

Hopes for Africa

By Sunday the Zairean situation emerged from uncertainties of the past months as the rebel leader Laurent Kabila, formally taking over as head of the state, was heading for consolidating his hold with no major military challenge in sight. This signifies a definite end to the 32-year dictatorship of Sese Mobutu who climbed to power in 1965 taking advantage of the instability following the murder of the founder of the state and its first president Patrice Lumumba. There was jubilation in Kinshasa, the capital, as elsewhere in the big country — some 16 times bigger than Bangladesh. Thirty-two years is a long time to be in limbo and if the Kabila liberation — as it has been called by some celebrating Kinshasians — comes to anything worthwhile, it should be the vindication of the martyrdom as well as the dreams of Lumumba.

There is ample indication that the stalled state would finally cut off from its long inertia and be on the path of realising its economic and other potentials. The challenges of human diversity — there are many religions besides the traditional and overwhelming animism and four national languages out of about 200 spoken — did not play any big stunting role ever and is not likely to present any Nigerian style threat in the future. Zaire's inconceivable riches are its greatest enemy, generating international conspiracies for a command over the copper and cobalt mines — supplying the world's biggest share. And then there are zinc, cadmium and silver mines galore.

Developments in the last month of Kabila's inexorable march on Kinshasa do promise growing co-operation between this new Zaire and the new South Africa of Nelson Mandela. The vision of Mandela and the capital and expertise of South Africa could eminently help Zaire unlock its own treasure-trove. If the two can work the magic, the other stalled big states of Angola on the Atlantic seaboard and Mozambique on the Indian Ocean are sure to take up the cue and a virtual opening of the sub-Saharan Africa, the Dark Continent of centuries, would be a reality.

The Zairean developments do hold the seeds of these possibilities. And with expectations generated by these, we welcome the change in Kinshasa. After the Far East, the East and South-east Asiatic economic miracle is occupying the attention of the nations of the world. It is high time Africa woke up after its millennium-long slumber, harking to the greatness of the cradle of the first humans and also of the first and great civilisations of Nubia and Egypt.

After the Fury

As a fuller picture of the trail of damages wrought by the cyclonic grazing of our coastline emerges, we shudder to think of the toll it would have taken otherwise had we not removed a large number of sea-board dwellers to the safety of cyclone centres. More than three lakh were evacuated by volunteers and local administration by Sunday night and the information dissemination through the electronic media and local miking as the cyclonic path was being tracked by the hour must have warned others to seek timely shelter inland.

Still, with the wind-speed varying between 160 and 200 KPH, the fury in certain areas almost equalled the intensity of the Urirchar surge, and could have, in terms of crops and property, inflicted a substantial damage on coastal life. The preparedness strategy this time around was drawn up from the vantage-point of a longer notice served on all concerned. The army and navy personnel have been put to work in aid of the civil administration and a large number of volunteers fanned out.

We have the benefit of the Prime Minister personally supervising the disaster management and relief operations. We appreciate her decision to cancel the trip to Spain at the last moment to be able to stand by the people in their hour of need.

The first job would be to locate the victims, bring them under care, assess the damage to physical infrastructure, households and properties, and reach food, drinking water and medical assistance where ever needed. Since the low-lying areas were badly inundated, the bacterial infestation needs to be fought off. Then, of course, as the sheltered and the victims trek back to where their homes were and the crop-fields and mangroves abounded they must be helped to rebuild their lives from the scratch.

Resurrect the Dead Units

The Centre for Policy Dialogue (CPD) has thrown up an accountability agenda about two extinct but test-case public sector projects — the Bangladesh Machine Tools Factory (BMTF), closed since mid-1994, and the Chittagong Steel Mills (CSM), which is gasping for its last breath.

By doing exposes on them the CPD has done a national service and the valid point it has made about these being an eye-opener to many public projects built at a huge cost and thence allowed to die as nobody's business can only be brushed aside by either the moron or the unapologetic.

