

Ensure Safety

With just a couple of days to go before Eid-ul-Azha, commerce around sacrificial animals — a principal feature of this particular festival — has gathered heat. So has the accompanying evils. Even in a market that is far from brisk, incidents of cattle hijacking have been reported. Armed goons reportedly marched cattle bound for one market or *haat* off to another. If this is rather novel as crime pattern there is a steady diet of the usual — extortion by organised criminals at the markets.

In the context of country's law and order trend, these were things more on cards than accidents off the map. People, for whom criminality is a way of life, will always thrive in situations sparking off great commercial buzz around festivals. Challenge of a civil society lies in its ability to keep these people at bay to make sure life rolls on uninterrupted.

Even though stakes are high in animal markets, it is a relatively easy job for the authorities to prevent trouble around them. Unlike many other areas where deploying law enforcing personnel is not always an instant remedy, this is one area where the government can simply do wonder if it puts sufficient men in uniform in certain parts of the city. Strict vigilance should be there at all the entry points of the city as well as the markets. Police patrol should be of some help too.

All this should be routine work for the authorities. With little bit of planning and seriousness to enforce the safety measures strictly, there is no reason why the government should not be able to provide the desired safety to the buyers and sellers.

We urge the government to step on the gas immediately. With Eid nearing every hour and the buying spree of animals gaining in momentum, one can only see an inevitable rise in criminal activity around the animal trafficking and markets. Both sellers and buyers will be the target of the criminals. Only effective vigilance by the law enforcers can minimise the danger. We want the government to provide that without fail.

For Banning CBA

CBA activities in the commercial banks are currently under the lid. Thanks to the recommendations of the Task Force instituted by the government to probe into the negative impact of trade unionism on financial institutions. It has been quite some time since the report has been submitted to the government. Soon it will be known whether this ban which has come to be recognised by sentient quarters for long as the only way to arrest the decline in the public sector has come to stay. To the best of our knowledge the report is now awaiting Prime Minister's nod before making its way to the Parliament for a possible transformation into a law.

As a paper The Daily Star has always lent strong support to the idea of banning CBA activities in the nationalised commercial banks (NCBs). We would like to reiterate our stance once again exhorting both the ruling and the opposition parties to address the issue from a nonpartisan view.

We want the government to ban CBA not from any inherent bias or prejudice against it but due to its sheer failure to live up to the expectations associated with its creative principle. CBAs are there to ensure the rights of the employees. Unfortunately CBAs in Bangladesh have become pockets of vested interest. They have very little to do with the interest of the labours. Quite a few improbable rags to riches tales of our times owe their genesis to the deviating talent of the so-called CBA leaders. What needs to be reckoned here is the eminently corrupt culture of inefficiency and its protection which CBA activism has given rise over the years. Systems loss and many other invisible holes have led to the draining of an unconscionable amount of national resources.

Political patronage has only made matters worse. Both the government and the opposition have so far shied from rubbing CBAs wrong way for petty political interest. We sincerely hope Sheikh Hasina's government would muster that elusive political will to put a cap on a tradition that has definitely gone awry.

May He Come Round

Professor Abdur Razzaque has been hospitalised with serious cardiac complications. A medical board has been formed for his treatment at a local heart centre.

To say that Mr Razzaque is a National Professor and for long is to say nothing. It devolves upon the government to guarantee the best of medical care to him. Without meaning any reservation with the present arrangements, we suggest that if need be he should be removed to heart institutions of world renown — some of which are very close to Bangladesh. Why? Unknown to the general masses of our literate population, he is one who is a scholar unto scholars. He is a national treasure we would not to give up without a fight. And government must not let us down.

At least about two generations have benefitted from Professor Razzaque's ideas of history and society. And a living legend, his deep searching approaches to the becoming of the Bengal society down the ages, his incisive iconoclastic logic and a very effective kind of dialectic have reached albeit in bits and parts the present generation. Ahmed Safa's exertions to catch in print the Razzaquian flashes has been a great help in this.

