustment Facility (ESAF) as also in the World Bank Second Industrial Sector Adjustment Credit (ISAC II) and the Asian Development Bank (ADB) Industrial Sector Credit — both the programmes have since been cancelled by the concerned donor agencies - envisaged that the number of items restricted for import would be brought down to some 40 or so. The idea was that import of goods would not continue to be restricted just to protect domestic producers. Rather, import prohibitions would apply only to items which had to be placed under restrictions on grounds of religion, health, social reasons or for being otherwise sensitive. Yet, fact of the matter is, still there are some 115 or so broad categories of items, import of which remains re-

stricted. Reasons why import liberalisation by way of elimination of quantitative restrictions has not kept pace with tariff reforms are not far to seek. Tariff reductions benefit domestic producers also. Industrial raw materials



outery from local producers. It is in this context that the indication of domestic goods competiting freely with foreign products comes as a hopeful sign. Perhaps our industry is growing more efficient. And

ucts, are made freely im-

portable. Each lifting of re-

strictions on import of com-

peting goods thus raises an

efficiency is the key to the success of economic reforms. In the fiercely competitive global marketplace, our goods have to stand up to foreign products not only on the home turf but abroad too.

MPORT liberalisation benefits the consumer. He ga-Ins access to a wider variety of goods at competitive prices. There is ample scope for him to be choosy while shopping. Odd though it may seem, at times import liberalisation can also hurt the consumer on the rebound. Import of newsprint has been freed. This may have reduced the need for recycling of old newspaper. Anyway, the hawkers are now offering only around four taka for a seer of old newspaper - roughly half of what it was before. Buying a daily newspaper on the other hand, costs four to five taka. So a stack of old newspaper goes virtually for the price of a single fresh one. Albeit, here the consumer has turned into a trader. Nonetheless, the frugal housewife doesn't like it at all!

Looking Back at

March towards Independence

March 13, 1971

The meeting decided that a delegation should call on President Yahya to discuss the mechanics of transfer of power, and also meet with Sheikh Mujib in this connection. If necessary, the delegation would also meet with People's Party chairman Zulfigar Ali Bhutto.

The meeting felt that two of Sheikh Mujib's demands, withdrawal of military and a judicial enquiry into the firings in East Pakistan, should be addressed immediately. As for the lifting of Martial Law and transfer of power, considering the gravity of the situation, it was felt that a speedy process of bringing these about should be considered. Some proposals for the mechanics of withdrawing Martial Law and transfer of power were discussed at the meeting, but only those agreed upon by the President and Sheikh Mujib would be announced. according to Mufti Mahmud.

Mufti Mahmud further gave a written statement which said. "There can be no Pakistan, nor can the concept of Pakistan have an ideological validity or practical credibility, without the unity of the people of East and West Pakistan. The only basis, source and assurance of this unity is the free will to live together based on a sense of identity, comradeship, mutual justice and brotherhood ... there can be no question of threats, coercion, force or violence and anyone who thinks in these terms can be no friend to our solidarity or our free-

Mian Mumtaz Muhammad Khan Daultana. Chief of the Council Muslim League, spoke in support of the resolution adopted by the minority parties in the NA, calling Sheikh Mujibur's demands reasonable and necessary in order to end the political crisis in Pakistan. He said that the situation that existed before March 3rd was political and constitutional, but

the current crisis threatened the very existence of Pakistan. Syed Siddigul Hasan Gilani, Chief of Parliamentary Affairs for Jamaat-i-Islami, claimed that the responsibility for the present crisis lay with PPP chief ZA Bhutto who had aggravated the situation by threatening to boycott the National Assembly session on March 3.

(Compiled by Rashida Ahmad)

Untying the Gordian Knot of Our Politics

A SERIES OF INTERVIEWS AND ARTICLES ON THE CURRENT POLITICAL CRISIS

'Solution Lies in Consensus for a Non-party Caretaker Government'



The Daily Star (DS) : What, according to you, are reasons for the present political stalemate? What is the way out? Please, elaborate your personal views on what should be the next step?

Rashed Khan Menon (RKM) The present political stalemate centres on the question of ensuring free and fair election. The experience of election held after the independence was not a happy one. The whole election process, its independence and fairness and people's right to vote was completely destroyed during the nine-year-long autocratic rule by Ershad. Therefore one of the main slogans during the anti-autocracy agitation was the establishment of people's

right to franchise. The election of 1991 held under the interim government of Justice Shahabuddin Ahmed fulfilled people's long-felt desire to cast their ballots by themselves. Through that election, people felt such a system get institutionalised to guarantee their voting right.

proposed that the 12th amendment to the Constitution incorporate the provision of holding three more consecutive elections under a caretaker government with a view to helping the Election Commission become independent and the election process take root. But the major political parties - including BNP, Awami League and Jatiya Party

- opposed the idea. Even the reforms of the People's Representation Order in the parliament did not properly deal with the fairness of election.

