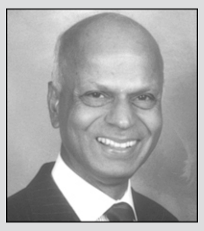
Free trade and poverty alleviation



CHAKLADER MAHBOOB-UL ALAM
writes from Madrid

LETTER FROM EUROPE

If the wealthy industrialised countries of the West do not allow truly free trade within the framework of the WTO by breaking down the existing trade barriers against the developing countries(thereby redressing the grievances of poverty), very soon the WTO would become largely redundant. Instead, the developing countries in Asia, Africa and Latin America will inevitably seek free trade , economic growth and poverty alleviation through regional trading blocs .

FINALLY, after six gruelling days (and better part of the nights) of hard bargaining and relentless haggling, on November 14, 2001, the World Trade Organisation meeting at Doha (Qatar) came to an end with an agreement to launch the ninth round of negotiations for multilateral trade in goods and services, which from now on will be known as the Doha Round. One may well ask why, in heaven's name, a place so remote as Doha was chosen as the venue for such a high-profile international business meeting. Well, actually its remoteness was one of the principal reasons why Doha was chosen to host this meeting (although after September 11, some Western countries wanted to change the venue for security reasons). The Qatar government's very strict visa rules and the prohibition to hold any unauthorised demonstrations also contributed to the final decision. After the recent anti-globalisation demonstrations in Seattle (which scuttled the last WTO meeting in 1999), Davos, Genoa etc, the organisers of this meeting, understandably enough wanted to minimise the chances of holding such protest rallies.

After the end of the second World War , there was a general desire to dismantle the complex structure of trade barriers and to promote free international trade. On the payments side, the International Monetary Fund was established with the objective of abolishing monetary restrictions for the expansion of multilateral trade. On the trade side (abolition of multilateral trade barriers such as tariffs, quotas and restrictive commercial policies), preliminary steps were taken to set up an International Trade Organisation. But due to the start of the Cold War, this idea was finally abandoned. Instead, a multilateral treaty called the General Agreement on Tariffs and Trade (the GATT) was signed by 23 countries (now there are 144--China and Taiwan joined the WTO at Doha) at the Geneva Trade Conference in 1947. The treaty provided an international forum for member countries to pursue a policy of trade negotiations with a view to minimising new and existing trade barriers. The GATT members agreed to extend the most-favoured-nation status among all members. In theory they were and still are noble objectives. There have, so far, been eight rounds (not including Doha) of trade negotiations. The eighth round, known otherwise as the Uruguay Round came to an end in 1994. The World Trade Organisation (WTO) was established in 1993. It replaced the GATT forum and incorporated all existing GATT treaties. But there was an important difference between the GATT forum and the WTO--the WTO was given legal powers to enforce the treaty provisions. Actually the WTO's goals are even more ambitious than those of the GATT. These are to promote and enforce global free trade including trade in services , intellectual property and investment.

The GATT and the WTO have been in operation for the last fifty years or so. What economic results have these rounds achieved? Has it really produced freer trade? Has it created wealth? If so, how has that wealth been distributed between the rich industrialised nations of the West (where one fifth of world's total population lives)and the poor developing nations of Africa, Asia and Latin America (where four fifths of world's total population live)?

There has been a mixed bag of results--- free movement of capital, near-free movement of high-tech manufactured products (tariffs have dropped from 40% to 4% over the last 50 years),destruction of local industries in the developing countries , all sorts of protectionist measures to obstruct the free movement of agricultural products (leaving aside high domestic subsidies, tariffs are still at around 40%), strict import quotas on textiles from the developing countries, anti-dumping measures , etc., etc..

There is no doubt that international trade boosts growth and that the GATT rounds so far have generated enormous wealth. But the questions are : Have they promoted real free trade and has the wealth created so far been distributed between the rich and poor countries fairly?

Well, let us have a look at some relevant statistics. After all these years of so called free trade , the per capita income difference between the richest country of the world and the poorest has grown to such an extent that the ratio today stands at approximately 100 to 1. In 1960, the income of the richest 20 per cent of world's total population was 30 times that of the poorest 20 per cent, in 1997, the corresponding figure was 74. Although the percentage of world's people living on $1 a day seems to be falling , even now close to 3 billion people (more women than men) live on $2 a day. Actually, despite phenomenal growth in total wealth over the last fifty years, there are some regions of the world such as sub-Saharan Africa and Central Asia, where the absolute number of people living in poverty has increased. According to the World Bank, in the next decade the number of the very poor in sub-Saharan Africa and Latin America will rise even further. During the last thirty-five years, the per capita income (after adjustment for inflation) in thirty of the poorest countries of the world has actually fallen. Thus it is evident that most of the benefits of these trade rounds have gone to the rich industrialised nations of the West. In brief, in the words of Amartya Sen, globalisation has so far created " massive levels of inequality and poverty".

