

Short-term Foreign Capital in the Secondary Market

To Go, or not to Go

First 14 points, then 15, then four and now three points have been put forward by the BNP as pre-conditions for it to join talks on whether the biggest opposition party will return to the parliament or not. Honestly, BNP has made itself a laughing stock through these ever changing pre-conditions. Take the original 14 points which were more like an election manifesto of a party or a small scale economic programme of a government. Far from what can be logically considered as conditions for rejoining the parliament. The latest three — restoration of the bridge at Zia's mazar, permission to hold rallies in front of the press club and Manik Mia Avenue and withdrawal of some political cases — are more realistic and deserves serious consideration.

Before discussing the three points we would like to unequivocally state that participation in the deliberations of the parliament is a supreme moral and ethical obligation of MPs who are pledge-bound to the voters through an unwritten contract to represent them at the highest lawmaking body in the country during the tenure of their elected office. If democracy is the rule of the people and if election is the expression of the WILL of the people then the above 'pledge' must, by definition, and by moral law must take precedence over everything else. Therefore, the return of the BNP lawmakers to the parliament should be unconditional and permanent.

Coming to the three latest demands, government should immediately restore the bridge to Zia's mazar. If the original is not available, a replacement can be built without much cost. It was a foot bridge anyway. How will history judge us if the working of the supreme law making body is jeopardised because of a trivial thing like a foot bridge. As for political cases, Md. Nasim, the ruling party negotiator has already committed that all cases other than those dealing with murder and terrorism will be withdrawn. Both sides should sit with the names and settle the issue. As for withdrawing ban on public meetings on roads in front of the press club we are strongly opposed to it. If BNP has any consideration for public convenience then it should not insist on this. As for Manik Mia Avenue, why not settle for the big open space in the corner of Bijay Sharani and the Airport Road?

We think there exists some convergence of views on the last two points. Government should now commit to restore the foot-bridge and BNP should pledge to return to the parliament. Stop trivialising the most important gain of our democratic struggle — a sovereign parliament constituted through free and fair elections.

Afghan Tragedy

Afghanistan's adversities know no end. On top of the civil war, we have the news now — that too incomplete — of 150000 homes razed to the ground and at least 4000 killed by a severe earthquake in its northeast. The tragedy is particularly heart-rending because the travelling time taken for the news to reach the outside world has been full two days. That precious span of time was entirely lost as hundreds of people entrapped in landslides and bitter cold of the devouring mountains died unaided. Years of civil war has taken a toll on the country's communication and infrastructure network.

As a god-sent reminder of the untenability of the civil war situation, the tremors struck where the anti-Taliban alliance, led by deposed Afghan president Burhanuddin Rabbani has his stronghold. This means that it is Rabbani's appeal for help that must be paid heed to by the UN, Red Cross and other international relief organisations over the heads of the Taliban leaders in Kabul. It will be expected of the Taliban administration though to respond to such a humanitarian concern of its own volition.

The saving grace, however, lies in the fact that Khujja-Ghar airport, west of Rustaq, where the earthquake was centred, has remained operational. So it is there to handle relief supplies.

The end of cold war, dismemberment of Soviet Union and vacation of Soviet occupation notwithstanding, Afghanistan's geo-strategic significance has only changed skin into a regional gambit for foothold. The fundamentalist Taliban factor, feeding on intrusive neighbourly support, has proved regressive to the core defeating the purposes of reaching a democratic consensus to end the civil war. If the internecine conflicts were left to the parties concerned to solve them, these would have perhaps been a matter of the past by now. So, we say, let the UN, not any individual country try to broker national reconciliation and peace in Afghanistan.

The Bad Transfer Business

A national daily has reported that about 200 government college teachers have been staying put in Dhaka for a span of 30 to 35 years — their whole service life, so to say. How can this be? They have become part of the national elite unlike their colleagues in the interior, not only through earning pots of money from coaching etc but also making forays into such incredible businesses as truck transport or rice and wheat milling. And sending their boys and girls to the best schools and eventually abroad to prestigious universities.

