

## FOCUS

## US-Bangladesh Relations

Taking into account the huge potentials of expansion of US-Bangladesh relations, we must make efforts to build a forward-looking relationship from which peoples of both the countries will benefit. If the current momentum can be maintained, we can foresee a very close and productive relationship between Bangladesh and the USA.

by K M Shehabuddin

**B**ANGLADESH-US relations are at their best today with the two countries cooperating in wide variety of areas. The degree of warmth of the relations can be measured by the high level deliberations between their leaders. In September, 1999, US Secretary of State Madeleine Albright called on Prime Minister Sheikh Hasina at her hotel suite in New York to discuss a number of important issues. In October, 1999, Foreign Minister Abdus Samad Azad had bilateral meeting with Secretary Albright which was followed by a joint press conference. Most importantly, President Clinton undertook his historic visit to Bangladesh in March this year.

Bangladesh attaches particular importance to its relations with the United States not only because of its preponderant role in international affairs but also for the commonality of interests of the two countries in many areas including promotion of democracy, human rights and protection of peace and security in the world. The US today is not only an important development partner but also a friend in need that has come forward to assist Bangladesh during the time of natural disasters, like floods, cyclones etc. It was the Father of the Nation Bangabandhu Sheikh Mujibur Rahman who laid the foundation of US-Bangladesh friendship and cooperation through his successful visit to USA in 1974. As a prudent statesman, Bangabandhu could visualize that in a bipolar world Bangladesh could derive benefit by promoting friendly relations with both the superpowers.

During the past few years, our relations with the US have been taken to a new height. The most significant transformation of US-Bangladesh relations has been its evolution from one based on aid dependency to the third place.

Bangladesh is being viewed by US policy makers as a stabilizing factor in South Asia. They see Bangladesh as a ray of hope in the region torn apart by ethnic and religious violence, hatred and conflict. US political leaders have appreciated Prime Minister's peace making role in the domestic plane, within the region as well as in the world at large. World leaders including President Clinton have appreciated Prime Minister Sheikh Hasina's initiatives to resolve Chittagong Hill Tracts insurgency and the Ganges Water Sharing dispute with India through peaceful means. Ratification of CTBT by Bangladesh, the first country in South Asia to do so, has been greatly appreciated by the US.

Finally, Bangladesh with about 130 million people offer a huge market for US products. US companies are nowadays looking towards the East to expand their business and Bangladesh is being considered a country with enormous potential.

Bangladesh, on its part, finds in the US a good friend that not only is the destination of \$ 2 billion worth of our exports but also a country that can help us bridge the technology gap through diversifying its investment in our country. Strong support of the US to our democracy as well as socio-economic development efforts is a great source of our strength. President Clinton's historic visit to Bangladesh on March 20, the first ever by a US President, was an occasion to cement the bonds of friendship and cooperation between the two peoples. The visit is a clear indication of US support to the policies of the government as well as to the ideals of democracy and peace that it upholds.

President Clinton's visit brought Bangladesh to sharper focus in international affairs. The President not only assured

The author is Bangladesh's Ambassador to USA.

## LETTER FROM EUROPE

## Rising Interest Rates in the US

Why has Mr. Alan Greenspan, the Chairman of the Federal Reserve decided to take such a drastic step now? Can it or will it affect the outcome of the American presidential elections in November, this year? What sort of repercussions will this measure have on the Euro?

How will it affect the economies of the so-called developing countries?

Chaklader Mahboob-ul

Alam writes from Madrid

**T**HE Federal Reserve Board of the US has just raised its short-term interest rates. It is the sixth time in less than a year that it has done so. Until now the interest rate has been hiked up by a quarter per cent every time but now it has done so by a half per cent. It now stands at 6.5%, which is the highest since January, 1991. Why has Mr. Alan Greenspan, the Chairman of the Federal Reserve decided to take such a drastic step now? Can it or will it affect the outcome of the American presidential elections in November, this year? What sort of repercussions will this measure have on the Euro? How will it affect the economies of the so-called developing countries?

The US economy has been growing for the last one hundred and ten consecutive months. That is not what worries the head of the Federal Reserve Board. Mr. Greenspan is worried about the rate at which it is growing (annualised 5.4% in the first quarter of 2000 and 6.3% in the second half of 1999). Since no one is capable of determining with any reasonable accuracy how much of this growth is due to accelerated productivity increase caused by information technology-driven structural changes and when this acceleration will come to an end, Mr. Greenspan, in his position as a cautious central banker, thinks that the economy is overheated.

The inflation rate has steadily risen close to 4.0%, which is higher than what Mr. Greenspan would like it to be. Although the unemployment rate has gone down to approximately 4%, yet there are no signs of wage pressure. This would please any central banker, but not Mr. Greenspan. He fears that high inflation will soon translate into unsustainable wage pressure.

Mr. Greenspan wants to have a controlled economic growth (between 3% and 4% per year).

which will allow him to maintain the inflation rate at about 3%. His rationale is quite simple. He thinks that the current low unemployment rate together with substantial speculative gains (warnings have already been uttered against supposed overvaluation of some American assets) made at the stock exchange have induced the Americans to continue with their spending spree. In his opinion, there are sectors of the economy, where demand is already outstripping supply, which sooner or later will lead to even higher inflation.

According to figures published by the department of Commerce, the trade deficit (more than 60% over last year) is increasing at an alarming rate because of accelerated consumer spending. Part of the increase is, of course, due to the increase in the price of oil — the US still continues to be the world's number one importer of crude oil. It remains yet to be seen whether Mr. Greenspan would achieve his objective by hiking up the interest rate to 6.5% (almost everybody expects further increases before the end of the year), but it may indirectly affect the outcome of the American elections in November, this year.