The BMTF had liabilities totalling Tk 3.23 billion when it was declared closed in July 1994 and its remains have since been objects of only pity and, what is worse, of attempted scavenging. The CSM's future looks blocked by Tk 7.71 billion in debt liabilities and a stockpile of finished products that don't sell, the high cost of production cancelling out price competitiveness.

This is what we have done with a solid base for a whole range of intermediate and capital goods industry in the country, let alone other lesser undertakings where the inattention and neglect must have been of a grosser crudity. The huge wastes suffered through misspent local money, public money of donor or multilateral origins debt-service liabilities shouldered by poor people, socio-technological disappointments and thoroughly upset developmental clock-work make it imperative for the government to find out what really went wrong with the BMTF and CSM. Based on lessons learnt these can be resurrected and others helped to live on.

We fully endorse Prof Rahman Sobhan's suggestions of public debates on the subject while the government formed task forces to bring life into the two dying industrial undertakings.

Macro-economic Balance — What is It?

The variables involved in the determination of macro-economic balance are interdependent. They are not fully deterministic at any given point in time. The conclusions drawn from their movements would tend to vary among experts on the subject.

In the recent past, there have been several pronouncements by competent authorities as well as well-known economists outside the government about priorities to maintain macro-economic balance. What is macro-economic balance, why it should be maintained and how? These are vitally important public actions involving the interests of all citizens of the country as well as outsiders having business and trade connections with Bangladesh. It is therefore necessary to further elaborate on the concept of macro-economic balance — in plain and simple language understandable to all concerned. It is a difficult task no doubt. The variables involved in the determination of macro-economic balance are interdependent. They are not fully deterministic at any given point in time. The conclusions drawn from their movements would tend to vary among experts on the subject.

After all, what we are dealing with is social engineering and unlike a machine or civil construction, the ideal macro-economic model cannot be reduced to a fixed blue print unless the model is constrained by a large number of assumptions relating to the behaviour of the operating variables. On the other hand, such assumptions remove the model away from the real-world situation and therefore tends to be meaningless.

In spite of difficulties, inac-

curacy and other limitations, macro-economic balance — when defined in straight forward terms without including any set of constraining assumptions — could be useful for significant public actions. Therefore, how do we define macro-economic balance? What is it, after all?

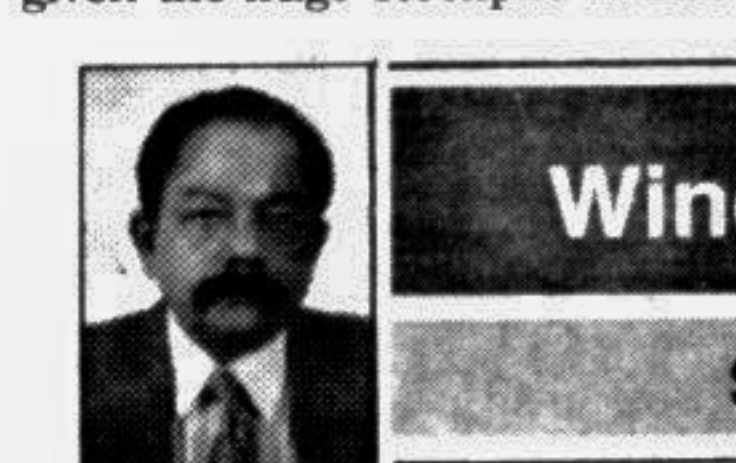
To me, such balance will, first of all, imply maintenance of the desirable rate of growth which may also mean maximising the rate of growth without unleashing a high rate of inflation. In order to maintain the high rate of growth of the economy, the investment must go up. Given the low rate of domestic savings, it is difficult to promote the high rate of domestic investment. So, what do we do? Direct foreign investment could be the answer, provided we can secure the inflow of such funds at the desirable rate. So far we have failed to do so.

