

Depressing Performance

There are some failures in the economy whose negative impact remains confined within a limited area. However, there are others which drag behind the whole economy and slow down growth in general.

To put it bluntly there is an inexplicable absence of drive, overall vision and co-ordination in the energy sector. After forming the government in June '96, Awami League found itself hamstrung with an acute power shortage.

What is the picture 20 months down the line? Only two of the four contracts for barge-mounted power plants have been signed late last year. Of the 400 MW which was supposed to add to our total power output, only 200 MW will be available, and that too probably later this year instead of the last.

The main problem as we see it is lack of drive. There are two main bodies to oversee power generation: PDB for government projects and the Power Cell for private sector projects, with the ministry in overall charge.

If the government does not put its act together in the power sector we can literally say good-bye to all claims of ever reaching the 7-8 per cent growth in the near future that is necessary to make the slightest of dent in our poverty picture.

Spreading Thin on Blocs

We realise that it is important for Bangladesh to be a full member of the Indian Ocean Rim Association for Regional Cooperation (IORARC). It is only a matter of time before she becomes one; for, she has been already accepted as one of the most eligible countries for it right beside Thailand, Iran and Seychelles.

By virtue of her geographical location, population size and enlightened grasp of inter-regional and international cross-currents, she has an irresistible claim to be a member of a cooperation bloc which potentially projects an enormous degree of strategic significance to the rest of the world.

Having said that, we advise a reality check on multiple commitment to regional bodies we are getting into. We expend a lot of energy to be a member of any emerging bloc. We have got into D-8 and BISTEC or BIMSTEC.

Let's not lose our way under the stress of criss-crossing and competitive demands on our energy and time. We need paying focused attention on making the most of our present memberships such as in SAARC and BIMSTEC.

The Spring Spirit

It is Falgun — the month that, to the Bengalee psyche, announces the advent of spring. The sudden, sweet calescence that helps the extra burden of warm clothes off our bodies, the suffused opulence in the nature punched delightfully with mellifluous presence of cuckoo, the azure sky bathed with beautiful bright sunshine all chorus in the definite arrival of the season of plenty.

This time spring has a particular tinge of welcome about it for more than one reason. We experienced the coldest winter in the living memory this year. Then coincidentally, but very appropriately, dawning of a new era was marked in the Chittagong Hill Tracts.

We are far too divided, far too grooved in the beaten but dead roads and far too deeply buried in the philemot dead leaves to make a meaningful presence of spring in our life.

Why so Frequent Devaluations?

If gradual and systematic devaluations take place over a period of time as it is now, then through high prices of imported products, the prices of domestically produced outputs will also go up which makes the economy uncompetitive.

OVER the last 19 months since the present government came to power, Bangladesh Taka has been devalued (or depreciated) 12 times against the Taka-dollar rate from about Tk 40 to Tk 46.30 (the middle price of US dollar).

That means, the government has devalued the currency once in every month-and-a-half. Compared to this, the previous government devalued the currency 22 times during their five-year tenure which came to, on an average, one devaluation in every 2.7 months.

Costs of Devaluation

Everyone realises that devaluation is a double-edged sword in that it encourages exports and discourages imports. But (i) the most important point is to appreciate that although it encourages exports, all items of exports do not fetch sufficiently large amount of revenues to the exporting country, as is discussed below.

(ii) Devaluation as a stimulus to exports is not universally valid. Devaluation means price cut to the buyers and thereby larger sales, but all price cuts and larger sales do not assure larger revenue earnings for the devaluing country.

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One should note that the value-added in the RMG sector is only about 25 per cent these days. Although export earnings of RMG products will go up due to devaluation, the cost of all its inputs will go up too at a sharper rate precisely because of (a) devaluation of the currency which raises the price of a dollar or foreign currency and (b) the domestic demand for these inputs is less than unity.

To the Editor...

Truck (and administrative) over-loading

Sir, The speech of the executive president of the Sarak Paribahan Samity at a recent seminar on 'The Prevention of Truck Overloading' (DS, Feb 3).

The administration's apathy in confronting the anti-public activities of the vested groups in this truck business is to be deplored, as could be guessed from the speaker's angle.

The installation of weighing bridges at selected points on the highway routes is a sensible proposal based on universal practice. Not much public expenditure is involved if the job is assigned and contracted to the private sector under official supervision.

vehicles and drivers, over-speeding, unauthorised constructions of dangerous buildings, etc.

