

Home Minister Homes in

Home Minister Rafiqul Islam has perhaps brought it under the spotlight for the first time that country's law enforcing agency is ill-equipped to fight the crimes in the financial sector. We thank him for coming out with the truth. It is a problem of expertise as much it is of not having a clarified legal system. The minister with the most tricky portfolio certainly had our fledgling stock market on his mind while making the observation in a seminar Saturday last. Thanks to the manipulative forces, securities market in Bangladesh recently inflated out of proportions before taking a nose-dive much to the anguish of the ordinary people many of whom lost all in an unexamined and unchecked pursuit of their dreams. In this connection we welcome the government plan for setting up an American-style Security Investigation Commission.

Mr. Islam gave the impression of a very focused professional when he detected so-called toll collection or extortion and corruption as the two most powerful eroding factors in our economy besides lack of expertise of the law enforcers. Ten per cent of the GDP goes down the toilet annually because of the dual reign of these two evils. He gave plenty of food for thought to our politicians with the observation that criminal incidences would have gone down by seventy per cent if police did not have to invest its time and energy in tackling movements and chaos. We believe the statistics are enough to convince all concerned about how we are working against the interest of the civil society by keeping an institution, a force created exclusively to maintain law and order in civil society for reasons eminently other than that.

But there is a limit to which police, even if it is allowed to work with the desired freedom, can deliver the goods. What can the men in uniform do about *tadbir* or *dharma* that has turned into a way of life in Bangladesh? From admission into schools to a posting, everything has become dependent on lobbying. Efficient, expert police will make its presence felt only when society evolves into a point where it will automatically ostracise or winnow out the criminals like defaulters and lobbyists.

Happy Augury

Pakistan, led by Nawaz Sharif, is doing the extra mile to make up to Bangladesh. Not only has she made a firm commitment to repatriate the 238,000 Biharis stranded in Dhaka since two and a half decades ago, her present leadership is also galvanising the whole nation behind that massive humanitarian undertaking.

In what appears to be a soulful surge of compassion, humanity and Islamic brotherhood towards less than a quarter of a million of its own people, the Nawaz Sharif government is making good on its promise in 1992 to have them settled in Pakistan.

As the first batch of 932 families pack up to leave Bangladesh in three months' time it is heartening to note that they are being made to feel so welcome in Pakistan already. In a major emotive shift from Benazir Bhutto's rather sympathetic days, the present government has set about creating a congenial atmosphere for their rehabilitation with appropriately worded appeals floated to the public for their cooperation and support in fulfilling the 'noble task'. Donations such as have been asked from Pakistanis at home and abroad are certain to help replenish the Saudi Arabia-based Rabita Al-Alam Al-Islami trust fund which stands wholeheartedly committed to the purpose.

The fact that MQM is an ally of the Sharif government has been an added advantage to the cause, but it is an act of personal boldness and conviction of the Pakistan Prime Minister that he has chosen the Punjab, his own constituency, as the habitat for the settlers. Their attempted rehabilitation in Sind in 1992 had met with local opposition.

That the combination of favourable circumstances in Pakistan has been properly grasped by Sheikh Hasina's government and is being put to use in reviving the stalled repatriation process, does her image a world of good. All this is a sign of diplomatic maturity on her part. Similarly, the Pak PM has our plaudits for his efforts to remove a thorn in our bilateral relationship. By the single stroke of a good gesture Nawaz Sharif has helped to take the bilateral relations forward by a stride.

Corruption Can be Lethal

An anesthesia machine is a thing that makes all mortals excepting the anesthetists, nervous. It cannot be said that many anaesthetists do not keep their fingers crossed while a patient is under anesthesia. Will she or he revive? The factor of human error is always there. And the machine can betray because of either its make or its maintenance or both. This is one contraption man, the professional to be precise, hasn't ever taken chances with. It is a death-dealing machine if not acquired and handled with man's utmost care.

Why then is government going to buy 33 such machines from an assembler in Pakistan overriding express reservations by a technical committee appointed to vet the purchase proposal. The members of the TC have straightway said this particular brand of machine — a particularly hybridised thing with its parts drawn from many sources and not quite matching — was unsafe. How can the deal be still on after this?