Razzaque beats Wittgenstein in one respect. That engineer turned philosopher nonpareil at least wrote one tome — *Tractatus Logico-philosophicus*, if only to denounce it over the rest of his life. A posthumous anthology of his thoughts *The Philosophical Investigations* was a clandestine of notes taken down during his class lectures in Cambridge. Razzaque has written even less. And we are not sure if anyone has taken down anything when he held forth among his intellectual admirers.

We earnestly hope he would come round. And burst into his famous laugh followed by quips as only could come from him. Still, it is in order to enquire if care has been taken to record his ideas in his own voice as well as the man himself — adroitly. However difficult it may prove, an attempt must be made to write an intellectual biography of Professor Razzaque, with or without his collaboration.

Problematics of Asian Miracle

The rural poor who have not uniformly benefited from the economic expansion of the Asian miracle. And it is where the policy makers must focus their energies and resources now to sustain the miracle already achieved.

SINCE the nineteenth century, the world economy's centre of gravity has been steadily shifting westward from Europe to North America and now to Asia-Pacific. During the latter half of this century the region has taken several big strides forward in terms of economic growth. The region's industrial boom and macro-economic stability came to be famed as Asia's economic miracle. The leaders in that region guided their countries through rapid growth particularly over the last two decades — privatising state assets, attracting foreign investment, increasing savings and strengthening exports. Yet the emerging economic tigers witnessed a distressing spectacle of plunging currencies and stock prices leading them to scepticism if what they achieved were really miracle — or myth! The crisis has already forced Thailand as well as South Korea and Indonesia, three of the miracles' bright stars to seek multi-billion-dollar bailout from International Monetary Fund (IMF). Even Japan, for long in the vanguard of Asian economic growth also has experienced some shock.

A number of explanations have already been advanced from various quarters as regard recent financial debacle in East and Southeast Asia. Some called it globalisation taken too far while others insist that Asian miracles are still there but only the easy part of it — economic transformation — has so far been accomplished. But its total success is contingent upon a package and the miracles' leaders must now take on the difficult second generation of challenges of which the present troubles are only symptomatic. Addressing the second generation challenges is primarily a political problem. These new challenges are mainly those of the large excluded sector of the region: the rural poor who have not uniformly benefited from the economic expansion of the Asian miracle. And it is where the policy makers must focus their energies and resources now to sustain the miracle already achieved. Bringing the rural slum where most Asian miracles are to the mainstream of economic boom would indeed determine whether what happened to Asia-Pacific countries was indeed a miracle and not a mirage. After all, the economic power engine — no matter how robust it is — cannot possibly pull the huge mass of rural poverty as evident in Asia barring only a few countries.

It has been argued that Asia need only to continue certain level of economic development for the problems of poverty to go away. In this regard, East Asian countries like Japan, Taiwan and South Korea are put up as models because they were able to achieve a measure of social equity. The argument seems unrealistic since the volume of the problems in South East Asia, South Asia and China is qualitatively different from what was encountered in East Asia. The reason is bigger, faster growing populations, lower level of education and healthcare and poorly distributed agricultural land and faces an international atmosphere that encourages an export-oriented development at the expense of domestic demand. Other economies also have the problem of imbalance.

For example, Thailand's growth and investment is heavily concentrated in Bangkok area. China's in the coastal provinces. In such a milieu, the question is not whether the present growth trajectory can continue, but what even if they continue? Obviously nothing much can be achieved in alleviating poverty in rural Asia though the experts claim that with the continuity of economic growth the number of poor will definitely decline. But it is important to keep in view the ever growing population in Asia and hence the absolute number of its poor will continue to rise. Moreover, while reducing the proportion of population below the poverty line is certainly important but it is hardly an adequate measure of social progress and economic inclusion. According to some experts, the issues of poverty have to wait until the economy's take-off is assured. But that will not widen up social and political inclusiveness, a pre-requisite for the sustenance of the miracle.

The precious little democracy that does exist in Asia and could ensure some equitable distribution of the benefit of Asian growth has become highly partisan as different interest groups and varying political views are being brought into increasing confrontation. The wily politicians mobilise support along ever narrower lines of political identity. Class differences are also at play with the excluded masses finding themselves pitted against middle and upper classes in a competition for scarce resources. Such politics inevitably slows down the growth and the besieged elite move to further consolidate their

control over power and resources at the expense of the rest. Thus a democratic option for sustaining the miracle is indeed threatened.