Such corrupt practices are not a novelty in this country only. When are we going to learn, and when are we going to act? The cushion on the guddi (seat of power) appears to be too soft! The point is that the authority is aware how to tackle the malpractices we see in daily life, but due to mysterious reasons, prompt plans are not announced, and the approved plans are subjected to a go-slow process, under the general umbrella of 'people's representation' and 'people's government'!

Routine slogan mongering can never take a country forward, nor third-class politics. We need good politics, followed by good governance. Why do we tolerate political puppet shows? We have truck overloading and bureaucratic under-loading; while the people's expectations are starved to death. What will happen if administrators behave like super-heavy trucks?

A Zabr Dhaka

What about the effects of devaluation on the import side? Without any doubt, it will increase the costs of all items of imports. The main items of imports of Bangladesh are: Major Primary Goods (rice, wheat, oilseeds, crude petroleum, and raw cotton). Major Intermediate Goods (edible oil, petroleum products, fertilizer, cement, staple fibers, yarn) and Capital Machinery.

This will have two adverse effects on the economy: upsetting of the macroeconomic stability through inflation and its related effects, and discouragement of exports. Both these will defeat the original purpose of devaluation. One may, of course, argue that since the degree of devaluation is very small, such effects will be negligible.

(ii) What about the effects of devaluation on debt repayment? Repayment of foreign debts and their interests has to be made in terms of foreign currency. Since devaluation makes foreign currency more expensive, the burden of foreign debt repayment will be costlier to Bangladesh.

den of foreign debt repayment will be costlier to Bangladesh. This will be a disincentive to borrowers of funds from abroad. Of course, the protagonists of repeated devaluations may argue that eventually all foreign debts will be forgiven by the donors and one should not worry about that, but until that happens, which may not happen in all cases in the near future, government will have to keep paying the yearly interests on debts and the portions of matured debts themselves.

(iii) Is devaluation a hidden protection for the economy? The answer is 'yes'. If gradual and systematic devaluations take place over a period of time as it is now, then through high prices of imported products, the prices of domestically produced outputs will also go up which makes the economy uncompetitive.

However, policy makers may argue that small repeated devaluations are like daily currency adjustments in a free market regime. But what they forget is that in a free market regime, currencies are adjusted both upwards and downwards automatically and hence they approximately maintain the equilibrium rates with other currencies.

Wrong Expectation Formation Frequent devaluation can give rise to the thinking among market players of all kinds that this government, or for that matter any government that practices such a policy, is going to continue with this repeated downward adjustment of currency as long as they are in power. All economic activities — buying, selling, producing, stock holding etc., are governed by expectations of future as perceived by the economic agents.

However, if such a devaluation expectation gets firmly settled in the minds of market agents, then monetary policy will not work. It will push the economy towards more devaluations with disastrous effects. One hopes that policy makers take careful note of the situation and its outcomes. Like the inflationary expectation of the 1970s in the US the back of which was broken by Paul Volcker, Chairman of the Federal Reserve, by a drastic monetary policy which brought about a major recession, one hopes that Bangladesh is not in for some such drastic policy adjustment. If this happens, a good deal of economic objectives of the government will turn out to be some empty slogans.

AZ's articles

Sir, Mrs Khan's letter about Ms Almas Zakiuddin's articles, published on 29/1/98 in the DS shows that she is a person who cannot understand a witty way of expressing views about life. I think Ms Zakiuddin's articles are a breath of fresh air in your editorial page. I find it a welcome change to the sombre page in the no doubt important paper!

Moreover, Mrs Khan while stating her dislike of Ms Zakiuddin's articles, also seems to know so much about them. How is this possible? Mrs Khan does not have to read something in detail if she does not want to do so. In fact, I would like to point out here that Ms Zakiuddin had not written about the items mentioned by Mrs Khan. I do not think the writer is passing judgement on Ms Zakiuddin pointing out what is really happening in the world around us. I agree with her outlook and I enjoy her different way of commentary on life.

Fatima Parveen, Dhanmondi, Dhaka.

Bangladesh Debate in Pakistan

It is remarkable that Nawaz Sharif chose to speak out on his return from a visit to Bangladesh. He must feel pretty confident to open a debate on an issue tightly closed for twenty-six years.

AFTER long twenty-six years the Prime Minister of Pakistan Nawaz Sharif has stated that those responsible for the events of 1971 should be punished. Thus for the first time since the blood-soaked birth of Bangladesh, a Prime Minister of Pakistan had the courage to take the lid off the events carefully concealed from the people of Pakistan.