This is a tell-tale example of how far corruption can go. There are examples galore in high literature of perfect ladies and gentlemen moralising the society while their incomes come from, as in Ibsen and Shaw, building substandard bridges that kill people and constructing rows of dwellings that can collapse any day. Why, one of Miller's protagonists built a bridge knowing that it would kill — and then it did kill a full battalion of soldiers including his son!

There cannot be any question of buying these. Ever. Enquiry should be launched into those responsible for bringing the deal this far overriding the veto of the experts. And the culprits punished.

Will East Asia Export its Deflation Abroad?

Of all the countries of East and South East Asia, the main worries of the western leaders are about the final resting points of the downward spirals of the economies of Japan and South Korea.

THE 1997 crisis in the so-called Asian 'Miracle' economies has sent a quiet shock to the financial capitals of the world's major industrialised countries. This is evident from the highest level meetings of the government officials, bankers, heads of IMF and World Bank and their hurriedly prepared rescue packages for these countries as well as from the deep concerns expressed by eminent academics, professionals and financial wizards in the developed parts of the world over the last few weeks. Trade journals, financial weeklies and highly rated national dailies in the western world are full of articles and commentaries reflecting their anxieties on the subject. However, of all the countries of East and South East Asia, the main worries of the western leaders are about the final resting points of the downward spirals of the economies of Japan and South Korea. Although Japan has been going through a prolonged recession since 1989, it still doesn't need, nor does it want, any financial assistance from the IMF or other countries because it has accumulated a huge external reserve over the last three decades or so through its trade surpluses.

South Korea's precipitous decline in recent months seems to have become the main worry to the world leaders. Witness how even after the IMF's first announcement of \$57 billion bailout package another emergency package of \$10 billion has been rushed by the leaders of US, Japan, Germany, IMF and World Bank at the end of December to meet its monthly debt repayments obligations, mainly to the American banks and financial institutions. This raises the question as to why the governments of the United States,

Japan and Germany as well as the heads of IMF and World Bank are so keen on giving additional help to South Korea? This question will be addressed in this short article. Further, some observations will be made on the widely discussed prospect of a world-wide depression.

Transmission Mechanism of Deflation/Inflation

Before one address the question of importance of South Korea to the US and other economies, a word on the transmission mechanism of one country's deflation/recession — inflation to other countries would be relevant. A country's deflation or inflation is exported to other countries through its (i) trade and (ii) capital flows. To save space, let us concentrate only on the role of trade flows in such transmission. If a major trading country is depressed, the prices of its goods and services go down, and through its export of goods and services to its buying countries, it transmits its low prices. These low priced imported goods compete with domestically produced high priced goods and services in the importing countries. Consumers prefer cheap imported goods and services and hence the domestically produced goods and services remain unsold and piled up. This cannot go on for long. Domestic industries producing such goods and services will have to close down creating unemployment and unused industrial capacities.

This is the beginning of a recession in the importing countries if the imports are substantial. The immediate consequence of this situation in the importing countries is that in the face of such a recession, there comes the clamour for tariff protection from both industrialists and trade unions. If protection is given then the world trade is disrupted, the exporting (initially depressed) country has no way of getting out of its recession and the importing country develops inefficiency in its industrial sector. Overall, the volume of world trade and economic growth suffer. However, in the United States, Richard Gephardt and his protectionist allies are now raising exactly this protectionist slogan.

Why is South Korea So Important to the United States?

If South Korea (the world's eleventh largest economy) collapses, it will bring down, apart

from other East and South East Asian economies, the currently fragile economy of Japan (the world's second largest economy) with which it has deep trade and financial links. Both South Korea and Japan are major markets for American goods and services and, similarly, the United States in a major market for the South Korean and Japanese products. While referring to the effects of Asian turmoil on the US economy, Arthur B. Laffer has reported that "Some 30 per cent of the Standard and Poor's 500 companies' profits are derived from foreign operations. Any impact on these profits will hurt our stock market" (*The Wall Street Journal*, January 5, 1998, Page-A22). Some other estimates indicate that a collapse of South Korea alone will bring down the US economic growth by at least 1 per cent in 1998. It means that it will have a colossal impact on the US economy. What about the impact of capital flows? South Korea now has \$160 billion outstanding debts of which \$92 billion is short-term loan. Most of these loans are from the American banks. If South Korea defaults on debt repayments, these major New York banks and financial institutions will almost come to a crashing point. South Korea, therefore, cannot be left in the lurch by the United States. It has to be helped out of the present crisis.