There is no doubt that uninterrupted economic growth for a long period under the presidency of Mr. Clinton helped him in the past to survive the impeachment proceedings. According to recent opinion polls, the Democrats are expected to have an edge over the Republicans in the coming elections because of the same reasons. But the question is: If the economic situation suddenly takes a downturn during the final days of Clinton presidency, and it affects the pockets of the American consumers, will they not change their political allegiance? It is more than likely that they will do so.

The Euro has lost approximately 21% against the US

dollar (the American interest rate has a direct bearing on this phenomenon) since it came into being on January 1, 1999, which has made European goods cheaper in the American market and American goods more expensive in Europe. Although a weak Euro has helped to bolster European exports, it has probably taken some pressure off the much-needed structural and technological reform. This will inevitably affect the European economies adversely, some time in the future. The export-driven economic growth of the Euro area (eleven members of the European Economic Union) in the year 2000 is expected to be 3.4% (against 1.1% in Japan). The exports will rise by 8.5%. Although the unemployment will fall from 11.6% to 9.2%, the average inflation rate will be held at 2.1%. The German economy is giving signs of coming out of its doldrums. The French is running neck to neck with the Spanish (3.7% vis-a-vis 3.8%). The Dutch will rise by 4.1%, while the Irish will achieve an incredible 7.5% growth. Even the Greek economy is expected to do better than last year (3.9% vis-a-vis 3.5%). In all fairness to the Euro, it should however be mentioned here that higher interest rate in the US (6.5% against the EEC rate of 3.75%) is not the only reason for its dramatic fall.

Although the principal indicators of the EEC show continuous economic growth in its member countries, the comparative performance of the American economy over a longer period inspires greater confidence in the international money market. Lack of confidence in the Euro is also due to the inability of the EEC leaders to inspire investor confidence in the feasibility of a political union within a constitutional framework in the near future. As long as these and other political uncertainties such as the proposed expansion of the

EU to incorporate new members from Eastern Europe, the future Danish referendum over the Euro, and the renewed British doubts persist, it would be difficult to have a strong Euro, even though its (EEC's) principal economic indicators show good results.

The EEC, with the necessary structural and technological adjustments will be in a position to withstand a gradual slow down of the American economy. But it will most probably have greater negative impact on the economies of the so-called developing countries because of a fall in their exports.

This might also trigger a chain of currency devaluations in these countries with unpredictable consequences. Other areas like debt financing and debt repayments will also be affected.

It is frightening to think that one person's actions or decisions can have such wide repercussions on world affairs. Mr. Greenspan, who is a moderate Republican and who has recently been appointed to a fourth term as chairman of the Federal Reserve Board by President Clinton, is well aware of his enormous power. He not only enjoys the trust of the markets but also is very popular with the American people. He has the reputation of being a non-partisan public servant. In his official decisions, apparently he has never been guided by any other principle except his friend Ayn Rand's philosophy of objectivism (rational selfishness), which essentially exalts the virtues of capitalism.

We, who come from a developing country like Bangladesh or Mexico (where memories of the "Tequila crisis" of 1995 are still very vivid) can only hope that in managing one of American capitalism's most sacred institutions, the Federal Reserve Board, Mr. Greenspan's decisions are indeed rational but not too selfish.

The Euro has lost approximately 21% against the US

## Garfield



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## by Jim Davis

## A New Kind of Thriller

Without in any way denying the fact that various bombing incidents against Israelis have taken place and roundly condemned by everyone, it is also true that there is no comparable set of systematic (as opposed to sporadic) Palestinian practices against Israelis, and I haven't in this context even mentioned the bombing by Israel of refugee camps, hospitals, schools and the like...

by Edward Said

**D**URING the Oscar ceremonies last March only one award (Best Documentary) was given to a 1999 film that had neither been released, nor seen by anyone outside the academy (for some of whose members special screenings of the film had, I gather, been hastily improvised). To say the least, this was an unusual set of circumstances for so important an award.

At last, though, *One Day in September* was released on May 19. Directed by Kevin Mac Donald and produced by John Battsek and Arthur Cohn it is a 92 minute account of what is supposed to have occurred when a group of Israeli athletes at the Munich Olympic Games was held hostage by eight Palestinians who on September 5, 1972 seized the unsuspecting men at 4:40 am, and held them for 21 hours.

The end of the ordeal came at Munich airport when five German snipers opened fire on hostages and captors, thereby instigating an appalling bloodbath that drew in a considerable number of basically untrained and undisciplined German police. Eleven Israelis were killed, as were five Palestinians (three were seriously wounded but survived and later escaped) and one German.

Nowhere in the film is the focused attention paid to Israel's antecedent role, its daily, hourly, minute by minute persecution, in the maiming, bombing, dispossessing, humiliating of Palestinians from top to bottom, right across the board, from eviction, to wiping out every possible trace of Palestinian life, to brazen denial of same, from the beginning to the end of the last fifty two years.

Let's hear a little more from Mac Donald's production notes, which seem tirelessly to extoll the film's total, complete, unqualified originality: "What I wanted to do with *One Day in September*" he rattles on yet again "was to make a documentary different than anything I had seen before: a documentary thriller, one that would work as a film at the cinema. I wanted it to have a strong narrative grip and to pull the emotions of the audience, while at the same time investigating and revealing the extraordinary facts behind this event in a detailed way."

Well, it doesn't work as a film in any locale, unless one's standards are so low as to allow that a transparent, and even caricatural, quasi-staccato sequence that basically tells a well-known, thoroughly familiar story pieced together out of old film clips, predictable interviews, and gross misrepresentations that show Palestinians to be irreducibly terrorist (though clever, and a bit manipulative), Israelis brave, serious, courageous, and long-suffering. Germans (shades of Colonel Klink in TV's Hogan's

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