Then East Pakistan reached its peak as manifested in the election results of 1970. Under the leadership of Bangabandhu Sheikh Mujibur Rahman, the Awami League won 167 seats out of 169 allotted to East Pakistan and an absolute majority in a Parliament of 300 members. The military regime of Gen. Yahya Khan appeared ready to call on Bangabandhu Sheikh Mujibur Rahman to become Prime Minister but quickly retraced its steps under pressure from the West Pakistan establishment comprising the military elite, the bureaucracy playing the second fiddle and the politicians led by Z A Bhutto.

On 7 March 1971, Bangabandhu, before a mammoth crowd at the Suhrawardy Uddyan declared the fight this time is for emancipation, the fight this time is for independence. Around midnight of 25 March 1971 the Pakistan armed forces launched their massive attack on the population of Dhaka to be followed by attack throughout the country. Thus began the War of Liberation.

As these events unfolded the people of West Pakistan were totally screened from the realities and were fed on lies and propaganda. Whereas the entire Bangalee nation was engaged in a life and death battle, it was presented to the West Pakistan public as the activities of a handful of miscreants misled by Indian propaganda. I was Director of Public Relations, Government of East Pakistan and made an official trip to Islamabad during the middle of the year. The propaganda was so successful that the Foreign Secretary Sultan M Khan, was incredulous when I presented the true picture to him. In the last week of November I flew to West Pakistan in order to save my daughter studying in a boarding school in Murree, for I was almost certain that a war would break out and my daughter would be stranded. At the Karachi airport, where everything looked normal whereas in Dhaka we were living in the war zone, I met a relation, a senior officer of the armed forces. When I told him that I had come to save my daughter, he commented, 'you are always talking politics'. The war broke out on 3 December 1971 and it

was a one sided affair with India having absolute dominance. I saved my daughter but was stranded in Pakistan. Indeed it became so bad that Pakistani women are reported to have sent in bangles to Yahya Khan to wear.

The emergence of Nawaz Sharif is an astonishing phenomenon in Pakistan. He swept the polls a little over a year ago. In fact he commands more than a two thirds majority and has used his electoral strength to trim the administration of the hang overs of past dictatorships. He drastically reduced the powers of the President and in a power struggle involving President Farooq Ahmad Leghari, Chief Justice of the Supreme Court, managed to get rid of both of them and establish an administration which bears the unmistakable stamp of Nawaz Sharif.

Nawaz Sharif must feel pretty confident to take on something which none of his predecessors have dared. He has thrown a challenge to the powerful military establishment.

ment. For immediately after the birth of Pakistan followed by the short-lived reign of Quaid-i-Azam Muhammad Ali Jinnah, Pakistan has been ruled, one way or another, by the military with the civilian bureaucrats in tow. What Nawaz Sharif has dared is the opening of a debate on Bangladesh, a subject taboo for 26 years.

Angry reactions from the top brass of the military has not been late in coming. Retired Chiefs of Army staff have denounced the statement of Nawaz Sharif, who has called for punishment to those responsible for the events of 1971. More adverse reactions are bound to come from quarters frozen in their cozy corners of their understanding and dissemination of events of 1971.

Nawaz Sharif can begin with Justice Hamoodur Rahman Commission report, never published. He may build on that report by inducting many witnesses still living and prepared to talk objectively. It would surely bring to light many dark corners of the pages of history barely a quarter century old. An elaborate strategy of massive cover up has gone on for far too long. Z A Bhutto took over the reins of office from the hands of Yahya Khan and immediately launched a campaign to put the entire blame on drunkard Yahya. Gen. Zia-ul-Huq was a military dictator and during his ten-year rule owed no explanation to anybody. There has been the regimes of Benazir Bhutto, who would not possibly stray from the line chalked by her late father. There has been the brief reign of Nawaz Sharif but he has been on shaky ground.

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The Horizon This Week

Arshad-uz Zaman



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Washington Post Editorial Lauds Grameen Bank

A Different Asian Bank

THESE days if you put 'bank' and 'Asia' in the same sentence you're likely to elicit a negative reaction. Bankers in Asia are under assault for having lent indefensible sums to their pals, thereby setting the stage for that region's current financial crisis.

Muhammad Yunus is a different kind of Asian banker. A Bangladeshi economist, Mr Yunus started more than 20 years ago by lending \$27 from his own pocket to several impoverished villagers. They all repaid the loans, and today Mr Yunus's cooperative Grameen Bank boasts more than 2 million borrowers, 12,000 employees and 1,000 branches serving 37,000 villages. Its operating principle hasn't changed: Grameen lends tiny sums to the poorest of the poor, motivated by a conviction that credit is as crucial to escaping poverty as food, housing, clean water and all the other more traditional development goals.