The absence of a clear-cut and effective policy on transfers has been attributed to be at the root of this evil development. True. But what made the three-year rule ineffective? Corruption. Superiors in service and society and kins and peers do bear upon transfer-handling officials almost irresistibly. But *tadbir* pays with more certainty when done with cash transfer — bribe and graft, to be precise. You can tarry far beyond permitted time if you are able to spend enough. And you can get into Dhaka if you can buy it by spending more than enough.

The health service people do exactly the same. They also detest transfers — specially to outside Dhaka. When the doctors and teachers cannot but accept a *mofussil* posting, most of them reside in Dhaka with their families and sign attendance at their posts or do something very near about that.

This carrots to the corrupt and stick to those that cannot afford to beat rules or out-of-rule diktats must stop. If you cannot stop it, stop the transfers altogether and auction colleges and health complexes to the highest bidders, to be used as fiefdoms by their lords.

THE recent meltdowns in the financial markets of East and South East Asia have raised some fundamental questions about appropriate legal, ethical and management framework as well as the role of short-term foreign capital flows into the secondary market. If the controlling laws of the market have gaps and loopholes, the standard of business ethics is lax and dubious and the management and accounting practices are shady and deceitful, then no matter how large and powerful the capital market may be and how sophisticated and advanced technology the stock market may have, it is bound to collapse one day. No country can escape it.

Furthermore, if these aspects of the market are not properly taken care of, then the market collapse will recur in future too. In such a situation, the basic purpose of mobilising resources for investment through stock market will simply be defeated. I have drawn attention to these issues in a number of articles in this column before while analysing the state of the Bangladesh stock market. However, the role of short-term foreign capital inflows into the secondary market of a less developed country has not been well discussed so far. It would be worthwhile to address this question.

Foreign Capital in Secondary Markets

It would be appropriate to look at the Bangladesh stock market situation first. The pattern of the rise and fall of

The Third World recipient countries must rethink about the role of short-term capital inflows and adopt appropriate policies to protect their own vital interests.

Dhaka Stock Exchange's (DSE's) All Share Price Index (ASPI) was as follows: On June 30, 1996, the ASPI stood at 959.1, on July 31 at 1156.2 on August 31 at 1217.7, on September 30 at 1690, on October 31 at 2986.3 and on November 16 it shot up to its peak of 3627 and then it fell. The extreme rapidity of the price rise can be seen from September to November 16, 1996 (if one has any knowledge of the second derivative of elementary calculus which guides the rate of change or the first derivative of any series, one can see that the rate of second derivative was highest in October-November).

Then the ASPI fell to 3200 from November 18, 1996, and reached 2241 on December 22, 1996. It then went down further from January to April and stood at 935 on April 30, 1997, a point lower than what it was on June 30, 1996. In the next phase of decline, it went down to 823.81 on August 31, 1997. Right now it is hovering around 750 in the month of February, 1998. It can be aptly described as a meltdown.

Two points should be noted carefully. In the first place, soon after the present government came into power in June, 1996, it withdrew the lock-in period of one year on foreign capital invested in the secondary market. Without pointing any finger to anybody, one can say that perhaps they did it to further liberalise the capital market. However, this lock-in period was imposed by the pre-

vious government after the Mexican crisis of 1994 which opened the eyes of the borrowing countries. This they did in spite of some murmuring among foreign investors in Bangladesh. Bangladesh government then cited the examples of quite a few countries — particularly India. Withdrawal of this measure by the new government created an environment of a completely free flow of short-term capital in and out of the Bangladesh stock mar-

ket. It was a hefty amount for Bangladesh.

If one now examines the behaviour of such short-term foreign capital flows into the stock market of a less developed country, one finds that these capital come in when prices are tending to go up which is further accelerated by their own investments. They leave as soon as prices begin to go down. This downward trend is again accelerated by the off-loading of their own shares. It parallels

the behaviour of guerrilla warriors. They wait for an opportunity to make short-term gains and when they find it, they seize it and then they leave when the profit opportunity gets thinner or vanish. This strategy follows from the lenders'/investors' goal of short-term maximisation.