The human cost of economic growth has been rather great in Asia. Since 1975, as expected, the share of agriculture in GDP has declined and the share of industry risen. But contrary to expectations the share from services has risen even more rapidly. The trend would not be alarming if the proportion of the labour force involved in each of the enterprises followed these growth pattern. Today, in fact, 60 per cent labour force remains in agriculture while only 10 per cent is employed in manufacturing. The service sectors claim another 25 per cent of the work force which is predominantly composed of women and children with low education, pay and job security.

It is clear, that Asia's substantial economic gains have been squeezed from minimal structural change. There is a need now to invest in the human resources and infrastructure required for improvement in productivity across the entire economy, particularly in the agriculture and services sector that employ 85 per cent of the work force. The experience of Japan, Korea and Taiwan suggests that increased agricultural productivity and consumption lay the foundation for a successful industrial growth strategy.

Corruption is a serious and growing problem throughout Asia. The low transparency and extreme centralisation have created an environment where corruption can thrive. With liberalisation and diversification the opportunities for corruption have grown. Today, it is mainly tied to the movements of large amount of investment fund, the allocation of land and facilities and the assurance of labour stability. In China, Vietnam, India, Indonesia, Japan and Korea — public suspicion about the large fortunes amassed by powerful politicians and high-ranking bureaucrats has tested the stability of the regimes, the credibility of reform programmes and the patience of foreign investors. In Asia those with political power are those who own the banks, real estate development firms, and mining operations.

For example, many of Indonesia's largest banks are owned by the relatives of Suharto and in South Korea, the economy has long been anchored by large, secretive family-run business. To enhance competition and reduce corruption the upper echelon of Asia's elite are to be challenged — a task truly difficult. But as long as the economic and political steps are so discordant with each other, there will be little opportunity for Asia's poor to have a taste of miracle.

The environmental degradation also has put the sustainability of Asia's economic transformation at risks — in term of economic costs, human health and continued access to the basic resources required for development. The undermining of environmental requisites of urban industrial development can be seen in the cities and surroundings across the vast expanse of Asia. It is not just urban areas that are suffering from such degradation. Also the rural environments are torn between popular demand for more agricultural land and a variety of commercial pressures. Many of the forest fires in Indonesia are the result of the burning of virgin forest to develop export-oriented palm oil plantations. And in India, Bangladesh, Vietnam and Thailand, the mangrove forests are rapidly destroyed to develop commercial shrimp exports.

Now in the western world, just the mention of Asia conjures up images of skyrocketing growth, abundant wealth and little poverty. Perhaps, that Asia will not be altogether a fantasy after further reforms in the region's political behaviour, reduction, if not elimination of corruption, widening up of political and social inclusiveness and assumption of greater environmental responsibility. It must be recognised that while growth matters, what matters even more is the type of growth. Purely economic growth may generate jobs but it does not necessarily generate political will to improve access to education, health and social services all of which will ultimately sustain growth. While Asia's leaders trumpet their economies' high GDP growth, what is often not emphasised is that in many instances these rates are substantially higher than the growth in literacy. And it is arguably the latter that is more accurate indicator of overall, sustainable development at national level. The Asian countries aspiring for miracle to sustain must choose between national growth and simply economic growth. And the future for national growth which is sustainable and fair lies with Asian poor becoming its beneficiary.



PERSPECTIVES

by Brig (Rtd) M Abdul Hafiz

Economists' Round-table on Reform and Adjustment

The question whether the reform package should be homegrown or donor-driven is an important one. There is no doubt that it should be homegrown but if the political system and the administration are incapable of agreeing on an agenda, should the country remain in the doldrums?

THE closing session of the international conference held in Dhaka last week (March 30-April 1, 1998) on 'Adjustment and Beyond: The Reform Experience in South Asia' jointly organised by Bangladesh Economic Association and International Economic Association was a round-table participated mostly by foreign economists with the lone exception of Professor Rehman Sobhan from Bangladesh. It was chaired by Professor Nurul Islam. Although the title of the session was 'Beyond Adjustment—Emerging Development Issues', it was largely a free flowing discussion on the origin, nature and justifiability of reform and the role of agencies, especially the World Bank and the IMF.