Under the Uruguay Round, the Western countries made solemn promises, to open their markets to exports of products like crops, textiles , clothing , footwear and other basic items in which the poor developing countries have a comparative advantage. Unfortunately little progress has so far been achieved in this area. By and large, the rich nations have failed to keep their promises. Their markets still remain more or less closed to such low-tech manufacturing products. Let us take the example of textiles, which is probably the biggest export item of the poor countries like Bangladesh, India and Pakistan in the low-tech manufacturing sector. The rich countries not only impose high tariffs but also strict quotas on the importation of these products. Is this free trade? As far as the agricultural products are concerned, the situation is even worse. Actually this is a perfect example of the West's double standard and hypocrisy. It keeps telling the world that protection is bad for free trade and therefore for global economic growth . Yet, the West spends approximately $1 billion a day on farm subsidies Actually the Western counties' agricultural policy punishes the farmers in poorer countries in more than one way. Because of the generous subsidy, the farmers in the West grow more food than they would otherwise. This huge overproduction pushes down the world prices of the relevant products, which affects the Third World suppliers negatively . It does not stop there. Actually the WTO rules on customs procedures and sanitary policies are important barriers to the poor countries' drive to export more. The poor countries who want to acquire existing technology at an affordable price are confronted with the unfair Intellectual Property Law, which requires them to transfer approximately $20 billion annually to the rich countries . Now some of their (rich nations) legislators are trying to put up further barriers in the name of security, food safety, environmental concerns and labour standards.

It was against this backdrop of tension between the rich industrialised countries and the poor developing world that the Doha conference was held. Was anything achieved there? If so, what ?

The fact that after the debacle of the Seattle conference in 1999, 144 nations have now agreed to start a three-year round of trade negotiations is in itself of great symbolic significance. It seems to me that all through the conference there was a greater awareness among the rich nations that the poor countries deserved a fairer deal. There were lots of promises from the rich nations to the poorest to help them in "capacity building" and with special trade preferences, which they quickly christened as the "development round". Although few substantive agreements were reached, the WTO members decided to continue talking and approved an agenda for future talks.

Perhaps the most important concession made by the rich countries, particularly the United States and Switzerland was to bend the strict WTO patent rules to allow the poor countries, particularly the ones in Africa to buy generic medicine to fight epidemic diseases such as AIDS, malaria and tuberculosis. The poor countries reciprocated the gesture by promising to open their market for services (the fastest growing economic sector of world economy), which may eventually create thousands of well-paid jobs in banking, insurance, tourism, entertainment and e-mail commerce and huge revenues for the developed world (given their strength in these fields) . The United States also promised to reconsider its other important protectionist measure , i.e., the anti-dumping legislation to protect its inefficient steel manufacturing and semiconductor industries from foreign competition.

On agriculture a face saving formula was used to avoid a complete debacle. A commitment was made to phase out agricultural subsidies across the world but the commitment was virtually nullified by a cleverly worded preceding clause, which really meant that it was not imperative to achieve this objective. It also meant that Europe would continue subsidising its agricultural products by approximately $4billion dollars every year. There was no joy for the developing countries on this count either.

On textiles the United States stuck to its guns and refused to yield any ground for the time-being (after 2005 the situation may change) to the low-tech textile manufacturers from the developing world. So at Doha, there were few immediate gains for the poor countries . Still, I would like to think that the Doha Round holds the promises of significant potential gains. (I try hard to be an optimist.)

Poverty alleviation can only be achieved through rapid economic growth and truly free trade can certainly expedite growth . Today ,when it seems that the world is entering a period of economic recession, for the sake of political and social stability, it is all the more important to promote real free trade. If the wealthy industrialised countries of the West do not allow truly free trade within the framework of the WTO by breaking down the existing trade barriers against the developing countries(thereby redressing the grievances of poverty), very soon the WTO would become largely redundant. Instead, the developing countries in Asia, Africa and Latin America will inevitably seek free trade , economic growth and poverty alleviation through regional trading blocs .

Lest we forget

Justice Amin Ahmed

HARUN UR RASHID

THE relevance of paying tribute to Chief Justice Amin Ahmed is to recall his courage and firm stand he took for the independence of judiciary during the first Martial Law period in 1958 in Pakistan. It was a difficult period for the High Court to digest such unconstitutional system in the country an uncharted field. He never compromised the integrity and judicial independence during the period. He kept the Martial law administrators in their place with his firm stance. This is a great legacy he had left for his successors in the highest court in the land.

His relationship with the executive was strictly to rules. At one stage he had also warned the Martial Law Administrator(a General) that if any of his military officers interfered with the functions of judiciary he would close down the whole judicial system in this part of the country. Such independent stand against the mighty executive under the martial law period was unprecedented and shook the military hierarchy. When Governor A.K. Fazlul Huq was dismissed at 2.A.M. morning by the martial law authority, Chief Justice Amin Ahmed was advised by the authority to administer the oath to Mr. Hamid Ali, the Chief Secretary of former East Pakistan. He refused to administer the oath until he received and was satisfied with the proper documents.