Therefore, what had to happen, had happened. The party in power started following the path of its predeces-

An Interview with Rashed Khan Menon, General Secretary, Workers Party of Bangladesh

by Nazmul Ashraf

sor's-manipulating the elece tions by abusing the administrative machinery and using muscle power just to make sure that its candidates win the polls. This obviously angered the opposition parties that of late realised the need for a caretaker administration to supervise elections. But the ruling party rejected the Opposition demand on a fallacious argument that it earned people's mandate to rule the country for five years and hold elections until its tenure ended. Thus the present crisis

The way out of this impasse lies in a consensus by all political parties to amend the constitution providing for a nonparty caretaker government to conduct the future general elections.

DS: Everybody is talking about election, but when should it be held, within the next few months, or later in the year, or at its schedule time, early next year? Suggest measures to be taken for timing of your choice.

RKM: The election should have been held on expiry of the present government's term. But as the present parliament has become ineffective due to prolonged boycott followed by the en masse resignation of the Opposition MPs, it should be dissolved immediately to pave the way for next general elections.

DS: How to ensure an independent Election Commission? What are the pros and cons of the EC Bill passed?

RKM: In the 25-point demand by the Left Democratic Front (LDF), of which the Workers' Party is a component, we have proposed restructuring of the Election Commission to free it from the administrative control of the government, allow to act unconstrained, provide adequate financial and other resources so that it can have its own offices everywhere with separate telecommunication network. computerised voters' list, identity cards for the voters. and have security forces to check unfairness in the election process. We also suggested enactment of laws to empower the EC to punish the election offenders and cancel polls and their results it feels

The EC Bill passed unilaterally by the treasury bench members only dealt with the voters' identity card, which is not supported by other measures needed, may boomerang.

DS: How to formulate a code of conduct for the political parties to hold elections? How to ensure the implementation of such a code? RKM: We also broached a

code of conduct for the political parties in our 25-point charter of demand submitted earlier to the government. Those include: cooperation of the political parties to help maintain law and order, refraining from ill and malicious propaganda against each other. equal opportunities for all candidates and not indulging in any act of violence. We further suggested that all political parties sign an agreement to abide by the code or face punishment in default.

DS: What are your views on the need for computerised voters' list and identity cards? Can we ensure fair election without them? If we want them, then what should be the time frame for elections?

RKM: Computerised voters list and identity cards would definitely improve the process of election. But these measures cannot work effectively unless necessary amendments to laws are made and administrative steps taken. However, election should not wait for identity cards.

DS: We hear a lot about black money being a factor in the election. What are your suggestions to make election funding transparent and accountable?

RKM: The money power has become an important factor in our elections. Study shows that 164 of the 300 directly-elected MPs of the fifth parliament are millionaires It's true that there is nothing wrong for moneyedman to run for election. But the common practice here is that nominations are bought and money vitiates the whole election pro-Our 25-point proposals also

provided that only the registered party members who are also active in politics for the past three to five years would be nominated for contesting elections. The nomination process should be transparent and start from the grassroots level. Defaulters or the members of defaulting family should be barred from contesting polls. Besides, no military or civil official, retired or dismissed from job, should not be allowed to battle for elections before completion of five years from his retirement or dismissal. All candidates must submit primary statements on assets owned by him and his family, sources of income, election expenses etc and the total polls expenses should be limited to Tk two lakh.

DS: What are your views on the mechanism under which the next election should be held? What about constitutional amendments?

RKM: I've already answered this in the first question. On constitutional amendment, a new sub-clause should be inserted in the clause 123 of the Constitution to authorise the President to head the caretaker government on expiry of the elected government's

DS: Do you think that there should be some sort of political understanding between the ruling party and the Opposition to ensure a free and fair election? Is such an understanding possible? If yes, then what should be the next step?

If not, why not? RKM: In any political arrangement, the ruling party and the Opposition should reach an understanding so that it works. It is also needed to ensure a free and fair election and its credibility.

Understanding is still possible if the parties concerned keep people's interests above all else and wish democracy to work. We always urged the government and the Opposition to sit for dialogue. The sooner it happens, the better.

