

Industrial Policy 1999 More Visionary than Pragmatic

by ABMS Zahur

With major political parties fighting hard for capturing power, with shrinkage in the availability of foreign aid in future, and on the face of ever increasing challenge of a free market economy in the twenty-first century, rapid industrial development for a resource-poor country like Bangladesh is indeed an extremely difficult task for any government.

WE have a new industrial policy now (Industrial Policy 1999) replacing (a few months back) industrial policy 1991. The policy appears to be different from the past industrial policies in the following respects:

(a) the policy indicates the vision of the government for a decade;

(b) the government forecast a target for raising the contribution of manufacturing from 11.08 per cent (1996/97) to at least 25 per cent of the GDP and industrial workers to constitute at least 20 per cent of workforce (from the present 7.4%) by 2010;

(c) manufacturing large, medium and service industries have been defined;

(d) five annexures have been added to the main text to include the list of service industries, reserve industries, thrust sector industries, tax holiday period by location and area, identification for concessionary duty on imported capital machinery;

(e) proposition for establishing a council of private enterprises headed by the prime minister for providing prompt advice relating to trade and industry; and

(f) inclusion of a new chapter entitled "Industrial technology to emphasise the need for technological development in the industrial field".

Due to the unfortunate and shameful event in 1975 and ascending of bureaucratic power due to long military rule the country could never tread the path of balanced development and as such we see a trend towards lop-sided development. However, in the present state of political unrest it may not be realistic to set an ambitious goal for Bangladesh's industrial development. And apart from this we have also to overcome the following constraints:

- lack of adequate investible surplus;
- lack of strong entrepreneurial class;
- lack of adequate infrastructure facilities;
- lack of capacity of seaports and airports;
- delay in obtaining/acquiring industrial plots;
- too much pressure of smuggled goods on local producers. Even some multi-national firms fail to compete in Bangladesh due to smuggling of cheap foreign products;
- small size of the domestic market due to low purchasing

power of the population:

- weak technological base;
- lack of managerial expertise and efficiency;
- lack of availability of adequate skilled manpower.

In the fifth five-year plan (1997/2002) government states that even the existing industrial units gradually lost operational viability due to lack of investment in balancing and modernisation as well as loss of protective domestic markets due to liberalisation of the trade regime. A pace which did not permit necessary adjustments and reallocations. Industrial units awaiting privatisation also have landed in the same situation with uncertainty and apprehension about job losses have besieged both the management and the labour equally as a result of which they have lost interest in running these units. On the contrary, in the context of conscious policy decisions to allow progressive erosion of the public sector's role in the country's industrialisation efforts, a standstill position has been reached with respect to any significant investment by the public sector in the establishment of any new production capacity (p 290, FFYP). It further adds that the crucial and logical transformation of the Bangladesh economy that is needed for an accelerated pace of industrialisation is yet to take place and to bring about a visible improvement in the quality of life of the people, the pivotal role that the manufacturing sector has to play in the desired transformation of the economy still remains to be displayed. Thus the industrial scenario is far from satisfactory in Bangladesh.

Among the prime objectives of the policy the following appear to deserve special attention:

- accelerating the level of industrial investment to broaden the production base;
- private sector to lead the growth of industrial production and government to act as facilitator;
- attraction of foreign direct investment;
- allowing public undertaking only in such areas as considered essential to facilitate growth;
- enhancing operational efficiency of all remaining enterprises through appropriate management restructuring and pursuit of market-oriented policies;
- diversifying export manufactures;
- developing indigenous technology and expanding production based on domestic raw materials;
- rehabilitation of deserving sick industries;
- Among the broad strategies the following appear to be noticeable:
 - non-discrimination between domestic and foreign investment and promotion of regional and sub-regional cooperation;
 - development of infrastructure and human resource;
 - intensive industrial zones development with a balanced geographical dispersal of the zones in areas where potential for the utilisation of local resources is better;
 - tariff rationalisation and appropriate fiscal measures to attract industrial investment;
 - encouraging growth of value adding linkage industries including sub-contracting industries;
 - seeking foreign direct investment for technology transfer, skill development and promotion of management and marketing know-how;
 - long-term credit to assist commercial production of innovative industrial products and establishing venture capital fund;
 - expansion of regional and sub-regional cooperation.