In case of agriculture however, a bumper crop implies a high growth and it can have its induced expanding effects on other sectors of the economy, if we can sustain a reasonable return to the producers of paddy and jute. As for example, a 20 per cent increase in the price of paddy during the last Aman season would have given an additional return of over 2500

crore taka to farmers. A large part of this incremental demand would have translated into savings as well as additional demand for domestic manufacturers and then its subsequent multiplier effect would have contributed to further growth of the economy. However, this was not the case in reality.

Capital formation through bank borrowing is ruled out given the huge stockpile of bad

debt and more important is the fact that government has cornered the credit market since public borrowing has gone up so much these days. In fact, the government has now clamped down on credit expansion by enhancing the cost of credit. So if the economy is not growing at the desirable rate, domestic investment is shy and cost of credit is high — what do we do with macro-economic balance which is now over-balanced with the low rate of inflation? It is likely to remain low for the next few months, thanks to the bumper Boro harvest of the current season.



Window on Asia

Shahed Latif

As I mentioned before, foreign investment is a way out. In Thailand, the savings rate have

remained low over the last three decades. In spite of it, the double-digit growth rates could be maintained because of the massive inflow of foreign investments as well as tourists. The two together account for over 30 billion dollars per annum. To me it appears that direct foreign investment is the short cut to rapid economic growth while maintaining steady exchange rate as well as low rates of inflation.

If such a policy was successful in Thailand, we may also try it out.

How do we do it? Our massive reserve of natural gas offers the same opportunity. Within the next few months (say the next three months), we should award the contracts to exploit our gas reserves, construction of LNG plants, other processing ventures based on gas and construction of gas pipelines in order to establish a regional network and contracts to explore and drill for new sources of natural gas. It should be possible to arrive at a total value of few billion dollars new investment — all within the energy sector alone. This would then dramati-

cally alter the investment scenario — a key macro-economic variable, on the strength of which, the government can venture out to alter the other variables for a new macro-economic balance at a higher plane which can also sustain a higher rate of growth of the economy.

An important consideration in this respect is to reconsider the present restrictive credit policy. A high cost of credit is deflationary by its very nature. If we mean business, interest rate should be lowered, not increased. In view of the likely persistence of low inflation, due to good crops, it should be possible to increase the credit expansion limit so that private investment is not hampered by any means whatsoever. So why should we have a high rate of interest? In fact, the government has been the leading borrower in the recent past and the bank rate increase is a limit set on the government itself. The best course of action would be to limit government borrowing and it should be done not at the cost of private business.

This is the why and how and what of macro-economic balance which should be understood in the context of the performance of the economy at this point in time. Another important public initiative would be to announce a massive privatisation programme which may attract foreign investment.

As for example, the losing textile mills should be sold to private parties who promise to expand the production capacity

and contribute to the development of backward linkages to the ready-made garment and knitwear industries.

The government has recently sought Japanese assistance for three projects: Padma Barrage and a bridge over the same river and Sylhet International Airport. For the purpose of immediately promoting the growth rate of the economy, more important are the proposals for setting up the deep sea port, new export processing zone and a tunnel across the river Karnaphuli — all promised under Japanese assistance. These would immediately sensitize Japanese investors which should then be forthcoming. Japan has been the leading investor in Thailand and their ODA — all geared to the promotion of such private investment from Japan.

In matters of economics we should not be prompted by emotions. There must be serious thinking behind what we propose. Unfortunately, recent government proposals were not based on growth maximising principles.

It is said that three economists will always come up with four competing proposals. But the vision of economic growth is one and unique. Do we have that vision? If not we should set it out and once it is done, the purpose of macro-economic balance ought to be to serve the interest of that vision. There is no reason to believe that such balance must be maintained at all cost. If need be, we should deliberately try to unbalance the state of the economy if it should lead to a sustainable rate of growth of the economy.

To the Editor...

BTV and cricket

Sir, BTV's failure to telecast the 6th ICC Trophy cricket matches live involving victorious Bangladesh angered the whole nation. The reasons for this failure, given by the BTV through their message of apology to the nation, was far from convincing. However, the cricket-crazy millions of Bangladesh would expect that in the future, BTV would not need any wake-up call for taking timely actions for live telecast of important national and international one-day cricket and other popular sports events.