A word on the final incidence of these bailout packages is important. Who bears the cost of such loans to South Korea? There is a lot of cheap sloganising in the United States saying that this is a plan to bail out the rich New York bankers. This is not wholly true. There are share holders of these banks and financial institutions who will also lose if South Korea defaults. But the ultimate burden of the poor South Koreans. This is inevitable under any one of the plans now discussed between the lenders and the borrowers for rescheduling the outstanding loans and repayment.

South Korea cannot clear its current monthly debt repayments and once the period of its repayments is extended, its interest burden is going to increase. Unless the US banks, i.e. the lenders, forgive some or all of these interests, South Korea will have to pay it. The ultimate payers are the South Koreans. The deeper issues of mismanagement of borrowed money in the name of national development which ultimately has to be borne by ordinary tax payers raises the question of economic and social justice which is violated almost everywhere. In the capitalist lending-borrowing game, the beneficiaries in most cases are the lenders and rarely are the borrowers.

Will There be a 1929-style Depression?

There is a lot of discussions in the western press and among the academics and fund managers about the possibility of a world depression. Before one address the question of importance of South Korea to the US and other economies, a word on the transmission mechanism of one country's deflation/recession — inflation to other countries would be relevant. A country's deflation or inflation is exported to other countries through its (i) trade and (ii) capital flows. To save space, let us concentrate only on the role of trade flows in such transmission. If a major trading country is depressed, the prices of its goods and services go down, and through its export of goods and services to its buying countries, it transmits its low prices. These low priced imported goods compete with domestically produced high priced goods and services in the importing countries. Consumers prefer cheap imported goods and services and hence the domestically produced goods and services remain unsold and piled up. This cannot go on for long. Domestic industries producing such goods and services will have to close down creating unemployment and unused industrial capacities.

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Limiting the Power of Dynasty

From Jawaharlal Nehru to Rajiv Gandhi... they all created some myth around them giving the masses an impression about their indispensability. Sonia Gandhi also has cultivated it well.

Sonia Gandhi relented at long last. Not only she consented to work for the Congress, which has been looking up to her for deliverance; in the forthcoming election, she is already on campaign trail belying some of its earlier forecasts. Sonia Gandhi has finally taken a plunge in the choppy water of Indian politics.

After Rajiv Gandhi's assassination in 1991, his grief-stricken wife froze into total silence. Nothing could stir her up — not even the CWC (Congress Working Committee) offer of her slain husband's party mantle within 24 hours of the tragedy. The years' of requests, urgings and appeals from the Congress ranks to take up the leadership also failed to break the silence. No amount of temptations dangled before her — the post, position or office at the helm — could arouse an iota of her attraction in the public life. The nonchallant widow of the former Prime Minister carefully parried the pressures and persuasions and turned down offers with incredible calm.

She, however, showed flickers of interests in the party — as if to remind that she was there and was thus able to make her presence felt without taking on any responsibility. She occasionally gave audience to party leaders, visited Amethi, the family's traditional electoral constituency, sat as silent observer in the CWC meeting and even took up the party's primary membership in the last year's Calcutta plenary. But more she was persuaded to be at the helm or in the thick of the party affairs, the more she reeled back remaining an impregnable enigma for years. Now as she herself lifts the shroud of that enigma unveiling her secret passion for politics as well as a commitment for the revival of the party's sagging fortune, a different Sonia Gandhi, poised for an exalted place in Indian polity, emerges.

And this is exactly what raises a host of questions and controversy over her momentous decision which couldn't but be a landmark event per se. The most crucial of the questions that are being asked today and the pointed one is whether Sonia Gandhi has the ability to catapult a moribund outfit back to power. After all, there is no dearth of seasoned leaders in the ranks of an organisation of Congress' standing. What does Sonia Gandhi have which Sitaram Kersi, Pranab Mukherjee, Arjun Singh, Karunakaran, ND Tiwari — all who have been begging her to lead them — do not? Yes, she has something really precious. At this moment, only she has that most precious asset of Indian politics — the aura that comes from being a part of Nehru-Gandhi clan and the mystique that surrounds India's most powerful political dynasty. One liked it or not, by queer turns of the events in the dynasty Sonia Gandhi was destined to inherit that most mesmerising legacy of the family. The Congressmen looking for salvage in her are convinced that she can ensure it with a wave of her little finger.