It was interesting to hear divergent views from these economists on reforms and adjustments which are now the buzzwords both in the trouble-ridden rich and poor countries as well as in the holy cathedrals of development economics located in the 18th Street of Washington D.C. The purpose of this short article, however, is to deal with two issues which seem to be central to most of the discussions in the conference: (i) The conflict arising from the vicious circle of aid and reform, and (ii) the break down of the behavioural postulates of economic analysis as is evident in Bangladesh and many other Third World countries.

Some Selected Views of the Participants

There were four categories of participants in the round-table: the first group consisted of Amiya Bagchi, a mathematical-economist-turned-economic historian, who spent his teaching career in the Presidency College, Calcutta, and Meghnad Desai, student of Nobel Laureate Lawrence Kilen and a distinguished econometrician himself teaching at the London School of Economics, who stood at diametrically opposite poles, as it were, on the reform issue (incidentally, they also sat on the extreme left and right sides of the Chairman of the session). While Amiya Bagchi was highly critical of India's semi-feudal character of the economy, signing of the WTO Charter by these semi-feudal leaders which, according to him, was a surrender to the property rights of the western investors as against the rights of local property owners and workers, annual transfer of \$8 billion to the outside world and yet India's aid seeking to meet the budgetary resource gap and globalisation, teaching at the University College, London, and the University of California at Los Angeles; and John Toye, another liberal development economist at the University of Sussex. They raised some technical issues of trade, capital flows, industrial structure and competition etc., which were illuminating. Some of them pointed out that 'Beyond Adjustment' was not the right title of the session since adjustment wasn't completed yet. The third group comprised of Mr Mahubul Haq, a well-known Pakistani development economist and an architect of economic policies of late 1950s and 1960s, and Mr Rehman Sobhan, an ardent exponent of the 'disparity' issue of the then East Pakistan, a campaigner for independence of Bangladesh in 1971 and one of the principal architects of economic policies of 1972-75 period, who needs no introduction to Bangladeshi readers. Both of them, are Cambridge products and clearly demonstrate the strong 'Oxbridge Tradition' of Cambridge (articulate and persuasive) in their presentations.

However, remembering the painful history of the birth of this country and seeing the two together, one got the strange feeling that the lion and the lamb were sitting side by side. Waking up to the current issues of the conference, one noticed that while the former had a quiet and persuasive style of presenting his views on the need for human resource development, the need for basic reforms and tax-induced corruption in some European countries in dealing with the Third World countries etc., the latter made a forceful presentation of his views on the failure of the World Bank's model of reform and adjustment. According to him, the World Bank's reform package in Bangladesh was an orphan, as it needs no introduction to anybody. His solution to the problems of Bangladesh was to develop a home-grown model of reform and adjustment. This issue is further discussed below.

Finally, the fourth group consisted of only John Williamson, an economic theorist turned an expert on international economics and finance over the years, represented the World Bank in the conference. He was almost put on the dock, but he didn't try to answer the questions raised by the previous speakers. Instead, he concentrated on some technical issues which were extremely illuminating.

The Vicious Circle of Aid and Reform

It is common knowledge that the Third World countries which were in the grip of feudal and semi-feudal class of people need some basic reforms like the redistribution of land and commercial and labour laws etc., before launching major development efforts for optimal use of domestic resources to ensure efficiency, rapid economic growth and poverty alleviation. Such a step certainly hurts various privileged groups in the society. The leaders of the society who represent the vested interests have incentives to avoid such reforms. They would much rather impose an alien industrial culture on the existing feudal and semi-feudal socio-economic

structure and try to develop industries within high tariff wall accompanied by suitable monetary and fiscal measures than go through the pains of structural reforms.

To them, their private and group interest are more important than the social interests of faster growth and poverty alleviation. This they could achieve only if foreign aids and loans could be obtained. But it is also well known that the flows of aids and loans postpone the vitally needed reforms. Over time, inefficiency is built in, income distribution of the society gets worse and poverty is accelerated in the society. More aids and loans are necessary to keep the system going and to postpone the reforms. Increasing amounts of aids and loans lead to greater degree of economic inefficiency, corruption and greater external burden. Eventually, no country can get out of this vicious circle without implementing a set of drastic reforms.

