The Daily Star

Founder-Editor: Late S. M. Ali

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For an Acceptable MOU

We welcome BGMEA's decision to reopen negotiations for a new MOU on the child labour issue and the CLC's agreement to suspend its boycott campaign. The two points of negotiations agreed to by it — that of rehabilitating the retrenched children and setting up an independent monitoring system to verify compliance with the ban on child labour — are really the crux of the present crisis. The American consumers want to make sure that the garments they are buying are not produced by child labour, and we would like to ensure that the children who are being thrown out of jobs are not thrown out into the streets.

Now that the crisis appears to be on the mend, it is time to take a calm look at what lies behind the issue. If we believe in the philosophy, as we must, given the fact that we want the growth of market economy, that 'consumer is the king' then we cannot but be respectful of the American consumers' views about child labour. However much we may argue that it is better for a child to be working for a garment industry than be going hungry without a job or money, or that each child labour supports an abandoned family of several members, the fact remains that how the consumers will perceive the issue, and *not us*. So we have to respond to this issue, and BGMEA has, by declaring the total elimination of child labour by October 31. A credible monitoring mechanism — consisting of Unicef, ILO, US Embassy and some of our bodies — can finally put this issue to rest.

What remains is the taking care of the retrenched kids. Here the BGMEA has to be generous. Please let us not hear arguments that this will put additional burden on the sector or that it will affect our international competitiveness or the like. These are our kids, and it is our national task to turn them into productive adult labour. Let our garments sector show the way for all other sectors, as to what a socially responsible, patriotic and determined group of entrepreneurs can do. We would urge the BGMEA not to look at it as an additional burden, but to take it as a challenge to contribute to the human resource development of the country, which holds the key to the prospect of our breaking out of the poverty chain. It is not philanthropy that we seek, but a vision for the future. For these very kids, already exposed to modern technology, may turn out to be excellent labour force if they are given education, technical training and healthy upbringing. And the final point is that it will not cost much. Much less than what the society will have to bear otherwise.

A Bad Omen

According to a Daily Star report non-iodised salt is being sold all over Patuakhali district. Available at a cheaper price — about Tk 4 less for a kg than the iodized variety — the plain salt is outselling the other salt. Precisely because of this hazardous possibility government had banned production and sale of untreated salt. Law is being beaten very flagrantly in Patuakhali.

Not exactly. The banned non-iodized salt is being sold all over the country including the capital city of Dhaka. Saltwise Dhaka perhaps is in no way better than Patuakhali where the iodized variety is available in bags but mostly in a very dirty condition. In Dhaka salt comes in a great many variety of packs — many of them nauseatingly dirty and suspect in spite of the label vouching that the content is iodized.

Iodization was made mandatory by law as use of iodine-less salt was causing widespread degeneration of health. Besides goitre which was tracked directly to the untreated salt, iodine deficient diet was believed by experts to be generally contributing to mental and physical retardation of the nation and causing squinted eyes and dwarfism. Government had no way but to ban plain salt.

For our nation, plain untreated salt is another name for poison. And a host of manufacturers are still producing and unscrupulous traders selling it quite openly. The situation has lately become worse with allegedly non-iodized salt coming packed in bags marked iodized. The material difference between the present and the pre-ban period now amounts only to a spurt in the price. The ruling price cannot but remind one of the salt crisis in the early fifties. Of the many causes of the doom of Muslim League, one factor was that salt famine.

There is no salt famine now and Tk 10 to 12 seems to have settled down as the normal price of dirty and suspect packets of salt. Isn't it seemingly ominous?

DU Campus and Aesthetics

We welcome the news of a new building to be built for the commerce faculty of Dhaka University (DU). While we are always in favour of expansion of the DU, we feel compelled to make a few observations about the chaotic way buildings are popping all over the place in the DU campus, especially around the Arts building. There appears to be no masterplan, nor even an overall vision of how the DU campus should look like. Buildings seem to come up wherever there is empty space and by whichever faculty grabbing it first. Take, for instance, the section between the University library and the main Arts building. The construction there does not seem to fit. The Lecture Theatre building is too close to the main building and seems to have thrust itself upon it. The new student halls that have come up also lack any sense of aesthetic planning.