At least in the past, the Nehru-Gandhi mystique worked with absolute certainty, and not without a reason. The family gave so much to India since the colonial days that India's power, prestige and image became synonymous with those of Nehru-Gandhi clan as well as the Congress. The common people of India reciprocated the sacrifices of the clan with their resounding support for Congress immersed in the legend of the great stalwarts originating from the dynasty. The common Indians are also fond of symbol — a mythical figure to look up for succour. From Jawaharlal Nehru to Rajiv Gandhi — they all lived up to that peculiar craving of the Indian masses. They all created some myth around them giving the masses an impression about their indispensability. Sonia Gandhi also has cultivated it well. She has patronised Rajiv Gandhi Foundation which gives her personality some intellectual gloss. She keeps a distance from the party's rank and file, fosters association with celebrities of the world and develops an exclusive style. All these have contributed towards building a larger-than-life image for her. Equipped only with the mystique of the dynasty and her own image built over the years Sonia Gandhi, a political novice, has ventured her treacherous journey through the largest ever election of the world's largest democracy. Will the mystique work?

Of course, the mystique will still work in its place but so will many other newly-introduced dynamics and changes in India's electoral politics. The unquestioned dominance the Congress exerted in the '50s and early '60s rested, apart from the leadership charisma, also on prestige it retained from its role in India's independence struggle and intricate patronage network that stretched from New Delhi to tens of thousands of villages. The arrangement in turn depended heavily on the deference that the Congress party's allies, India's rural elite could still command from their 'social inferiors'. Neither that arrangement nor the traditional deference of the past exists any more. Ever since Indira Gandhi took over the reign of the party in the late '60s she did away with the lower tiers of leaders with genuine grassroots support and instead adopted a populist slogan, *Gari Batao*, appealing directly to India's poor majority.

Whereas Sonia definitely lacks the skill of her mother-in-law in travelling, so close to the hearts of the Indian masses, a pliant backward class has also disappeared. Along with the poor, the middling groups of rural Indian society have been more politically active over the last two decades. The levels of political activity are much higher today than they were in the past. It reflects, among other things, the spread of egalitarian and democratic ideas that have reduced the subservience that India's social inferiors once displayed towards their privileged leaders. A plethora of diverse and politically assertive groups among the backward classes has made

any electoral consensus on their part hard to achieve and an en bloc voting as a result of popular mood swings impossible.

After having lost the Hindi belt in the north, many felt that the Congress would be led by Sonia to a complete sweep in the south. The Congress' bastion during the period of its crisis. The south, it was argued, will emotionally react to Rajiv Gandhi's name. But even when Sonia's campaign has taken off from the south the responses are lukewarm — let alone a visible sign of sweep. On the contrary, the Jain Commission's reference to Tamilian and LTTE connection to Rajiv Gandhi's assassination and Congress' overplaying of it have in a way resurrected the Tamil pride in the state. To more matured electorate in the south the mournings and tears of a weeping widow will hardly matter. Instead what will matter are the hard issues of the polity. Can the present Congress, bereft of ideology, programme and policy, articulate those issues to convince the voters of its worth, if any?

In the north, her position is more vulnerable and the Congress' prospects are bleak. It is predicted that she will not make any difference to the party's prospects in the north where the electorate is sharply polarised around empowerment and social justice. In Uttar Pradesh where there is large concentration of Muslims and Dalits, Sonia with her inherited mantle of the Dynasty will draw crowds but no votes. Because, in spite of Rajiv Gandhi's personal interest in Babri Mosque, it was during the Congress rule at the centre, the historic mosque was demolished. Notwithstanding, Congress' government's repeated promises to rebuild the mosque it was never done during the complete tenure of Narasimha Rao. While Muslims are in real dilemma about their electoral choice the Dalits, disenchanted with Congress' empty promises for decades have already turned their faces from Congress.