Private sector will be the prime mover of future industrial development. The government will establish effective co-ordination amongst the agencies

concerned through structural and operational reforms. Private sector will be allowed to set up export processing zones and develop industrial parks.

In regard to fiscal and financial incentives the most attractive measure appears to be assistance to the industrial entrepreneurs in underdeveloped area. Other measures worth mentioning are industrial fund in the Bangladesh Bank, country fund, creation of venture capital and rationalisation of the rate of stamp duty on mortgage of immovable property in the banking system.

As one of the most important instruments of industrialisation in Bangladesh, why Bangladesh Small and Cottage Industries Corporation (BSCIC) should give preference to foreign investors over the domestic investors is not clear. If exploitation of cheap labour is the sole consideration for industrialisation to reduce unemployment such step may, perhaps, be defended. It may, however, be pointed out that in our over-zealousness to attract foreign investment we shall not undertake any measure which dampens spirit and enthusiasm of domestic investors. It may further be added that non-resident Bangladeshis may similarly be treated as the foreign investors.

The export-oriented industries and the export-linkage industries should be defined clearly. In future the export-linkage industries will play a vital role in broadening the base of manufactured exports.

The effectiveness of BOI is fully dependent on the success of the government to cope with the increasing demand of electricity, gas, water, telecommunication and sewerage facilities. With our unpleasant experience during the last few years it is difficult to accept that the existing problems of electricity, gas, water, telecommunication and sewerage may be solved soon.

Though the speed of customs clearance has improved the progress of environmental clearance is not satisfactory.

In chapter XIV some hints have been given on the need for technological progress. We, however, need a clear technology plan. It is time that we save our Bangladeshi investors from the harmful influence of indentors. As for chapter XV it may be pointed out that national productivity organisation (NPO) is not a new setup. It was established in 1989. It needs greater attention to be able to play its appropriate role. From chapter XVI (implementation, monitoring and review) it appears that the government is not clear about implementation of the policy. The need for an Investment Protection Act, amendment of BOI Act (1989), Foreign Investment, Promotion and Protection Act (1980), Arbitration Act (1940) Trade Mark Act (1940), and Patents and Design Act (1911) is urgent. Necessary steps may start rightaway.

Industrialisation is a complex, arduous and time-consuming process. Bangladesh has not yet been able to obtain desired results from any of its past policies because of failure at implementation stage. Though IP 1999 is a product of three years' deliberations one is surprised to find out difference of approach between the planning commission and the ministry of industries. While the FFYP admits that to raise the manufacturer's share from the present 9.28 per cent level to 12.70 per cent of GDP by the terminal year of the fifth plan obviously is a challenging task, the ministry of industries appears to be roaming in some outlandish dream. It is certainly difficult to accept that we should be able to overcome 'the difficulties' within a few years. With major political parties fighting hard for capturing power, with shrinkage in the availability of foreign aid in future, and on the face of ever increasing challenge of a free market economy in the twenty-first century, rapid industrial development for a resource-poor country like Bangladesh is indeed an extremely difficult task for any government. Thus industrial policy 1999 appears to be more unrealistic and visionary than pragmatic.

The writer is a retired Joint Secretary.

A Giant Step for the West, a Small One for the Rest

After decades of indifference and foot-dragging, the wealthy West has made a gesture that will bring some sorely-needed relief to debt-ridden developing nations. But this, argues a Gemini correspondent, will not help poor countries sleep any easier — the weighty problem of commercial debt remains unresolved.

Cameron Duodu writes from London

MORE than 35 developing nations will benefit from President Bill Clinton's recent proposal to solve them of the billions of dollars owed to the United States. While it is a helpful gesture, experts say much more needs to be done before the poor nations are relieved of all the debts that burden them.

The Washington Post newspaper said that the debt relief programmes will not wipe out the many billions owed by the Third World. "Even after the current relief programmes and earlier ones run to completion, 26 poor countries first in line to benefit would still carry about \$45 billion on their books," it said.

The heaviest portion of the debt by poor countries relates to what is termed 'commercial debt', incurred as a result of contrasts with private companies and commercial banks in connection with export or other credits.

These are extremely difficult to service. The repayments on such debts often consist of the principal plus interest. If, as a result of a shortage of foreign exchange a country is unable to service its debt, the best relief it can obtain is a 'rescheduling', usually under arrangements worked out by the World Bank and the International Monetary Fund (IMF).