BTV should by now be aware that Asia-Cup One-Day-International cricket tournament, involving Bangladesh, India, Sri Lanka and Pakistan will be held in Sri Lanka from 15th July next. We can surely hope to see all the matches live on the BTV.

As part of celebrations of India's golden jubilee of independence, a 4-nation one-day cricket festival is being held in India from 9th May to 28th May. Cricket lovers of Bangladesh would highly appreciate, if BTV can telecast live, the finals (best of three) of this tournament, late May, by arrangement with Door-Darshan India.

M N Haque  
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"CEC's Resignation: Why or Why Not"

Sir, Two pieces of writing on the same subject — CEC's resignation — appeared in your daily within an interval of 72 hours, the first being the editorial followed by the article of Mr Rezaul Karim. Mr. Karim is a regular contributor of thoughtful and highly readable articles on the variety of issues including political situation of the country. However, being a member of the Advisory Committee of the major opposition party his remarkable competence in analysing the political situation more often than not manifests itself as a skill in mere elaboration of outworn and largely impractical and irrelevant arguments with suppression of ignoring facts that might harm the interest of his party. Thus Mr. Karim remained prolific in writing about the posting of 7 Deputy Commissioners but preferred to keep quiet on the posting of as many as 22 Deputy Commissioners immediately before the holding of 15 February elections. Further the fact that the allegations against the posting of 4 DCs all turned out to be baseless with the announcement of polling results and the reasons for cancellation of posting of the remaining were too flimsy to be taken into consideration by the establishment remained camouflaged when he said: "Even if these officers did not work in favour of the party they had supported the very fact of their constituted the rest of the government work force was deemed to be a dismal failure of the CEC."

He seemed to be genuinely sympathetic towards the turncoat politician Barrister Moudud and eulogised his work for his constituency to justify his winning the seat but conveniently forgot the fact that even some responsible BNP members wished otherwise and were happy to see him remain out of the Parliament. As for the Mirersharai constituency, one should not forget that even Khaleida Zia scored a narrow victory over Janab Mosharraf in the 12th June general election and that anybody else of BNP other than Begum Zia would lose the seat in the by-election was a foregone conclusion.

Mr Karim has dragged the question of patriotism with an evitable nonchalance in his article and that too for a person whose 'unblemished and distinguished career in the civil service' even he could not afford to ignore. Old habits really die hard. Public memory is short but not too short to forget

Hasan Khaled Rouf (Hasib)  
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About commitment

Sir, The Prime Minister had promised that if the Bangladesh Cricket team could qualify for the World Cup, each player would receive a car. The players were not only qualified, they won the ICC Trophy. But the Prime Minister has retracted her words, instead gave taka five lakh to each player. It is not befitting and we are disappointed by this action.

I think in every situation, decorum should be maintained. I don't understand why the Prime Minister had to announce about the gifts which the team received from different organisations. It looked very odd.

People expect from the prime minister the mode of action which is suitable to her position. I hope she will not disappoint us.

Nur Jahan  
East Nasirabad, Chittagong

On changing weekly holiday

Sir, The demand of some leaders of chambers of commerce and industries for changing the weekly holiday from Friday to Sunday has attracted my attention. Their contention is that the weekly holiday of Friday has brought losses to the business of the country, particularly external. The argument seems to be plausible but it is not Friday as holiday, but its local instability, lack of timely suitable plans and above all our incompetence for which we are lagging behind in the world. Moreover, the annual expert and GDP of the country has increased many times than before 1982 when it was introduced.

Over 40 Muslim countries of the world have their weekly holiday on Friday and needless to say that they are much more advanced in every sector than Bangladesh. So making Sunday weekly holiday will be an attempt to renege us from the Muslim Ummah.