All over the campus, construction work is being pushed through on a piece-meal basis. And as each new building comes up, the DU campus acquires more and more ugly look.

In addition to the free style construction spree, what is spoiling whatever beauty is left of the DU campus, is the abysmal lack of maintenance of the existing structures. The most tragic aspect of the DU campus, however, is that there is hardly any garden anywhere. The famous Carzon Hall lawn is gradually losing its lustre due to negligence.

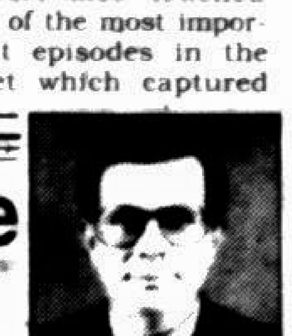
In the midst of it all, a new Commerce faculty building will come up. Will it be another one of those ugly concrete structures? Or will it add to the beauty of the campus? We plead to all concerned, please do something about making DU campus a bit more aesthetic.

IRBD on Agriculture: Complacency Questioned?

While the Bangladesh rice economy moved to a greater degree of resilience during the 1980s and hence seemingly widened the corridors of "complacency" among our policy makers, some disconcerting events cropped up in early 1990s to put the complacency of self-sufficiency into question.

Beneath the Surface

by Abdul Bayes



THE Centre for Policy Dialogue (CPD) completed its "pious" and "pioneering" venture, the Independent Review of Bangladesh's Development (IRBD) 1994/95 and released the same document for public consumption. Before the IRBD was grounded, to remind the readers, the only source of basic statistics and analysis of our economy was either the Country Economic Memorandum (CEM) of the World Bank or the Bangladesh Economic Survey of the Ministry of Finance that usually follows the national budget each year. To the critics, the former document is considered to be prepared by the donors and hence is loaded with the ideological tone of the donors to Bangladesh. The second document is being considered as a government document of "success stories". Given this and for a number of other reasons, the urgency of a third channel of information on the economy, preferably derived from endogenous efforts, has long been overdue and in that context, the nation should rejoice the publication of the IRBD. And the person who conceived, initiated and piloted such a venture is an eminent social scientist of the country, Professor Rehman Sobhan who has also to his credit, the fame for the Task Force Report 1991.

Before discussing the state of agriculture as documented in the report, two of the major "self imposed" limitations of the whole study, as have been aired through discussions, need to be in sight. First, it has been claimed that the report deliberately chose to be non-prescriptive. Such a stance is alleged to have deprived a nation seriously in drought of proper policy prescriptions. Second, unlike the CEM, the IRBD again, advertently abstained from holding any ideological viewpoint so much so that different authors were provided with a "blank cheque" as far as ideological views were concerned. It is alleged that such a notion might have constrained the production of a well-knit document.

However, the report comprises nine sections and given the space allotted for this column one can probably go for discussing only few of the most important issues pertaining to agricultural scenario in Bangladesh and for the same reason, historical fact sheets that are in the report would have to be shelved. It should be mentioned here that the section on agriculture owes to Abu Abdullah, Quazi Shahabuddin and M Hassanullah.

Crop Sector Performance

The report examined the trend growth rates of production, yield and acreage of rice crop in Bangladesh which accounted for three-fourths of total crop acreage and 71 per cent of total crop production in the early nineties. During the decade spanning 1984/85-1993/94, rice production grew at 2.8 per cent per annum which then rose to 3.1 per cent during 1984/85-1989/90 period (possibly due to a big jump in aman production by more than two million tons). Over the most recent past, covering the period 1990/91-1993/94, rice production grew at 0.4 per cent per annum — a substantial slide as compared to the previous period and the decade's average. With the severe drought experienced during the last aman season and the "chaos" and "confusions" prevailing in the agricultural inputs market during the current boro season, the report tends to foresee a further deceleration in the growth rate of rice production in 1994/95.