In such an arrangement, the unpaid arrears are added to what remains of the principal and a repayment is calculated on the new principal-plus-unpaid-interest figure.

A former Ghanaian finance minister, J.H. Mensah, once described this system in a memorable phrase: "relieving debt by increasing it."

Ironically, many of the commercial enterprises that enter into loan agreements with developing countries take the precaution of insuring the loans with export credit guar-

tees in their own countries. This effectively insulates them against non-payments — they simply go to their governments and claim the unpaid money.

Thus a private company and the government of a poor country is transformed into an agreement between the poor country and the government of a powerful country, possibly a member of the Group of Seven most industrialised nations — the so-called G7.

The arrangement provides a definite advantage to private companies. Many carry out shoddy work, and the cost of equipment supplied can easily be inflated. If the recipient country protests or threatens not to repay the loan, the company can turn to its own government.

Many private companies have been known to offer bribes to government officials with part of a loan. This is especially so if the loan is for buying arms for which lucrative commissions are often paid to officials who place the orders or take the decisions.

If the regimes that incurred the debt is ousted and its successor refuses to pay, the full might of a foreign power along with that of the World Bank and IMF can be brought to bear upon the borrower.

Indeed, the commercial debts owed by poor countries are considered by the rich as being so risky that most of the debts have been theoretically written off in the books of the commercial banks. But the banks rarely inform the governments and insist on describing this as 'debt' that must still be claimed.

Unresolved issues mean serious disputes between the rich and poor nations are bound to occur in the coming millennium unless bolder actions are taken to solve the debt issue.

In the late 1960s, an interna-

tional commission headed by a former Canadian prime minister Lester Pearson came out with a definitive study on Third World debt, making an eloquent plea for urgent measures to alleviate the "unsustainable debts" of these countries.

Yet in the three decades since then, the G7 has stuck its collective neck in the sand and pretended that the problem was virtually insoluble.

In what seemed a more philanthropic frame of mind they even began to call it "debt forgiveness." But the change in terminology did not come from a change of heart. They remained pious words instead of serious attempts to solve the problem.

In recent years, the terminology changed yet again. It became the HIPC initiative. Short for the Highly Indebted poor Countries initiative, it is a complicated arrangement administered by the World Bank and the IMF to reschedule the debts of those countries that proved their mettle in implementing austerity measures.

Whatever it was called the fact was that the poor did not have the cash to pay their foreign debts even if they earnestly wished to.

The fact that Western countries have now seriously addressed the debt problem is a testimony to the power of civil society — unable to bear the hypocrisy of the rich world, many organisations came together in an anti-debt coalition called Jubilee 2000. Thousands of people picketed G7 meetings.

President Clinton's initiative is an encouraging start. But rich nations have to show a more determined and all-round effort if they are to make any impact on debt relief in the next millennium.

The author is a Ghanaian playwright and journalist. He now freelances in London.

Thirteenth Lok Sabha Elections in India

Analysing the Causes of Loss and Gain

by Aabed Rahman

Mr. Vajpayee has now to lead a Government at the Centre that is an aggregation of almost two dozens regional parties under NDA banner. The success of his Government would depend on to what extent he would be able to keep the flock together. Many troublemaking regional stalwarts and leaders like Janata Dal (U) leader and National Democratic Alliance Convenor (NDA) George Fernandes have returned to the Lok Sabha and they have the potentials to ignite instability at the Centre any moment.

WITHIN a span of three years, India, the world's largest democracy witnessed three consecutive general elections. The recently held 13th Lok Sabha elections have sprung many surprises. One of them is the ever worst defeat of the age-old Congress Party.

Belying all pre-poll and exit-poll projections and predictions Congress has suffered its most humiliating defeat in its history in the 13th Lok Sabha elections bagging only 112 seats out of 537 under the leadership of Mrs. Sonia Gandhi. At one point of time, it was widely believed that Congress would emerge as the single largest party in the elections. This was vindicated by the fact that BJP, Congress' arch rival, got frightened before the fifth and final phase of elections and publicly started arguing that the President of India should first call the leader of the single largest alliance, not the single largest party to form the Government at Delhi. At the end of the day both the criteria, however, fit the BJP to be called first by the President of India to form the Government.