Focus on history

Sir, I was so delighted to read a very sensible article in your esteemed daily dated the 28th February and the 1st March that I could hardly wait to congratulate the writer Mr Oli Ahad and you for writing and publishing a very transparent article on our history of the last 47 years and the effect of machinations and cliques by various interest groups over the years. It was indeed refreshing to read in black and white at long last certain facts which now-a-days seem to be forbidden subject. Our children know nothing about that period from 1946 till 1971, the period witnessed by us who have been a part of that period, and saw the tumultuous days of the 40's, the election of the Constituent Assembly, the acceptance of the Cabinet Mission plan and the ultimate sabotage of the same by Mr Nehru (vide late Maulana Azad's biography) and the resultant partition of the Punjab and Bengal (demanded by the Indian Congress), the last minute efforts of Mr Sarat Bose and Mr Suhrawardy to keep Bengal together and in-

dependent against the wishes

of the Congress, the acceptance of "moth-eaten Pakistan" by Mr Jinnah who in his opening speech and his opening speech in the first sitting of the Pakistan Constituent Assembly had declared that in Pakistan every one would have the right to profess his or her own religion and that religion would be a personal matter and that all would be equal citfzens of one state and that would be the motto of the new

In India some research has been conducted on Mr Jinnah and I had the opportunity of reading one book named "Jinnah/Pakistan New Thoughts" written by Mr Shailesh Kumar Bandopadhaya after 20 years of research on Mr Jinnah's life, since his early student years in England and later as Secretary to the great Congress leader Dadabhay Naoroji. In the preface of this book Mr Annada Shankar Roy writes about Mr Jinnah that "he was unpurchaseable, incorruptible, exactly like Gandhiji" remember when Mr Gandhi and Mr Jinnah had accepted the Cabinet Mission Plan we all had a sigh of relief. But history had taken a different turn.

Mr Oli Ahad has in a few words depicted the happenings of these 47 years of frustration so nicely and neatly. His analysis of the past and present is indeed very transparent and refreshing. He has also pointed to the future. Let this be a turning point in our unfortunate history.

New Eskaton Road, Dhaka

Trampled to death!

Sir, One woman and several children were trampled to death not by wild elephants in the jungle but by fellow human beings in the metropolitan city of Dhaka while attempting to collect zakat cloth on the occasion of holy Eid-ul-Fitr.

Over past several years we have been witnessing many poor people killed in stampedes in different pares of our country while collecting zakat cloth and fitra. We fail to understand what is the justification on the part of the donors to make public announcement over mike and beat drums for the distribution of zakat cloth or fitra? We also wonder why the Zakat Board has been

keeping silent? Why the Board does not launch a campaign for collection of zakat or fitra and also does not issue Press Releases with photographs/TV coverage for the affluent zakat donors who might want publicity, and thus help contain the stampede?

We feel that the union council chairmen, members, ward commissioners may kindly maintain a list of distressed and poor men and women of their respective areas and zakat cloth, fitra etc may be distributed through them for those who cannot make silent and orderly distribution of the same.

O H Kabtr Dhaka

Appointment of ombudsman

Sir. The Constitution of People's Republic of Bangladesh (PRB) rightly provides for a position of ombudsman. But the post has not yet been filled up. The reasons are not known. It is high time the present democratic government showing interest in establishing rule of law, and transparent and accountable administration made use of the institution of ombudsman. We urge upon the government leaders to kindly consider appointing an ombudsman with necessary outfit, and fulfilling the constitutional obligation.

We further urge upon government to kindly consider appointing former Chief Justice of the Supreme Court and interim President of PRB. Justice Shahabuddin Ahmad, as the first ombudsman. In our view, Justice Ahmad eminently qualifies for the position. If he agrees to accept the responsibility, we hope, he can demonstrate how an ideal ombudsman should function in a democratic system.

Khandakar Mahmudur Rahman Khadim Nagar, Sylhet

Barings Bank scandal

Sir. The collapse of Barings Bank 'has generated enough news item as we could see in our media comprising television and newspapers. Similar enthusiasm was observed dur

scandal and the current Delhi share market corruption. But unfortunately there was not enough uproar when Bangladesh Commerce and Investment Limited stopped operation while 300,000 account holders lost their deposits, so to say as it appears after a lapse of three years. The members of my family

ing Bombay share market

continue to apply for initial public offering of shares of a dozen companies but we are not lucky enough to get allotment of shares. As per existing rule of the game set by Securities and Exchange Commission (SEC) one person/can submit two applications i.e. one in her/his name and another jointly. But talented persons apply in dozens in various fictitious names and thus their chances of getting allotment through lottery are greater while they also manage to get encashment of 'account payee' refund warrants.

Under the above backdrop the authority must look into the affair before it is late resulting in any collapse of the capital market

Sadig Alee Maghbazar. Dhaka