However, the authors also placed few observations to take into account. First, the higher growth rate, as could be in evidence during the last sub-period (1984/85-1989/90), is mainly adducible to the high aman production in a particular year and that probably beefed up the decade's average. Second, although growth rate decelerated in recent times, rice production still swelled above the trend line in 1990/91, 1991/92 and 1992/93 excepting, of course, in 1993-94 when the production level fell below the trend line. Third, per capita production of rice, although tends to exhibit a declining trend in the nineties, was still running above the level attained in mid and the late eighties. "In fact the figures are higher than what has been historically attained in the earlier decades."

The deceleration in the production growth is largely attributed to a significant decline in the HYV boro production (2.1 per cent during 1990/91-1993/94 vs. about 13 per cent during 1984/85-1989/90). This, in turn, is caused by a fall in boro acreage. What is more frightening is the fact that such a deceleration in the growth rate of rice took place during the years when nature did not turn out to be that unfriendly to us. While the report documented substantial deceleration in rice production growth rate, many experts tend to argue that such a deceleration also took place in the early eighties which could be overcome with some policy initiatives and policy changes. Due to shortage of time, perhaps, the researchers failed to peep deep into the causes of such a deceleration but, nevertheless, called for a serious pathological investigation into the causes of the slow-down. As reference points, the authors referred to lower fertilizer intake following "desubsidisation", lower growth of tubewell irrigation etc. However, the question of a pervasive micro-nutrient deficiency came up during the discussion on the report and the future of a further deceleration is reported to be in the offing by this deficiency.

Rise in Prices of Rice

The report also touched upon some of the most important recent episodes in the rice market which captured large-scale public notice. Take the example of the big "crash" in rice prices of 1992/93. It is reasoned that the slump originated from (a) off-loading of excess private stocks built up over the previous three years of large harvests, (b) high wheat imports and (c) declining real prices. Added to this is the abrupt cut-back in government procurement (from 1m mt in 1991/92 to 0.2 m mt in 1992/93).

According to the authors the most recent "upswing" in rice prices "probably reflects a rebuilding of stocks, especially in view of the anticipated shortfall in the aman harvest, compounded by a drop in marketed surplus when the shortfall became a reality". And since the level of food prices is also affected by the level of government stocks, it is no wonder that a stock level of 10 years low of 458,000 tons might have fanned the fire in rice market before and after the aman harvest at the end of 1994. The authors further went on to argue that "... as end of March 1995, the government food stocks stand at 495,000 tons of which rice accounts for only 65,000 tons. This is an all time low for official rice stocks ... The surge in commercial imports designed to rebuild both private and government stocks has so far had no discernible effect on the rice market where ... rice was sold at an all time high price of Tk 1361 per quintal in March 1995." With no sign of reasonable imports of rice in sight and given the uncertainty looming large over the size of the current boro harvest, more upward pressure in rice prices is likely to prevail unless backed by stepping up imports. "This may mean that a government target of selling rice at Tk 10.50 per kg would require a sizeable price subsidy which would seriously distort the revenue budget estimates of the Finance Minister for the FY 1995."

Fire in Fertilizer Market

Bangladesh is now undergoing a completely privatized fertilizer distribution mechanism. On the production side, however, government has the monopoly and the prices of domestically produced urea and TSP are administratively set by the government. (These are the prices at which wholesalers purchase from factories and beyond that, there are no price controls implying that wholesalers and retailers should care for whatever the market can bear.)

Premised on the notion that market would be a better substitute of bureaucracy, the experiment with privatization went on since the early 1980s and until recently, is reported to have met its objectives reasonably well. "The growth in fertilizer consumption during the eighties was in part attributable to privatization in fertilizer distribution. Fertilizer markets appear to have functioned competitively following their privatization."

Thus, when the mechanism began to show up some confidence, the sudden surge in the retail prices of urea in the last quarter of 1994 and the first quarter of 1995, led to widespread concern and allegedly placed the credibility of the distribution channel into serious question from certain quarters. However, the authors in this subsection of the IRBD report gave a detailed account of the happenings relating to this crisis. No problem was seen from the production side while certain amount of spurt is attributed to high demand.

The much publicized allegation that the induction of new dealers through the DCs, patronized by ruling party that seemed to have disturbed the prevailing mechanism of distribution was also pointed out. The authors, however, called for a comprehensive investigation into the actual happening in fertilizer distribution mechanism, to arrive at any policy changes, if at all.