Main Reasons for Congress Deacle

Although the reasons of the defeat of the Congress varied from state to state, the primary reason, however, was the division of the party just three months before the elections by Maharashtra strong man Mr. Sharad Pawar, former Speaker of the Lok Sabha Mr. P. A. Sangma and Congress Minister Cell Chairman Mr. Tariq Anwar. The trio formed the Nationalist Congress Party (NCP).

Dismal performance of the Congress mainly in three states — Andhra Pradesh (AP), Maharashtra and Rajasthan has largely contributed to the worst ever defeat of the party. In AP, apart from the ruling Telugu Desam Party (TDP)'s better performance and management of state, its strategic pre-poll alliance with BJP brought expected result for the alliance. The simple arithmetic votes of TDP and BJP worked only in this state. Congress could not surpass their combined votes. Credit should, however, go to the TDP supreme Chief Minister Chandra Babu Naidu whose state government is rated to have performed well and there was not enough anti-incumbency factor that could help Congress overcome the TDP-BJP's combined vote share.

It is believed that Mr. Naidu who is also considered the Man

of the Decade in India for changing the information technology scenario in the country, was able to retain the 9 per cent Muslim votes by forging an "only issue based alliance" with the BJP despite the fact that all over India Muslims were returning to the Congress fold. TDP is not a member of the National Democratic Alliance (NDA) led by BJP. TDP is unlikely to join the BJP-led Vajpayee Government. The moment TDP would move from its issue based support to the Vajpayee Government to joining it, the 9 per cent Muslim votes are bound to go with the Congress. This can create problem for TDP in the future.

In Maharashtra, the reason of Congress defeat is crystal clear. NCP President Sharad Pawar hails from this state and wields considerable influence in state politics. The division of anti-BJP-Shiv Sena and pro-Congress votes helped the former to gain their lost grounds in the last year's elections. Had there not been any split in the Congress, the party would have won more than 40 out of the total 48 seats. There was a severe anti-incumbency factor against the BJP-Shiv Sena led state government.

In Rajasthan, the Jat community, a deciding factor in the electoral politics in the state, did not vote en masse for the Congress as they did in the last elections. They accused the state Government for not having fulfilled its electoral promise of making provision of reservation for the Jats, though the state government has set up a Commission on this issue and the matter is now under consideration. Moreover, alleged non-performance of the state Congress Government also cost it dearly losing 10 seats to the BJP.

On the other hand, Congress accuses the BJP Government at the Centre for non-cooperation with the Rajasthan state Congress government by denying or intentionally delaying adequate support from the Centre that is needed for the development in the state.

In Orissa, the Congress debacle was mainly due to the intense in-fighting within the party. The severe differences of opinion between the present Congress chief minister and his fellow predecessor whom he replaced early this year following killings of Christian priests in the state contributed to the party's dismal performances at the hustings. A large number of party leaders and workers sabo-

aged the prospects of their own party candidates. Moreover, anti-incumbency factor also worked against the Congress and again BJP's alliance with the local outfit, Biju Janata Dal overpowered Congress in overall share of vote percentage.

In Haryana, where Congress lost all the three seats it won in the last elections, it was routed mainly due to its bailing out the allegedly inept and corrupt state government led by Mr. Bansi Lal of Haryana Vikas Party in no confidence motion. The Bansi Lal Government could not finally survive and Congress had to pay the high price too for its wrongly calculated decision.

The loss of one Congress held seat and the defeat of the former Finance Minister Dr. Manmohan Singh in Delhi took everybody, including the BJP itself, by surprise. The result is total opposite to that of the last year's Delhi Assembly elections. It is not easy to find a credible reason for the Congress rout in Delhi. Delhi elections were held at the first phase. In addition to anti-incumbency and some other local factors, it is believed that the Kargil issue had some effect on the educated Delhites in voting en masse for the BJP.

Congress' Over-shadowed Success

True, the overall performance of the Congress is dismal. It is, however, humiliating and dismal only from the point of number of seats the party has won in the Lok Sabha. There are other aspects of these elections that are not being highlighted. The performance of the Congress should be judged from its overall success and failure.