When Bangladesh became independent, no basic reform either in land tenure or in industrial structure was introduced. On the contrary, the entire agricultural sector was exempted from any tax and the nationalised industrial sector was protected by tariff, monetary, fiscal and regulatory policies. All round inefficiencies were built in in all sectors of the economy. What is worse, high tariff wall creates industrial inefficiency and gives rise to anti-export bias with its appalling consequences on foreign trade and external burden. This was unconsciously built in in the trade and industrial sectors of the economy. The economic policies of the time was a failure. Nor did the later regimes do anything very drastic until in the early 1990s when some tariff cuts have been introduced largely under the donor initiative. There is still a huge carry over of the consequences of the past mistaken policies in the form of an annual loss of Tk. 3 billion in the State Owned Enterprises, about 30 per cent of over-staffing in government administration, huge loan defaults in the banking system, extreme poverty in the rural areas and a vast scale of inefficiency in government administration. There cannot be two words about the need for drastic reform any more.

However, the question whether the reform package should be homegrown or donor-driven is an important one. There is no doubt that it should be homegrown but if the political system and the administration are incapable of agreeing on an agenda, should the country remain in the doldrums? Should the country remain in the doldrums? Should the built-in inefficiencies be allowed to continue? Should the national hemorrhage



INSIGHT

by Kabir U Ahmad

continue? The history of economic planning and policies of the country have not given a satisfactory indication that only homegrown package will be optimal. It hasn't been so far. There is a need for fruitful discussions with outsiders, donors or otherwise, to persuade the politicians about the urgency of reform and its implementations. However, implementation of a carefully structured reform programme, for opening the economy will lead to the slow erosion of the built-in resistances to reforms and create opportunities for development in many new fields.

Breakdown of the Behavioural Postulates

Corruption is essentially a violation of the norms of behaviour. This is encouraged by factors operating both inside and outside the country. If foreigners or donors or their agents come to bribe the politicians and government officials to get a lucrative contract, corruption is then imported from outside. There is considerable evidence of such corrupt behaviour through collusion between the donors' agents and the local politicians and bureaucrats. Who doesn't know about Marcos and Mobutu and others who have transferred billions of dollars from their own countries? Is Bangladesh immune from that? However, some European governments' practice of making bribes to the Third World countries tax deductible is simply disgraceful. This must be taken up in the world forum.

However, the more critical problem of official corruption is at home. It originates from the breakdown of the norms of individual behaviour in that people violate the law of the land and the tenets of universally accepted morality for promoting their private interests. Country's interests are ignored for the sake of private interests. The country is liable to pay the amount in one form or another what the individuals get as 'kickbacks' or a 10 per cent - 20 per cent of the value of the contract. Who hasn't heard about the role of Mr. 20 per cent in another country? The critical problem in Bangladesh is that if the law doesn't work, terrorists go unpunished, illegal activities are tolerated, and illegal toll collectors and hoodlums are maintained by powerful people, how can proper economic incentives work on the factory floor and in office premises? Obviously, they do not. Such a widespread corrupt society becomes a criminal society. All optimality analyses of economic activities implicitly assume that individuals in the market will follow the rules of law and morality. But if they do not then the optimal calculation of equilibrium, resource efficiency, social benefits and costs, economic growth etc., do not hold. People's response pattern will be different.

Therefore, plans and policies, based on such assumptions, will not work. How does one go about in controlling corruption or criminality in such a society? The solution lies in tightening the laws and firmly implementing them irrespective of who commits the crime. It needs a bold political leadership with strong popular backing. This doesn't seem to exist in many Asian countries now. As a result, the criminalisation process of politics and the use of power at every level of the society seems to be proceeding at an uninterrupted pace. There is only one country in Asia, Singapore, that is not only free from this disease but also is placed on a fast growth path. It is high time that the attention of the development economists is directed to this small but most successful country of this century.