Friday is a holy and important day of the week for the Muslims. The day has been compared to the day of Hajj for the poor. In the Holy Quran there is a Sura on Jumma. So why shall we sacrifice our identity and difference following the West? In America, there are two weekly holidays — Sunday and Saturday — considering the two sacred days of Christians and Jews respectively. If America can respect the sentiment of people of second major religion of the country, why do we feel inferior to give the same to the 87 per cent Muslims of our country?

So my fervent request to the PM of the second largest Muslim country of the world to maintain the current system of weekly holiday on Friday.

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OPINION

FDI: Who will Dictate Terms?

by Fazlul Alam

THE western world's development experts can create a nice catchy acronym, FDI, acronym for Foreign Direct Investment, is the latest of many acronyms that has reached Bangladesh belatedly. Belatedly because it seems that it has been applied to many Latin American, East Asian and Southeast Asian countries already. Economists who are used to the various terms, jargons and nomenclatures in their subject find it a completely new concept. This is not 'foreign investment' in the strict definitions of their discipline. This is a prescription to be dispensed soon by the countries who have capital to invest.

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started claiming social benefits offered by the state. Many branched out into small enterprises, but their entrepreneurship was limited to those sectors which the indigenous entrepreneurs had abandoned as unprofitable and therefore unattractive, viz. cafes, restaurants, small groceries, taxi-cab services, tailoring, garments, leather cutting, materials selling etc. These migrants were 'deskilled' rapidly, and their re-entry to the formal employment market became almost impossible as the state refused to re-skill them to suit the demands of the restructured work environment.

Capital's Flight to the Peripheries

The re-skilling of the 'migrant population' was also un-economic since the liberal democracies of the west set up Wages Council, Minimum Wage Boards, Low Pay Unit etc. In this set-up, further capital investment in labour-intensive industries was thought to be unprofitable because the labour force would have to be paid mandatory minimum wages, which would reduce the profits of the investors. Earlier, these centres (where the capital existed) where drawing labourers from the peripheries (where large human resources existed), but now the way out was to take the capital to the peripheries and use the (cheap) labour of the peripheries for initiating further capital accumulation processes.

In this way, social problems of having 'immigrants' would not develop. By the end of 1970s, this method started flourishing, particularly for European countries with colonial, semi-peripheries paid the dividend quickly. Labour and management were so cheap in the peripheries that the capital accumulation process accelerated even after paying the freight costs to bring the finished goods back to the centre.

Urbanisation of the Cities in the Peripheries

For the peripheries, there were many effects of having capital from the centre. The result was sociologically well known. The 'improvised' countries started becoming 'modernised' with high rise blocks, foreign consumer goods, high inflation and the rise of an indigenous group of economically and politically powerful 'middle men' (acting as the interface between the foreign capital and local labour force). The labouring class receiving the benefits of new employment opportunities started dreaming of improving their lifestyles. But they soon found the goal posts of higher standard of living move further and further as inflation spiralled, housing shortage occurred, civic amenities became scarce, education for their offsprings became costly, and health services unobtainable. There were also occasional hitches in their employment. Any untoward incident in the distribution processes can either halt the production laying off the workers, or at the end of the day, resulting into the withdrawal of capital without notice or at a short notice.

Who Gets the Benefits of Capital Investment

Capital always works for capital accumulation, and not for the labourers. It is true that the labourers can take some advantages of the situation, viz. moving from villages to the ur-

ban centres is itself regarded as an 'upwardly mobile' movement. These are all indirect rationalisations. For, they are forced into this situation having been robbed of any means of production, having lost all income opportunities, and having reached the end of the processes of turning them into wage-labourers. It must be stated here that the 'new' capital is not responsible for all these. The process of turning the people into wage-labourers began much earlier with the rise of feudalism in the wake of 'advanced capitalism'.

It may be argued that the labouring class of the western industrial countries has improved their standard of living in the same process, and if so, why should not this happen in the peripheries? True that this has happened to a certain extent, depending on the definitions of various concepts in the first part of the argument. The labouring class of the centre accrued some benefits because the capital was indigenous, and the state in those countries acted as an interface for the common people and the capitalists. Still even after fifty years, the education, welfare, civic amenities, legal, health and other rights for the common people in the west are not as good as those for the power-holders and the capital holding class.