First, the elections have brought about some qualitative change in Congress politics. In 1989, Congress lost its support base among the upper caste Hindus. After the demolition of the Babri Masjid, it lost its traditional Muslim support. In the mean time, some regional parties, specially in Uttar Pradesh

(UP) took away the dalits, yadavs and other backward classes from the Congress. The 13th Lok Sabha elections saw Congress getting back the Muslims, backward and a section of upper caste Hindus to its fold. There was a Congress revival and resurgence in this important state of UP that sends almost one-sixth of MPs to Delhi. Not only, Congress vote share in UP has gone up by around 12 per cent, it along with its allies wrested a dozen of seats in this state. In the 12th Lok Sabha elections, Congress drew a mere blank in UP. The revival of the Congress party in UP is a very positive aspect for the party.

Secondly, states are the base of power in Delhi. The more a party is strong in a state, the more MPs it can send to Delhi. Congress' spectacular success in four states that went to the elections simultaneously with the 13th Lok Sabha elections are over-shadowed by the numerical success of the BJP led NDA in the Lok Sabha elections.

In Maharashtra, despite vertical split in anti-BJP-Shiv Sena and pro-Congress votes and the very presence of the NCP President and powerful Sharad Pawar, Congress has done exceedingly well in the State Assembly elections. It has emerged as the single largest party and now trying to form the Government with the help of its bete noire NCP and others.

Sharad Pawar's gamble did not work. He wanted to play another Jayalalitha. He perhaps miscalculated the whole thing. Now he says that if he were not expelled from the party, things would have been different. Now BJP is dangling bait before him — the post of Deputy Prime Minister or Speaker of the Lok Sabha for his General Secretary P. A. Sangma in return of NCP's support to BJP-Shiv Sena Government in Maharashtra. If it happens at all, Congress would be stronger in Maharashtra in the long run and many NCP leaders and activists would

come back to the parent party. Sharad Pawar, however, played successful spoilsport in the name of his self-styled political vision ensuring Congress defeat and thereby stalling Mrs. Gandhi, an Indian of "non-Indian origin" to lead India.

In Karnataka, Congress staged spectacular comeback sweeping both the Lok Sabha and Assembly elections. The party will form a Government there after five years.

In Arunachal Pradesh too, Congress came back to the state power with a thumping three-fourth majority bagging 46 out of 60 seats. It also bagged both the Lok Sabha seats there.

In AP, where Congress suffered major setback in the 13th Lok Sabha elections losing 17 seats, in around 65 seats in the Assembly, its candidates lost by a margin of around five or less than five thousand votes. Yet, the party has significantly improved its tally in the Assembly. Congress could have won the elections should TDP and BJP fought the elections on their own without forging any alliance as they did in the 12th Lok Sabha elections.

In Punjab, Congress had fared exceedingly well. Out of 13 seats, Congress and its ally won 10 seats. In 1998 elections, it drew a mere blank in this state too like UP. Fifteen years after the operation "Blue Star" in the Golden Temple in Amritsar, the Sikhs have started to come back to the Congress fold again.

In Gujarat, Madhya Pradesh and West Bengal too, Congress gained seats compared to last year's elections.

Thirdly, while all parties lost their popular vote share to some extent, Congress has increased its own share.

Role of Regional Parties and Culture of Coalition Politics

The regional parties wisely appreciated the fact that they could not make it to the Lok Sabha without the help of a national party. For their own po-

litical survival in the states and to play role at the Centre through helping national parties to form coalition government, they forged very successful strategic alliance with the BJP. They paid off significantly. Their spectacular performance in the 13th Lok Sabha elections was not at all attributed solely to their own popular policies or ideologies. It was more due to their opportunistic and strategic alliance with the national parties. The parties like BSP and SP took full advantage of the severe infighting and sabotage within the BJP in UP. The minorities are now wise enough to the theatrics of many regional leaders like SP Supremo Mulayam Singh Yadav.

On the other hand, BJP also played very safe knowing fully that it could not make it alone to Delhi. It needed support of some key regional parties. It reduced the number of seats it contested and concentrated thereon. Thus it showed the spirit of accommodation and cohabitation to the regional parties. Since 1996, BJP has been obliged to learn that it can lead "only" coalition government.