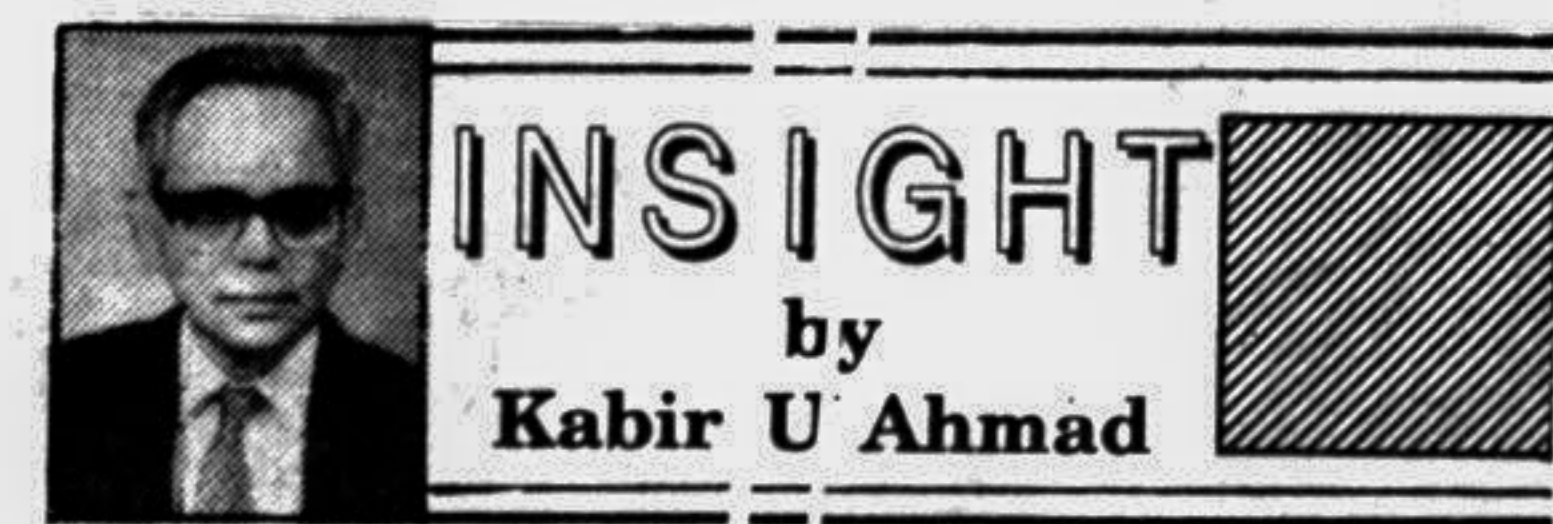
From their point of view, it is perfectly rational. But from the point of view of the recipient country, the question arises: What does it gain from this kind of behaviour of short-term, foreign capital inflows? It simply has a devastation effects on stock prices, exchange rates and the foreign exchange re-

1997. Some participants were surprised to hear such a view but some others including some officials of some participating countries of a senior vice president and chief economist of the World Bank, when he was advocating some policy measures to cure the present malaise in the Asian countries that 'complementary policies at the international level will be needed.

An Important Ally

On this view of short-term capital flows, I discover that I have an important ally in none other than Professor Joseph Stiglitz, one of the foremost economic theorists of our time, currently a senior vice president and chief economist of the World Bank, when he was advocating some policy measures to cure the present malaise in the Asian countries that 'complementary policies at the international level will be needed.

Their goal should be to permit to enjoy the benefits of international capital while avoiding the instability that it can engender. In particular, we must try to design policies that encourage stable long-term capital flows — particularly of foreign direct investment — while discouraging RAPID ROUND-TRIPS OF SHORT-TERM MONEY". He made this statement in his address to the meeting of finance ministers of ASEAN PLUS 6 with the IMF and the World Bank, held in Kuala Lumpur, Malaysia on December 1, 1997. The Third World recipient countries must rethink about the role of short-term capital inflows and adopt appropriate policies to protect their own vital interests. Otherwise they will be perpetual victims of the international financial guerrilla warriors.



