

Private Sector-Friendly

Compared with the levels of last year, higher revenue and development expenditures have been proposed in the Tk 24,707 crore national budget for 1995-96 which the Finance Minister unveiled last Thursday in the half-empty Jatiya Sangsads. The ADP allocation of Tk 12,100 crore for the coming year is 9 per cent higher than that of the previous year, which is 5 per cent above the 4 per cent inflation rate projected for the same year. On the revenue account, the expenditure for the next year is estimated to be higher than that of last year by slightly less than 7 per cent which will be close to 3 per cent above the inflation rate. Keeping 3.5 per cent above the rate of inflation in allocations represents substantial increases in the budgetary provisions because of their value in real terms.

So, theoretically the back-up for the 6 per cent growth is there.

However, the strategem is critically reliant on efficient revenue collection. And it is primarily the National Board of Revenue which will have enough on its plate with a target higher by Tk 1000 crore than that of the revised budget of 1994-95. Apparently it is a bit intriguing how we are going to square up with the demand for a far greater internal resource mobilisation when no fresh taxes have been proposed and there is going to be tax cuts across the board.

We notice that resolution of some revenue disputes has been made conditional upon payment of a minimum flat rate of tax which may yield good revenue. But with deregulation in the discretionary powers of the NBR and the setting up of the Appellate Tribunal and the Turnover Commission to sort out disputes, a more cooperative relationship is expected to be fostered between the revenue authorities and the tradesmen. This should be reflected in the higher revenue receipts.

The proposed budget seems quite friendly to the local manufacturers with duty rebates offered to them on wide-ranging industrial raw materials.

The lowering of corporate tax and the fixation of the customs duty ceiling at 50 per cent will help us integrate with the regional or global market-place.

The fiscal incentives for environmental protection and research work strike a responsive chord in us.

We wish the budget had contained a specific plan to address the unemployment problem and the issue of price control. Let the Sonali Bank's financing of self-employment projects without unduly stressing on collaterals be replicated by other banks. The budget should provide for installing a full-fledged price control mechanism to make sure that duty rebates get translated into a commensurate fall in prices.

Treason Charges against Sharif

Pakistani politics has always been marked by extreme animosity between the ruling and the opposition politicians. It is this rivalry that gave the army chance, over and over again, to intervene in national politics. This rivalry now takes a new turn with the Benazir government bringing treason charges against the former Prime Minister Mian Nawaz Sharif. Ever since she came to power, Benazir Bhutto has been on a relentless persecution campaign against her bitter political opponent. The principal weapon in her attack was corruption charges against Sharif and his family members. Reportedly more than 30 cases have been lodged, which are now under investigation. Many of the leading companies owned by Sharif and his family have been denied new bank credit, and pressure put by the banks on them to repay outstanding loans. In eight cases companies have been declared bankrupt, with all the legal consequences to follow, not to mention the loss of credibility and reputation.

This, we recall, follows on what the current leader of the opposition did to Bhutto's family when he was in power. Eleven charges of corruption, including one of kidnapping and murder, were brought against Benazir's husband Asif Zardari. He was in jail for more than three years and won every one of the cases in court before being set free.

So the story goes on. The question is when will it stop. Benazir's attitude appears to be that she will continue to harass her opponent until he relents. The truth is, this never works. Even if an opponent should take a step back or two under extreme pressure, he or she will always look for a chance to take revenge. The best example of it is the present Prime Minister herself. Just as it did not work against her, so will it not work in the case of Nawaz Sharif. Only Pakistan will suffer, Pakistani will suffer, and so will democracy.

Nobody should be fooled in thinking that the present treason charges against the leader of the opposition is anything other than political harassment. In addition, such a use of the judicial system runs the risk, on the one hand, of politicising the judiciary and, on the other hand, eroding public confidence in the impartiality of the judiciary. Benazir should desist from following this path.