On the other hand, Congress is yet to learn the culture of coalition politics and to be used to lead coalition government. It is true that until now no coalition government was even able to rule India more than two years. Congress throughout its campaign tried to emphasise the need for one party rule for stability at the Centre. It is not that the voters have fully rejected the Congress idea of one party rule. The fact remains that during the last two elections a factor or another became stumble block on its way. In a television discussion after the elections, the former Prime Minister Mr. Gujral said that the era of one party rule had been replaced by the multi-party rule and that BJP was wise enough to learn the lesson first before the Congress. It is now Congress' turn to believe in the coalition form of Govern-

ment, if it wanted to rule the country. It may be recalled that during the last phase of elections, Congress President Mrs. Sonia Gandhi said that Congress would lead a coalition government should it failed to get the majority.

Future of Congress and Sonia Gandhi

The fortune and future of the Congress Party and its President Mrs. Sonia Gandhi are tied with one thread and closely linked to each other. Each is complimentary to another. Once the thread is torn or the complementarity is lost both can be affected.

With Congress' tally coming down to an all time low under Mrs. Gandhi's leadership, a section of young Congress leaders like Rajesh Pilot, Kamal Nath and others are asking for retrospective into the party's dismal show at the hustings. They are also propagating the idea of "one man one post". This propaganda is intended to deny Mrs. Gandhi the post of Chairperson of the Congress Parliamentary Party (CPP) which has been traditionally held by the party President even when they are not member of the Lok Sabha. The post was held by Mrs. Indira Gandhi in 1978 and later by Mr. Sitaram Kesri. Perhaps as a compromise solution, Mrs. Gandhi would leave the post of the leader of the Opposition in the Lok Sabha and instead would hold only the post of CPP. Certainly the post of the Leader of the Lok Sabha would be given to some one close to her or at least who would not join hands with these apparent rebel young Congress leaders. Nobody has, however, raised any question on the issue of the post of President of the party that is currently being held by Mrs. Gandhi.

It is also fact that it was only Mrs. Gandhi who was the star campaigner for the Congress. She successfully overcame the widespread vile personal campaign against her on the issue of her foreign origin spearheaded by the BJP and NDA as a whole, by defeating BJP stalwart like Ms. Shusma Sawaraj by a margin of around 60,000 votes in Bellary, Karnataka and romped home in Amethi in UP by defeating sitting BJP MP Dr. Sanjay Singh by a margin of over three lakh votes.

Unfortunately and true, being an age-old party that led to the independence of the country, no "non-Nehru" or "non-Gandhi" Congress leader ever led the party to any victory in any gen-

eral elections. The results of the 13th Lok Sabha elections have perhaps brought one more criterion to the fore front for the Congress party. Perhaps, the Congress party needs a Gandhi of "Indian origin". The option is, however, not exhausted and there are Gandhis of "Indian origin" in waiting.

Mrs. Gandhi's daughter, Priyanka Gandhi, popularly believed as reincarnation of late Indira Gandhi, now features very much in Congress' political geography. She was the architect of her mother's landslide victory in Amethi as her campaign manager. She also ensured defeat of the BJP nominee Arun Nehru, one time friend of her father Rajiv Gandhi in Rai Bareilly. It is widely believed that Mrs. Gandhi would leave Amethi seat to her daughter Priyanka to ensure her entry to the Lok Sabha and thereby to the Indian national politics.

Congress' debacle in the 13th Lok Sabha elections has nothing to do with the leadership of Mrs. Gandhi. It is she who has at least been able to keep the party together. The issue of her foreign origin has also been rejected by the voters. Bellary and Amethi are the examples. There are still many Sharad Pawars in the Congress party. They know that this is the high time to strike. They are also aware that the game is "now or never". game, because if delayed, the mantle could be passed on to Gandhis of "Indian origin" in waiting.

Bilateral and Regional Cooperation

This is no denying the fact that India is a big country in the region and its political stability, attitude and behaviour might have implications for its neighbours as well as for the regional and sub-regional cooperation. The more the Government in Delhi is stable, better would be the prospect of regional and sub-regional cooperation. On the other hand, any instability in Delhi could lead to bilateralisation of Indian domestic problems.

In this connection, one aspect of BJP's victory in Assam in the 13th Lok Sabha elections can be taken into due consideration. BJP has extended its base up to the Brahmaputra belt in Assam and improved its tally in the state. This might fan the so-called illegal immigrants issue in the state.

The writer is a Delhi-based researcher.

Garfield



James Bond



James Bond



James Bond



James Bond