Pre-requisites of Capital for Moving into the Peripheries

Capital's move into the peripheries demands some pre-requisites. The political-social conditions must be right in the peripheries. Some of these are well known: democracy or the semblance of democracy (military dictator turning elected leader), political stability, presence of an educated (pro-western) middle class, presence of 'intellectuals' and writers (pro-western and pro-capitalist), unemployment among the technically-educated young generations, insurgency free countryside, and so on.

Does Bangladesh fulfil these pre-requisites for foreign capital investments? It seems it does. It one or two are not wholly satisfactory, they can be overlooked because the capital of the west needs footholds in as many countries as possible to banish the spectre of socialism rising again.

When the Miracle Fails

The capital investment programmes from the centre will always pose as the benefactors, who are in the peripheries as the 'civilizing spirit' of the west. They offer miracles to alleviate poverty, raise the standard of living, modernise, urbanise, raise educational standards, offer sustainable developments, etc. etc.

What happens if the miracle does not happen? Only thing that can happen is that the workforce of the peripheries will become disillusioned, frustrated, and more aspiring than they were before. The fearful consequence of these developments can be left to conjectures and imagination. One consequence is certain — the investors will pick up their capital and profits and take to their heels.

Some radical economists have already uttered that the capital into the peripheries will not work endlessly, and soon there will be a time when the non-happening of the promised miracles would be recognized by the people. Capital will then try to find another country to invest into. Is this new country going to be Bangladesh in the 21st century? May be, because

the miracles of total poverty alleviation, and of recognisable rise of the standard of living in the peripheries, where FDI has been working for the past two decades, have not occurred.

Sugar Colonies and the West's Automobile Cities

During the colonial heydays, sugar was a very profitable commodity, and the capital of the west was well invested (a kind of FDI) in those sugar plantations. Later, the colonial power succumbed to the call for independence in those colonies. Technically, sugar should have still remained profitable for the newly independent country. But by some twist of fortune or by someone's shrewd manipulations, the price of sugar in London crashed within a week. Sugar production could not bring even the 'subsistence price' any more. The result was that the independence, fought for improving the economic conditions of the colonies, became useless (at least economically). Can this happen at this juncture of history in the developing countries as an aftermath of FDIs and their possible withdrawals?

In the western developed countries, certain industries particularly the automobile ones flourished in the '60s in certain cities and regions, with direct favourable consequences for the labouring force. Now in the '90s, many of these cities and towns have become 'ghost cities and towns' with abandoned industrial buildings, high unemployment, high crime rate, social deprivations, and 'no-go' areas for the good citizens. Will the same happen to the countries receiving FDIs as the nature of the industries changes and a de-skilling process begins?

Should We Dictate Terms?

Before we commit to any venture proposed by foreign powers with capital, we need to keep in mind that FDI is not a prescription that removes causes of our poverty, or of the lack of employment opportunities. It is only a 'coramine' applied without adequate diagnosis. Capital for initiating the industrialisation processes or for developing service industries in the peripheries will primarily serve the interest of the countries from where the capital will flow. It is not a donation, it is business.

Perhaps we can accept, FDI provided that the terms of investment are dictated by us. We cannot leave it to 'them' to decide what to produce, how to produce and how to distribute. We cannot agree to full freedom of the FDI to arrange flight of capital and profit at their discretions. Our terms should include areas where capital be invested (it may even be agriculture), how would the state share the profit, how much of the profit be re-invested, and that the original capital could be taken out of the country only when the re-investment of the profit would create our own capital. Certain it is that the economists of the peripheries would say that these conditions would not bring a single FDI. They may be politely reminded that the urgency for investing the capital would still exist and that there is also an urgency to drive away the spectre of 'socialism' in the Southeast, East and South Asian countries. May be more homework and planning are needed before we invite the FDI on our terms.

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