INSIGHT
by
Kabir U Ahmad

ket. The second point is that during the months of August-October, 1996, when a huge kerfuffle market was playing havoc in the Motijheel area in front of the DSE office, a number of local dailies reported that some foreign investors came and invested a substantial amount of capital in the shares of some companies. The amount quoted varied from somewhere \$20 million to \$30 million. This accelerated the rising trend of DSE's ASPI.

By the end of the year, they sold their shares and left the country after withdrawing their capital. Some reports had it that they withdrew about \$120 million.

Let Nature be a Matter of Values

By Wazheedul Haque

Let laws and anti-crime efforts be so formulated and organised that whoever of the enforcement agencies finds a criminal in action, can catch him and when convicted the punishment be not easily affordable on the part of the culprit.

to the government for cash. How about the society's performance in the matter? We in Bangladesh have for at least six decades been having a culture of land-hungry people; and for that reason very strongly anti-water and anti-forest. Whatever consumable comes from the forest or concentrated vegetation belongs to whoever has his hand on it — timber and firewood, honey and fish. Eatable animals and birds must all be eaten out and uncultivated chased and ferreted out and killed. Bengal crocodiles were once renowned for sparing children and women. The present Bengal society spares neither the tree nor any member of God's great animal kingdom. It is not immoral (in social more terms) and not a sin (in religious terms) and not very specifically a crime (in state terms) to kill everything that grows or runs, creeps or flies and rid this land of that key to livability of an area and to the survival of life forms — anywhere, namely biodiversity.

The man who hawks Siberian ducks, the children who chase a civet out of the village bush and kill it with collective delight, the entrepreneur who burns trees in his brickfield kiln — not one of them knows that he is doing something wrong; police is at best a yielding nuisance, always manageable. And, would you believe it — the police has nothing to do in containing these crimes and apprehending such criminals who vandalize nature to kill all of our progeny, if not us right now.

Forest and environment minister Sajeda Chowdhury has said shortage of manpower is at the root of government's failure to prevent and stop

catching and selling and smuggling out endangered wild animals. Now we know how the hawkers dangle and sway Siberian wildlife on rush-hour Elephant Road and how operators of passenger scooters and buses give a damn to words of caution against air pollution. And industrial houses pollute both the river and the sky. We are waiting for the environmental police to nab these criminals. Is that it?

The answer to the university market shops smuggling out wildlife as rare and precious as gharial babies is easy. Catch them and unearth the networks. But that would at best be a relieving balm — the disease devastating our physical survival would continue never minding these pinpricks. To university in our land the most important job is to enter a sense of the crime into the innocent young mind still not polluted by misconceptions that run 'right'. A saturation educational and motivational campaign must be launched forthwith — with social, cultural and religious leaderships and groups doing their part of disseminating the awareness of the crime. Let the schools and colleges — why not madrasas — become fountains-heads of nature awareness and an awareness of the crimes against nature.

Let laws and anti-crime efforts be so formulated and organised that whoever of the enforcement agencies finds a criminal in action, can catch him and when convicted the punishment be not easily affordable on the part of the culprit. School children and cultural organisations can be authorised and organised to caution and register all violators of

the environment. Why is the shortage of manpower problem a perennial one? What is the harm in recruiting the needed number? Fund constraint is a foolish argument. Effective prevention of poaching in plant and animal and forest product will yield funds enough to feed double the member of those now employed by the forest and environment establishment — and still leave much for the state coffers.

Let town police, including the metropolitan ones, have a special cell to sniff out the criminals against nature with powers to spread into the interior, if necessary. But the cell must work in conjunction with non-governmental cultural and social organisations.