Asia Top Buyer of Arms

Asia has emerged as the top buyer of conventional arms, while its worldwide sale dropped 11 per cent in 1994. The total sales of US\$ 21.7 billion (in constant '90 prices) are the lowest in 10 years. According to Stockholm International Peace Research Institute (SIPRI), sale of conventional arms has remained steady for the last four years, falling considerably after peaking in 1987. US remains the biggest seller of conventional arms with a market share of 55 per cent and sales amount of 11.9 billion dollars. The new player in the trade is Germany. With total sales of 3.16 billion dollars, it has become the world's second largest supplier of conventional weapons.

What is of concern to us is the rise of Asia as the top buyer of conventional weapons. With a purchase of 7.29 billion dollars, it has crossed Middle East, whose purchase in '94 was 5.26 billion. We are not sure of the share of South Asia, in this rise of conventional weapons flow into our continent. Arms race between just two countries — India and Pakistan — costs more than US \$ 20 billion. This of course includes both conventional and nuclear weapons. UNDP's Human Development Report suggested sometimes back that while spending on arms was on the decline globally, it was on the rise in South Asia, the region which was least capable of affording it.

We are extremely concerned about this trend. All our plans for poverty alleviation will go down the drain unless we can put a cap on our arms build-up. The real problem lies between India and Pakistan. And from the looks of it, it will not subside in the near future, what with Kashmir going the way it is. The poor of our region will continue to take second place to the arms merchants, and the machinations of their local agents and beneficiaries.

There is, perhaps, very little disagreement to the concert that export earnings of Bangladesh is increasing over time. From a meager US\$ 627 million in 1982, total foreign exchange earnings from exports perked to US\$ 2,534 million in 1994 — a rise of 171 per cent over the last decade, and a better performance is assumed to be in the offing. What all these glittering performance means is, probably, the spectre of "export pessimism" that once haunted Bangladesh (in fact all LDCs) in the 1970s seems to be of less frightening now and Bangladesh is seemingly off to a good start in the export track. But despite the surge so witnessed, beneath the surface, growing concerns loom large over the future of our exports. The concerns mainly relate to the up-coming demise of the MFA that could seriously hurt the ace export earner RMG, and also to a growing concentration of exports. This is, perhaps, the message that one can receive from the recently concluded Independent Review of Bangladesh's Development [IRBD] of the Centre for Policy Dialogue [CPD].

Facts and Figures

In sharp contrast to the past, the recent surge in our export earnings is led by non-traditional exports like RMG, frozen fish and shrimps and leather and leather products. RMG — the hero of our export — contributed only US\$ 3 million in 1981 and with push since 1987, it depicted a sustained rise to contribute to an annual average of US\$ 1200 million during the last couple of years. Nominal growth rate for RMG is estimated at 59 per cent for the period 1981-94,

Export Scenario: Hopes and Concerns

While the surge in exports should make everyone happy, nonetheless it should not keep us oblivious of the windows of opportunities for more expansions.

Beneath the Surface

by Abdul Bayes



1980s and about two thirds in the early 1980s. Needless to mention, perhaps, that primary commodities exports dominated Bangladesh's export basket, contributing to about 43 per cent immediately after independence.

Along with the higher growth rates of exports, a structural shift in the composition of the export basket also manifested over the last decade. For example, "the proportion of earnings from non-traditional exports rose from around one-third in 1983 to two-thirds during the 1980s and to a significantly higher level of over four-fifths during the last couple of years." During the current financial year, the share might be as high as 87 per cent. However, if we consider the contribution of non-traditional exports in terms of local value added, its share in the basket of total exports might not be as big as it bears to be. For example, in 1991, the share of non-traditional exports, on a gross basis, stood at 75 per cent while the share was 62 per cent on net basis. For 1994, the share is estimated to be 84 and 75 per cent respectively.

A matched shift towards exports of manufactured commodities could also be discerned over the period under review. The share of manufactured exports earnings rose to four-fifths during the early 1990s compared to over three-fourths in the late

1980s.

Apart from its commodity concentration, Bangladesh's exports also tend to be geographically concentrated. Only six countries of the world buy two-thirds of Bangladesh's exports (USA: 33 per cent, Germany: 9 per cent, UK: 8 per cent, France and Italy: 6 per cent each and

There Can Be No Military Solution in Bosnia, US Says

Russell E Dybvik writes from Washington

Having looked at the basic level of military capability on both sides, Burns said, "We don't believe that a military solution, or efforts to win this war militarily, are going to succeed by either side."