Concluding Remarks

While the Bangladesh rice economy moved to a greater degree of resilience during the 1980s and hence seemingly widened the corridors of "complacency" among our policy makers, some disconcerting events cropped up in early 1990s to put the complacency of self-sufficiency into question. It is unfortunate that neither the CEM nor any government document so far succeeded in giving due weight to the ramifications of the recent and up-coming declaration on the growth rate of rice production. The IRBD report at least pointed out the ills although abstained from providing the pills. Hopefully, in the coming days, the IRBD will not only point to a capsizing boat but would also throw life-jackets thereto.

Pakistan: Pre-Budget Economic Review

Economic (or Bubonic) Plague?

Ikram Sehgal writes from Karachi

The first part of a three-part series on Pakistan's economy

THE Government of Pakistan (GOP) has boxed itself into a corner by its rhetoric about a supposed economic miracle which is far removed from the actual health of the economy and the portents of its future. A relatively moderate (but reasonable) performance by the present regime in the face of concentrated domestic and external economic adversity has come out in bad light because of unnecessary bombast about expectations and targets set forth far beyond bureaucracy's ability to accomplish, particularly because adequate documentation of the economy is lacking. Four areas must be studied to obtain a comprehensive overall economic review, viz (1) Growth, GDP and Production, (2) Public Finance, (3) Relations with IMF and lastly but most important (4) Inflation and Prices.

The Growth Target of 6.9% set for 1994-95 is certainly not likely to be met due to a combination of natural and artificial reasons. Among them are, viz (1) severe shortfall in cotton production, (2) its commensurate fallout effect on cotton ginning, manufacturing, export and related services and (3) industrial production will fall far short due to (a) the law and order situation, (b) power failure and load shedding, (c) in a Catch-22 gridlock, it has had a drag effect of the cotton industry while (d) compounding of the problems faced by the financial institutions in recovery of both capital and mark-up, acting as a further dampener on the economy. The actual Growth Rate is lucky to hover around 5.0%, more than 25% below the projected 6.9%. GOP has had some success in the control of expenditures but this has been exacerbated because government revenues have fallen far short of demand. This is mainly because (a) revenue collection targets were far too ambitious and (b) having been successful in terms of reduction of fiscal deficit from a high of 7.9% in 1992-93 to 5.9% in 1993-94. GOP went ahead and tried for an impossible 4%, in fact fiscal deficit would still exceed 5% by quite a margin.

One weakness in revenue assessment is that GOP continue to be vulnerable to vested interests, giving unnecessary exemptions on the behest of their lobbies. Despite great rhetoric and public fanfare, requisite effort to plug the holes and leakages in administration and collection of taxes has not been seriously made. With the low elasticity of taxes with respect to income and rising prices, a less than satisfactory performance is the result. The structural changes have not yielded the expected results i.e. fall in revenues because of reduction in tariff levels has not been compensated by yield from newly introduced General Sales Tax (GST). In fact, this is likely to worsen because we are committed to lowering tariffs further. Moreover, GOP has no other weapon except re-course to the GST to increase revenues. Areas like Income Tax have done reasonably well but the sectoral gains have been lost because of the overall low performing GST.

GOP has been reasonably successful in the observance of conditionalities imposed by the IMF so far but it looks difficult (in the present economic circumstances) to maintain the required fiscal discipline. Resource mobilisation has not yet reached an adequate stage where IMF would be satisfied that their "battle-field surgery" on our economy has achieved satisfactory results. Whereas the Jan-Mar '95 installment was paid relatively easily, the quarterly installment to the IMF for the previous quarter, Oct-Dec '94 was accomplished with great difficulty involving the raising of money from abroad amounting to US$ 300 million (Pak Rs. 10 billion) to meet our obligations. Foreign exchange outlays for international commitments towards present debt-servicing (about US$ 1.25 billion annually) means that US$ 300 millions are needed per quarter. Given that blizzard of MOUs that we have been inundated with, an attempt to keep up with a projected financial obligations for US$ 5 billion envisaged to increase by a similar amount annually may be beyond intelligent financial assessment.