The Dalits have tasted power in the state which they would like to consolidate in the next poll in alliance with any other party — not necessarily the Congress. The upper caste in the state decided to throw in their lot with the BJP. In Punjab Sonia's campaign is likely to revive the bitter memory of 'Blue Star' operation and the massacre of the Sikhs during the aftermath of Indira Gandhi's assassination. In Kashmir where the people are living in the mess of Congress' making her campaign can have only a negative effect. Similar effects are expected in the north-east where during the secessionist violence many were persecuted by the Congress' rs.

The Congress' decline began as early as in the late '60s. The party's hegemony was first chipped away in '67 election. Even since the party has been sinking and could be resurrected only in extraordinary circumstances as they were in the elections of '71, '80 and '84. But the electoral decline of the party from '89 onward was remarkable notwithstanding Congress' success in propelling up a minority government in '91. However, the party's share of popular vote incredibly shrank from 36 per cent in '91 election to 28 per cent — the lowest ever — in '96. The recent decline is somewhat puzzling because Rao's complete term provided relatively effective government. However, significant component of the answer is the party's organisational weakness. The Congress leadership including that of Rao, the last president of Congress, could not reverse the organisational decline; neither could it rebuild the Congress from the bottom up.

Besides organisational weakness, the party's shifting national priorities also help explain its relative decline. Traditionally, the Congress always stood for nationalism, modernisation and egalitarianism. To keep pace with dramatic changes in the international arena over last one decade as the party shifted more towards liberalisation of economy its political cost has perforce been enormous making Congress vulnerable on both nationalist and redistributionist front. The result of '96 election underlines this ideological vulnerability. The emergence of BJP and the UF on the right and the left of the Congress respectively demonstrates how these parties have filled the nationalist and redistributionist political spaces that the Congress largely abandoned.

These are in addition to myriad other sleazes that smear the face of the organisation. Prominent among them are pervasive corruption scandals, frequent defections, broken promises and internal schisms. Most of the party heavyweights have been involved in infamous Hawala case. The Congress prime minister Narasimha Rao himself is charged with several criminal and corruption cases. Not only the omnibus defection of Congress MLAs in Uttar Pradesh for petty offices under a BJP government is without precedence, the large scale defection of Congressmen from the party speaks of their opportunism. Its secular pretensions and record do not anymore attract the secular forces of the country. While the inner party democracy has since been eroded, there were few intra-party elections for many years. Party affairs were thus grossly neglected over several years.

No doubt the Congress, in its despair, has struck a goldmine in Sonia Gandhi who, with her charisma, may have been an asset for the party but the Congress itself, in its present shape, is indeed a liability for the lady apparently on trial. Ms Gandhi has checkmated an inexorable process of party's disintegration. It is however yet to be seen whether she can reverse the process to bring Congress back to its old shape claiming an effective pan-Indian spread. The continuing glow of the dynasty has enabled her to cause ripples among the masses but to wave as yet due largely to the Congress holding it back with its stupor.

To the Editor...

Fighting cold in the North

Sir, Northern Bengal, in particular, was in the grip of lethal cold wave. Reports of cold-related deaths of innumerable persons in northern Bengal and the outbreak of fatal deceases are now a days the common phenomena. It is so because the winter cold comes straight from the Himalayan mountains.

There is a minimum number of fifteen lakh floating day labourers in this area. Ninety-five per cent of them have only a piece of torn out cloth. They are without any sandal or shoe.

Almost famine-like situation prevails there all through the year due to floods and draught. The country is divided broadly into two zones: north and south. Either has its share of natural calamities: the south is seasonally ravaged by cyclones, tidal bores or floods, danger arising from the sea.

Fixed-price culture

Sir, Fixed-price culture is an important feature of this modern era. Meanwhile, we have ensured fixed-price culture only in a few outlets. When a buyer bargains with shopkeepers, s/he keeps in mind whether s/he is going to be loser or gainer. If s/he is losses, then to what extent? Sometimes, the sellers compel the customers to buy showing good behaviour. This is a praiseworthy aspect. But most of the time, bargaining come to bitterness.

So, I request to all the shopkeepers to sell their goods at fixed rates (of course, with profit) and simultaneously I request to develop such fixed-price culture — which will be a comfortable atmosphere for shopping.

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OPINION

Is Saddam an Inspired Evil Hero?