THE United States believes that a military solution to the conflict in Bosnia is "unrealistic" and is urging all parties to seek a political settlement, State Department spokesman Nicholas Burns said June 14.

His comments came after Secretary of State Christopher met with Bosnian Prime Minister Haris Silajdzic at a private breakfast at the State Department. The Bosnian leader later met with Richard Holbrooke, assistant secretary of state for European and Canadian affairs, and with Robert Frasure, the US representative to the five-nation Contact Group.

The secretary and the prime minister had a thorough discussion of all aspects of the situation in Bosnia, Burns said. "They discussed the military situation on the ground pertaining to Sarajevo, the enclaves and the recently renewed fighting." They also agreed it would be "very useful" for the United States, through the Contact Group, to continue its efforts to try to convince Serbian President Slobodan Milosevic to recognize Bosnia in return for limited sanctions relief, the spokesman said.

The secretary underscored the US position that "we don't believe a military solution to the conflict is likely, and we don't think it is possible," Burns said. "We believe that all parties should work very hard toward a political solution to the problems that have tormented Bosnia for so long."

To the Editor

Mineral resources

Sir, This refers to a news item published in your daily on June 7, 1995 regarding amendment and simplification of mining rules for attracting foreign investment to the mineral resources of our country.

It may be recalled that in August 1991 Prime Minister Begum Khaleda Zia had formed a committee on valuable minerals 'Black-Gold' of Cox's Bazar with Dr. Khondaker Musarrat Hussain, the then State Minister now Minister of Energy and Mineral Resources as convener and Dr. A R Ghani, former State Minister, Dr. Moin Khan, MP, now State Minister Planning, Mr. Gias Kamal Choudhury, journalist, Mr. Akhtarul Alam, journalist, now Bangladesh Ambassador to Bahrain, Mr. Arefin Badal, journalist, myself and project Director, Beach Sand Project, Bangladesh Atomic Energy Commission, Cox's Bazar, as members to examine the matter and to submit a report to

turn toward a political solution," he said. "It's incumbent upon the leadership in Pale — the Bosnian Serb leadership — to draw that lesson and to make the necessary corrections in their policy."

Burns described the Christopher-Silajdzic meeting "a productive discussion, friendly and constructive," adding, "The secretary did not make any threats. We did not try to put any undue pressure on the Bosnian government."

The meeting, coupled with US-French summit talks at the White House and a meeting late in the day between Christopher and Carl Bildt, the new European Union negotiator for Bosnia, will be useful to determine the way forward, he said.

That will be centered on the need to continue and strengthen the United Nations Protection Force (UNPROFOR) in Bosnia, the spokesman said. "We think a way has to be found to supply the enclaves and supply Sarajevo. So UNPROFOR has got to stay for humanitarian reasons," he said, noting that UNPROFOR is charged with feeding 1.5 million people a day, a task it has been unable to perform recently because of Bosnian-Serb harassment and obstructionism.

Burns acknowledged that the United States has asked the French, British and Dutch to delay for a few days action at the United Nations Security Council on their proposal for developing a Rapid Reaction Force that would assist

the Prime Minister within a month.

However, due to alleged dilly-dallying tactics by the Ministry of Energy and Mineral Resources, visit and inspection of some of the mineral deposit sites in Cox's Bazar and Teknaf, all the members of the committee and the Minister of Energy and Mineral Resources himself could sign the report on April 8, 1993 for submission to the Prime Minister.

In the report it was clearly recommended that with a view to utilising the valuable minerals quotations may be invited from the Bangladeshi entrepreneurs

We now fail to understand as to why the Ministry is now reportedly contemplating to pass on our valuable national minerals — Rutile, Zircon, Elmenite, Garnet, Magnetite and Monazite etc — to the foreigners? We strongly oppose this and ask for an explanation from the government and demand formation of an all-party committee to

look into the matter.