Social development in Bangladesh is yet to reach that modern stage when each citizen will be a custodian of the nation's wealth and its moral and civil ways. But Bengal society in history was specially reverent of the forces and things of nature. What happened to that? Perhaps a strong and lengthy dose of colonialism and a population growth gone berserk have done that in. Let nature's inviolability become a matter of our values, through unremitting activism and cultural-educational motivation.

Let town police, including the metropolitan ones, have a

Why is the shortage of manpower problem a perennial one? What is the harm in recruiting the needed number? Fund constraint is a foolish argument. Effective prevention of poaching in plant and animal and forest product will yield funds enough to feed double the member of those now employed by the forest and environment establishment — and still leave much for the state coffers.

Let town police, including the metropolitan ones, have a

OPINION Oil/Gas Exploration: One from the Heart

A Concerned Citizen

January 1972. We were a young, newly-married couple. Our hopes were skyhigh and dreams galactic, like those of our motherland. The country was reveling in its hard-earned independence. The marauding and murderous Pakistani legions had suffered through humiliation, curfews, blackout, air raid sirens, enormous death and destruction. One of us had lost three close relatives, the body of one never to be recovered. The other had watched a vulture pluck out the eyes from the corpse of a professor and a colleague, shot on that fateful night of March 25, and had stood by helplessly as Bengali women were trucked like cattle through CPB gates. But when freedom finally came, the air subsided. The 'Bloody Birth of Bangladesh' was proclaimed to the world. The opportunity was finally at hand to be the masters of our own destiny and build our 'Sonar Bangla' — a land of plenty and prosperity. Bangabandhu Sheikh Mujib returned to Dhaka from Pakistani captivity and the country exploded with unmitigated joy — even his political opponents rejoiced. We were invincible.

January 1998. Much has happened since those exhilarating and heady days of a quarter century ago. We are now a middle-aged couple struggling with jobs, growing children, and living abroad. As for Bangladesh, we watched with pain and sorrow from far, as the dream of 'Sonar Bangla' evaporated. There is plenty of blame to go around.

However, destiny has offered us another opportunity. Twenty-six years later, with democracy reestablished, the country again stands at the gates of freedom — economic freedom. No more fourth-world label! No more television pictures of naked children with bloated tummies sucking at the breasts of corpse-looking mothers! No more an 'international basketcase', or an object of late night TV jokes in the West following another coup d'etat! The people of the land of Issa Khan, Nazrul, Satyen Bose, Jasimuddin, Rabindranath, and Jibanananda Das are finally going to be free — truly free!

The beacon of this monumental optimism is a huge potential reserve of natural gas. The country, chronically short of mineral resources, has now been identified with a gift that can help transform her economic landscape, for energy is the engine that drives a modern society. The amount is not large but it is sufficient to give us a breathing space to develop the economic and industrial in-

fracture necessary on way to prosperity.

But along with riches come tricksters, new-found friends, and home-grown charlatans. We are no exception and it is imperative that the country be vigilant against these. The news reports on current exploration block bidding demonstrate the dangers. True, the country does not have the capital to develop the resource. She must rely on foreign partners and use best economic practices.

However, are the signs encouraging? Consider these news reports: (a) a fragmented bidding process instead of a comprehensive plan to exploit the resource in an integrated country-wide manner; (b) ascendancy of mysterious foreign companies with limited financial resources and little technical capabilities; (c) attempts at shotgun marriages of these favoured companies with large ones; (d) lack of consideration of environmental, social and other aspects of a massive exploration effort; (e) the disaster in Magurchara; (f) reports of gas pipes by others to pipe the gas outside the country — plans that the government does not know of, etc. The danger signs are everywhere, for example, the recent news reports of a projected \$400 million loss in the gas production from Sangu Field instead of making money. Bangladesh will incur a loss and enrich a foreign partner — what a deal!

We cannot afford such 'generosity'. Our people have waited long enough for this opportunity. No one has the right to give away their national treasure whether by design or through incompetence. Nature has endowed us with a precious gift and once again we have been handed a unique opportunity. It is for us to squander. Time is now to come together as a nation — the lowly and the mighty, politicians and pundits, no matter where we live, set aside our prejudices and greed, rationally discuss the issues amongst ourselves ignoring outside pressures, intimidation and temptations, and do what is right for our unfortunate land.