A typical Grameen loan is \$170. Borrowers, mostly women, use the funds to buy a cow, a loom at something else that will generate income and allow them to pay of their loan — which almost all do. One-third have escaped dire poverty, Mr Yunus says.

Now, having demolished the long-dominant stereotype of the poor as not creditworthy, Grameen has set its sights on the misguided view of the rural poor as inevitably isolated from the global economy. Grameen Phone has embarked

on a for-profit campaign to bring one cellular telephone to each Bangladeshi village. Bangladesh has only one telephone for every 300 people, and most of those are in the capital, so the potential for growth is clear. Mr Yunus isn't the first person, of course, to suggest that poor countries without fixed-wire telephone systems might leapfrog straight into the wireless age, and so far other champions of the theory haven't gotten far. But Mr Yunus has married that theory to Grameen's traditional reliance on the initiative of the poor. One 'telephone lady' in each village buys a phone set on credit and pays for it gradually by charging other villagers small sums for each use. Early experience has shown a sizable demand — to communicate with relative working overseas, to announce family weddings, to check whether a strike in town has ended before bringing produce to market.

The practice of microcredit has now spread to dozens of other countries, including the United States. It has been championed by Hillary Clinton, the US Agency for International Development and the World Bank, among others. Some of its backers now argue with evangelical zeal, calling microcredit the single or chief answer to world poverty. Mr Yunus makes no such claim, calling it simply one essential tool. Similarly, he does not oppose the Western bailout of now-ailing Asian banks. But he points to their secrecy, cronyism and bias toward bigness as elements of the recipe that brought Asia such troubles. Making credit more democratic is one antidote.

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OPINION

US Muscle-flexing and Iraq

The US is at present engaged in building up a massive military clout to force Saddam Hussein to buckle under the contemplated mighty force of arms that would be unleashed if Iraq is adamant in its refusal to comply with the Security Council resolutions regarding arms inspections within its territory. The ultimate outcome of the on-going negotiations being carried on by Russia and other quarters in their efforts to bring about a diplomatic solution of the arms inspections issue is yet far from clear.

Some observers, however, wonder why the US so keen on the issue of destruction of weapons of annihilation of chemical, biological and nuclear verities alleged to be held by Iraq, when it is common knowledge that such terrible weapons are also held by other powers. Iraq's fault was that it committed an aggression in Kuwait in 1991, and being defeated thereat was forced to pay prescribed reparations therefor including its undertaking to destroy all weapons of mass destruction to be supervised by a UN commission.

Economic sanctions were also imposed on Iraq at the same time while the UN Commission took up work of inspection of the destruction of the Iraq weapons. Such inspection work has not been completed during the last seven years,

AS M Nurunnabi

while Iraq suffered terribly under the painful burden of the economic sanctions. When Iraq reached the end of its there, under the economic sanctions, it became defiant and threw the inspectors out of the country, specifying a definite deadline for the UN Commission to complete its inspection work. This straitjacket timeframe insisted on by Iraq was not acceptable to the US. And hence the US military build-up in the Persian Gulf as a muscle-flexing exercise to force Iraq to allow UN team's inspection by access to all suspected arms sites.

Now the all-important question seems to be whether the UN is allowed to play a strictly impartial role in its dealings with any delinquent state. True, Iraq's defiance of UN's resolutions constitutes one example of breach of world opinion. But what about Israel? If committed scores of such breaches but the US seems to have a soft corner for Israel which leads to look upon Israel's intransigence with a degree of indulgence. If that would not have been the case, the Israel-Palestinian situation would not have reached the present stalemate.

It appears to be pertinent to recall that North Korea was also guilty of aggression against South Korea in the fifties. But no punitive action on the scale

now suffered by Iraq could arise at that time against North Korea. The cruel irony of fate was that when North Korea, the previous aggressor, suffered famine during the last two years and there were reports of large-scale death from starvation on account of the famine, the UN Food Agency, the US, Japan, South Korea — all pitched in to help the country with massive amounts of food aid.

As against this, look at the picture which prevailed in Iraq after the UN economic sanctions. Hundreds of children died in Iraq for want of medicine and Iraqis went half-starved. But there has been no humanitarian aid for the people of Iraq in such circumstances.

Thus in one case, we find an erstwhile aggressor getting all sympathy and humanitarian aid for relief of its distress, on the other hand, in the case of Iraq, the humanitarian side is completely lost sight of and that country, on the contrary, is being threatened with massive retaliation only because it refused to take, lying down, the ploy of a protracted arms inspection, risking the throes of economic distress on the score of imposed economic sanctions. So the Iraqi people face the threatened massive bombings or undergo economic calamity under imposed sanctions!