O H Kabir
Dhaka-1203

City of bill-boards

Sir, The Daily Star has done a great service to the 80 lakh dwellers of Dhaka city, by focusing — attention on the myriad civic problems they are faced with. I would like to add that a serious environmental hazard has been caused by the City Corporation

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A citizen,
Dhaka

mand is highly sensitive to the income growth of its principal trading partners. It is stipulated that a 10 per cent rise in foreign income level would raise the demand for our exports by 23 per cent. Further, demand for Bangladesh's export products is relatively insensitive to price change. Thus, a 10 per cent fall in the price of our exports would not lead to a converse growth in export demand which would only increase by 5.3 per cent.

The changed global trade environment following the signing of the GATT is expected to pose new challenges as well as open new opportunities for LDCs such as Bangladesh. Although, with the advent of a relatively free trade regime, the share of developed countries' imports of industrial goods from LDCs is expected to double, some manufacturers of particular interest to developing countries such as Bangladesh will still face relative discrimination. The four product groups with smallest changes in duty-free treatment are: [a] textile and clothing, [b] fish and fish products, [c] leather and footwears and [d] transport equipment. It may be recalled that these four products account for two-thirds of our exports. It is being widely apprehended that unless Bangladesh creates a strong base for export diversification, the demise of the MFA might jolt our export earnings.

Export Determinants

Bangladesh's export de-

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As far as export supply is concerned, the price factor stands out as the major stimulus to its functioning. Apart from income growth amongst our trading partners, the most decisive influence in stimulating exports is the investment in the expansion of export capacity. Thus a 10 per cent rise in capacity output of tradable sector would lead to

an expansion of export supply of about 40 per cent. This proposition points to a possible truism that Bangladesh has to develop an export capacity if it is to promote exports. Low exports derive from low investments in the export good sector.

Concluding Remarks

While the surge in exports should make everyone happy, nonetheless it should not keep us oblivious of the windows of opportunities for more expansions. Especially, investment opportunities should be created for backward integration in RMG sector and a relatively more liberal trade regime should be established. An export-led growth strategy should not hinge merely on ad-hoc policy prescriptions but, more so, on long term prospects and problems. To this effect, the state must play an activist role not by owning export-oriented industries but by encouraging others to go for those.

The writer is a Professor of Economics and Dean of the Social Sciences Faculty, Jahangirnagar University.

Art Buchwald's COLUMN Oh My Papa

I love Father's Day. It's not just the gifts, or the choice of pie or strawberry shortcake that is offered to me, but I love the way my children treat me like the village idiot.

There comes a time in every father's life when the father-child role is reversed and the offspring is giving the orders and the patriarch accepts it because he has no choice. I can't pinpoint the exact moment when I began to be patronized but once you go down that road there is no turning back.

I first noticed that things weren't the same when my children started to talk about me at the dinner table as if I wasn't there.

"He looks very good," one child remarked "although I wish he would exercise more."

My son said, "I tried to get him out on the tennis court the other day, but he said that he'd rather watch a golf tournament on TV."

My oldest daughter asked "Do you think he wants any more mashed potatoes?"

Instead of protesting this treatment, I just nodded my head and grinned like Forrest Gump whenever they looked in my direction. Every once in a while one of the children would give me a thumbs-up.

I also noticed that they had started to speak to me more slowly and much louder than they did to each other.

"D—I-d y—o—u have a g—o—o—d week, Dad?"

I nodded although I sensed that they really didn't care if I did or not. They just wanted to find a way to include me in the conversation.

I almost said that I got an "A" in history or something. Instead, I played with my string beans.

After dinner the serious whispering started. "He really is looking very healthy," my daughter told her brother.

My other daughter added, "He may look all right but don't ask him to do any pushups."

My son said, "Nobody would believe he fought in World War II."

My daughter laughed, "I hope he doesn't start telling us how he singlehandedly beat the Japanese again."

My son sounded sympathetic, "It's better to let him reminisce than to try and shut him up."

I am not complaining about the role my children have assigned to me. It is a normal progression in what is known in life as "passages."

Besides being patriarch of the family took a lot out of me. Being treated as the village idiot is much more relaxing and gives tremendous pleasure to the other members of the family.

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OPINION

The Statusless Consumer