Balance of payments deficit on current account exceeds US$ 3 billion compared to last financial year's US$ 1.6 billion. The only redeeming feature has been the foreign exchange revenue fluctuating between a high of US $ 3.1 billion to today's US $ 2.5 billion and the relative stability of the exchange rate in its Pakistani Rupee-US dollar parity. However, both these positive indicators are illusionary when you take out the sale receipts of PTC (Pakistan Telecommunication Corporation) vouchers which fetched US $ 862 million, thereby the reserves are about US$ 1.64 billion approximately.

The exchange figures also contain sizable borrowing from IMF, World Bank and ADB amounting to US $ 450-500 million. Improvement in trading account in 1993-94 was a favourable development which along with increased home remittances contributed to building up foreign exchange reserves. However, none of these is a stable and/or permanent feature.

During the current financial year, imports have shot up, particularly consumer items that are selling cheaper than those manufactured domestically, consequently trade account has deteriorated over last year.

Foreign investment has not shown much improvement, reaching US$ 500 million compared to US$ 470 million over the same period last year.

This includes both direct investment and portfolio interest. At the same time the relatively stable exchange rate conceals the fact that the US dollar (Pakistan's intervention currency) has got a big beating in the international currency market. If we see the value of the Pakistani Rupee in terms of Japanese Yen and German DM, it shows substantial devaluation. Unfortunately when the US dollar eventually becomes stronger, the Pakistan Rupee may get another major beating. As such we are in a double jeopardy act in a "heads I lose, tails you win" scenario.

The most worrisome area remains inflation. For fiscal 1994-95, the targeted price increase was 7%, this had already been exceeded by the end of Dec 1994 and we expect that by the end of June 1995 even the official figure will be double the targeted rate of increase in prices, almost 14%. Not only does this effect savers and consumers but, more importantly, the people's confidence in the present GOP's policies is eroded as the purchasing power of money is lost. There may be commensurate reaction in the streets during the long, hot summer if the budget is seen to be tough on the common man, the Catch-22 will be increased pressures on the economy.

As a credible economic barometer, the country's plunging stock markets are fair indicators that the light promised at the end of our economic tunnel is still elusive. Our economic situation can be equated to a Hobson's choice of facing a poisonous snake, a scorpion or a rat.

Whereas in the first six months of the financial year from July 94 to Dec 94 GOP did manage to keep some control over fiscal policy, the focal point again has shifted to the inability of GOP to keep its fiscal house in order. The size of the fiscal deficit continues to be unsustainably large and the budget deficit as a percentage of GDP will remain about 5.9%. The major culprit has been shortfall in tax revenues which may be more than Rs 35 billion. Consequently, without corresponding reduction in expenditure, shortfall will be met by bank borrowing, borrowing from the public and borrowing from external sources. This has strong implications for increase in prices, increase in domestic and external liabilities, with a consequential impact on debt servicing.

Monetary policy has shown some slippage because of GOP borrowing in excess of the agreed amount of Rs 15 billion from the banking system. The private sector credit expansion has been kept within the limits initially agreed but the situation has been aggravated by the outflow of portfolio investment, the law and order environment, the movement of "hot" capital (speculation) and credit squeeze. The Stock Exchange sees major activity only in a blue-chip portfolio of 10-15 companies, the rest is manipulated by powerful group to the detriment of the small investors.

To the credit of the State Bank of Pakistan (SBP) the monetary policy still remains on track, effectively curtailing demand, otherwise we would be in a much more serious position with respect to inflation. Inflation at substantially higher levels is basically a short supply phenomenon. Shortfall in agriculture production, but more importantly, inordinate increase in demand for consumer goods has contributed to the galloping inflation. This is especially acute in food prices which are much above the normal inflation rates averaging at about 22%. This severely affects the common man, particularly the average middle class family.