OPINION

Trade Policy and Deficits with India

Munir Quaddus

I want to commend a Bangladesh News Group on the Net for publishing Hossain and Rashid's research on the issue of Bangladesh's large trade deficits with India (February 1998). This is a political 'hot button' issue with a lot of emotions on both sides of the debate. Hossain and Rashid's paper dispels a some of myths and misconceptions by cutting through extraneous opinions to reveal the heart of the matter, which is fundamentally one of economic policy.

I hope more experts write on policy issues in a manner understandable to the general public. His findings include: the trade deficit with India, contrary to popular opinion, is not an economic fact of global open markets and free trade policy. The argument that India is a more efficient producer than Bangladesh and if we want to take advantage of free trade, we must accept these deficits, is incorrect. The politicians, mostly because of a lack of understanding of basic economic principles, have suggested that this is just a fact of life and should be accepted by Bangladesh.

Hossain and Rashid show that all such an imbalance does not always exist and in fact can be traced rather precisely to the deep devaluations in the Indian rupees in the early 1990s, b) according to various measures, India as a producer is not superior to Bangladesh in the products that have flooded the Bangladesh markets, c) both countries have fairly similar comparative advantage (supply conditions) and income and

taste patterns (demand conditions), and finally, d) the situation can and perhaps should be reversed since the advantage for the India goods is artificially created by the Indian government by deep cuts in the value of its currency.

In economics literature, the strategy of devaluing one's currency is well recognised as belonging to the genre of policies known as beggar-thy-neighbour policies. These policies are so named because the attempt is to divert demand from foreign goods to one's own goods and in the process to take away income and jobs from one's trading partners. Such policies do not increase total demand or create net incomes or jobs which is the objective of free trade. Rather the depreciation shifts demand from foreign goods towards domestic goods, causing income and employment abroad to decline. India has thus successfully exported unemployment to Bangladesh and its other trading partners in order to create domestic employment.

The adverse impact of such welfare-reducing policies on Bangladesh can be neutralised by offsetting competitive devaluation and other policies. Besides the problems pointed out by the authors, the other danger is that this may cause a chain reaction of devaluations which would negatively impact all trading partners.

As is evident from the case of Bangladesh, with any economic policy there are always winners and losers. If the Taka is devalued, it helps the exporters and those producing goods that

compete with imports (cosmetics and textiles, saris) but it hurts those who are trying to import capital goods from abroad to set up industries. However, this is not to say that policy alternatives are absent.

The policy makers in Bangladesh, instead of burying their heads in the sand and making misleading statements, should wake up and act before further damage is done to many fledgling industries in the country.

Several sectors have already been gutted in Bangladesh because of this hostile economic strategy on the part of India. The negative impact is only partially measured in the legal trade. Vast amounts smuggled into the country cannot be properly measured and in addition cause serious harm to the national exchequer from loss of custom duties. It is urgent that steps be taken to stop this hemorrhaging of the domestic earnings.

Unless Bangladeshi politicians feel largely subservient to our big neighbour, they should take steps to improve our trade imbalance with India. Among policy moves to create a level playing field they should consider the following policies either alone or in some combination: a) a competitive devaluation of the Taka against the Indian Rupee, b) plug the borders to stop smuggling, and c) actively seek reductions in tariffs and other barriers on Bangladeshi exports to India.

The writer is a Professor of Economics at the University of Southern Indiana, USA.

To the Editor...

Third umpire for LBW!

Sir, During the late seventies the Tests and ODIs had to be introduced after most of the Test-playing nations revolted against the age long impartial host-umpiring! Since then, both Test and one-day international matches are conducted by neutral umpires. To add more support to neutral umpiring, television replay with the help of a third umpire has been introduced to scrutinise run-out stumping, boundary and over

Bait-ul-Mukarram, Bangabandhu Avenue, Govt New Market and many other places are once again flooded with hundreds of calendars of different public sector corporations, autonomous bodies and banks and those are being sold openly at exorbitant costs. This year the price of Government of the People's Republic of Bangladesh's calendars of wall and desk use has also shot up.

Calendar 1998

Sir, As usual, like several past years, the foot-paths at

OH Kabir

6, Hare Street, Dhaka-1203