We had lost our freedom once before through deceit by foreigners and betrayal by some of the leaders. A dark period of suffering, humiliation, and indignity descended first upon Bengal and then engulfed the entire Sub-continent. It lasted over two centuries. We must be vigilant lest we tempt fate again. Not only do we owe it to those who made the supreme sacrifice for our freedom, but also to our children and grandchildren. Our History is slow but sure and cruel. Please, let us not repeat it.

To the Editor

Some questions

Sir, Are the unions/CBAs running a parallel mini-government, with the knowledge of the Government of Bangladesh? Why they should dictate the terms in day-to-day administration and in policy matters through confrontational stands and strike notices? This is not happening in any other country; and this way this country cannot be run or developed. Why the Eden Buildings is so soft on these gangs of disrupters?

The bus and truck drivers are a law unto themselves? Why

so far the follow-through of the sector accidents are not published in the press including the action taken on the drivers and owners? Why so far not a single driver has been punished publicly? The rules need to be changed?

Why the regulators cannot enforce the regulations, as is being done in the rest of the world except in Bangladesh? Where is the government / administration, and what is doing, which is visible to the public? Why the government (the act of governing) cannot enforce governance, not to speak of good governance?

Why public complaints have no effect, when it is demurely claimed that discipline and efficiency exist in the public offices? Why one has to go the Secretariat level to get things done through the back door?

Why personality and status have to be tapped to influence public service? Why letters to government and semi-autonomous corporations are not even acknowledged, not to speak of a decent reply in decent time?

Why orders are transmitted informally and unofficially from the top to violate or break

the rules (nepotism)? Why influence peddling is becoming a strong and successful profession? Why the public sermons of the politicians and the ministers do not match the performance (telephones, power, gas, law and order, crimes, corruption, traffic jams, road accidents...)?

Why the many mantras chanted by the politicians do not produce the magical effects they vision? Why do they live in the past and in the future, and not in the present?

A Zabr
Dhaka

"Was it really cricket?"

instead of the BCB taking it upon itself to enlighten her (and us, the readers) about the rules pertaining to the match played in waning light, your Sports Editor gave HS views as to what was and wasn't, cricket. You made sure that you distanced yourself from AZ's article by writing in no uncertain terms that her article represented only her views. Did the Sports Editor's article represent yours?

Recently, I read a most obnoxious personal attack on AZ in your 'letters' column. All this because she put forward her own views about a cricket match!

Is this country EVER going to be ready for a democratic dispensation when it cannot discuss even cricket in a civil manner? And that too, a match in which Bangladesh wasn't

playing!

Syed Ali Mouteen
Road 16, Block A,
Banani, Dhaka

Sir, The article under the above heading by Ms Almas Zakiuddin in your January 20 issue and side by side disclaimer and rejoinder by your learned Sports Editor has really put the doubt in our mind: WAS IT REALLY CRICKET? Ms Zakiuddin asked of the organisers to explain the events of the day to put our minds to rest. But your Sports Editor was too quick not only to disclaim any responsibility for Zakiuddin's article, he was equally quick to give a rejoinder which appears almost on behalf of the organisers! Was it?

My request to you is that — let your valued readers say their minds about what went wrong

or right that day through your esteemed daily, while we await what the organisers got to say about it keeping in mind that the Mini World Cup is just 8 months away!

AA Chaudhury
House # 8, Road # 5
Banani, Dhaka - 1213

The opinion expressed in the article was that of Ms Almas Zakiuddin's; the question of claiming/disclaiming did not arise. We only stated facts as obtained from the umpires, the match referee and the captains. Till today, the organisers have not said anything to change our view, nor is there any official demand from any quarter, including the losing side, for an official explanation. According to our current information, there is no controversy regarding the match.

— Sports Editor