Wholesale smuggling of consumer products and food essentials to Afghanistan and beyond to Central Asia, food essentials to Iran and India, has contributed to the inflationary prices. Because of large-scale involvement by our border population in smuggling (this remains the only source of livelihood), this is almost impossible to control. The only pragmatic solution is to increase production and supplies. The forthcoming wheat crop is good and may have a dampening effect on the rate of inflation but because of the likelihood of smuggling the Federal food and Agriculture Minister Mr Talpur has spoken about the need to import wheat.

Much depends on the vagaries of Divine nature with a more than outside chance of reaction in the streets. The economic outlook is certainly not entirely bleak but the overall evaluation is that it is certainly far from the rosy picture suggested by GOP's boundless rhetoric. As a credible economic barometer, the country's plunging stock markets are fair indicators that the light promised at the end of our economic tunnel is still elusive. Our economic situation can be equated to a Hobson's choice of facing a poisonous snake, a scorpion or a rat. Whereas one feels sharp pain at being bitten by the snake or the scorpion, one can still take immediate life saving anti-dote measures. The most dangerous is the innocuous rat, with the threat of bubonic (economic?) plague since its teeth anasthesises the immediate region of the bite so that one does not feel the pain till much afterwards when it can be too late. Inflation, failure to control non-development expenditure, increasing of the debt servicing, rampant corruption, unnecessary import of consumer items, etc are factors which like a bunch of rats are eating into the vitals of our economy. One may well wake up in severe pain one day afflicted with an economic plague that forces one to use wheel barrows to carry money to the bakery to buy a loaf of bread.

Tomorrow: Benazir's Choice

To the Editor...

Murders, One a Day

Sir, Our attention has been drawn to the editorial "Murders, One a Day" that appeared in the May 21 issue of The Daily Star. The Dhaka Metropolitan Police feels that what has been said in the editorial about crime-fighting was not based on facts. The editorial says that "18 murders" were committed "in the first 19 days of this month (May). But none of the perpetrators of the crime is being caught".

These statements not only undermine the image of police force as crime-fighter but also contradict the report the editorial is referring to. Because, the report by Mr Masud Arif carried on the front page of your paper, one day before (20-5-95), says, "At least 13 persons were arrested and a number of people picked up for interrogation in connection with the killings."

The truth is that between May 1 and May 19 a total of 14 murder cases were lodged with 15 different police stations of the city and 19 persons were held for alleged connections with the killings.

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Traffic jam and telephone

Sir, While I appreciate the attention The Daily Star has paid to the traffic problem in Dhaka, I wish it would stop its relentless attack on rickshaws. This is the third letter I have had to write in the last few months asking The Daily Star to stop blaming rickshaws for Dhaka's traffic woes ("Rickshaws Paralyze System," May 18, 1995), without thoroughly examining the urban transportation situation.

I fail to understand, for example, how The Daily Star can run a three part series on Dhaka's traffic and transport without once talking about the telephone system. Telephones and traffic jams are inextricably linked. If a city develops a strong telephone system, along with a telephone culture, it reduces the amount of people who need to travel on the road to conduct simple business. One reason traffic is so bad in Dhaka, and one reason rickshaws, private cars, baby-taxis, etc are so necessary, is because the telephone system is so bad.

I also fail to understand how the article can point out that rickshaws "occupy huge road space" in terms of their capacity to carry passengers ("a rickshaw can carry only two passengers, but a big bus carrying 60 people can move in the space required for 10 rickshaws," said a DMDP planner), without making the same argument about private cars. How many private cars do we see on the roads carrying just one or two passengers and yet taking up the space of four or five rickshaws!

The fact is, rickshaws are very good for this city. They are one of the only public forms of transportation that actually serve the public. They help keep the city clean. They travel at a safe speed. They are quiet. If there are too many of them, if they are getting in the way, that's the result of a lack of other public forms of transport (including telecommunications) and an unprecedented influx of private cars.

Please, in future articles about Dhaka's traffic, let's be fair and stop pointing our fingers at the poor, the helpless, the easy-to-blame. Let's include equal analysis of those with power, the rich and well-to-do bureaucrats who are more concerned about tissue boxes and teddy bears in the back windows of their sedans than efficient forms of public transportation for all. Remember, Bangkok got rid of all its rickshaws in the name of modernity and just look at it now — one big nightmarish traffic jam.

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