The word "remarkable" keeps recurring when people talk about Justice Amin Ahmed who passed away on 6th December, in 1991. He had his own style and wherever he went he made an impact on others. His colleagues referred to his decisiveness which reflected balanced judgment and good sense.

He was a practising Barrister and a Judge for nearly 40 years. He became a Judge of the Calcutta High Court just before the partition of India in 1947. He was one of the very few Muslim judges in the Calcutta High Court. After partition, Justice Amin Ahmed was one of the first High Court judges of the new Dhaka High Court in 1947 and became Chief Justice for a period from 1955 to 1959.

His father was Mr. Aziz Ahmed, a Deputy Magistrate, one of the prize posts in British ruled Bengal. The father exposed his son to the classical and religious education as well as to western education. His father ensured that he got the best of education in the country and overseas.

Justice Amin Ahmed took his B.A. Honours in 1917 and Masters degree in Economics from Calcutta University in 1919 and went to England for higher studies. He was in Cambridge together with *Netaji* Subhas Chandra Bose in early 20s. In Cambridge he met many students from the sub-continent and most of them joined the prestigious Indian Civil Service (ICS) the administrative arm of the British India. Later in his life either he met with them as a Governor of a province or a judge of the High or Supreme Court or as Ambassador.

While studying economics in Cambridge he joined the Hon'ble Society of Gray's Inn, London for the professional degree of Barrister-at-law. He did well in both Economics and Law Tripos two degrees in a period of three years from Cambridge University. He became a Barrister and returned to Calcutta in 1924.

He started his legal practice in Calcutta High Court and became a part-time Lecturer in law in Calcutta University. One of the celebrated cases he appeared was that of *Meena Peshawari case* in which three famous lawyers were engagedA.K. Fazlul Huq, Torrick Amir Ali, and Shaheed Suhrawardy. Since the case was before Justice Suhrawardy, the father of Shaheed Suhrawardy, he could not appear before his father and transferred the case to Barrister Amin Ahmed. Meena Peshawari who was accused of smuggled opium was acquitted.

As a Judge, he never adhered to what Charles Dickens described "law as an ass." Dickens implied that the end result of the literal application of law could alarmingly take on the negative aspects of the "donkey-stubbornness and apparent idiocy" without any redeeming features. He had applied law for the benefits of the people and achieving fairness and justice. He believed in the definition of justice which is a virtue providing every one his or her due.

In his personal and official duties he was very punctual and an efficient administrator. He was known to be a patient judge and it was great for a young lawyer to make submissions to him without any interruptions. He allowed the young lawyers to take as much time to complete intelligent submissions. His temperament and manner was typical of a judge of the High Court-- a person of plenty of reserve without intimidation.

He could relate to people of all ages at a party or in a function. He was charming, articulate, witty and a great communicator. He became President of Dhaka Club three times in early 50s. He loved playing golf and he continued to play until he became too frail. He was the first person to speak on "Kamini Kumar Dutta" lecture series of Dhaka University where he expanded his views on judicial review of administrative actions.. His lecture on that subject has been published as a book by the University.

In his memoirs "*A Peep into the Past*" (Pioneer Press, Dhaka, 1982), he narrated his personal experiences as a teacher, judge and a traveller laced with unique sense of humour. Although he did not seem to be outwardly a religious person, deep inside he was. He read the holy Quran every day and imparted Quranic teachings to his children. He was a philanthropist. He left all his property to a Trust intended primarily for promotion of education and public welfare. A part of his residence at Dhanmondi (Road 10-A) became a Charity Clinic exclusively for the poor and the needy. The Clinic has a pharmacy and the medicines are provided to the poor patients free.

He is remembered by his children and grandchildren as a loving father and grand father. The creation of Trust by him is a manifestation of his mission to help the needy and poor of the community. Justice Amin Ahmed will be sadly missed but will live on through his services to the judiciary and to the nation.

Barrister Harun ur Rashid is a former Bangladesh Ambassador to the UN, Geneva.

In response to a recent article on Grameen Bank in the *Wall Street Journal*

A. N. M. WAHEEDUZZAMAN

ABOUT 12 years ago when I was a student at George Washington University an American classmate of mine brought me a sub editorial of the daily *Washington Post*. It was about Dr. Yunus, his Grameen Bank and the success stories. The article was in full praise of Dr. Yunus and his institution. Needless to say he deserved that. His achievement uplifted the image of Bangladesh.

On November 27, 2001 I read an article in the cover page of *Wall Street Journal* (*WSJ*) about Grameen Bank. It mentioned about various problems of the bank; its institutional inadequacies, slow growth, decline in recovery rate and an apparent loss of trust in the system. I am writing in response to that.

Grameen Bank, as a financial service organization, is engaged in the business of improving the conditions of the poor through various micro lending product offerings. At 25, the organization is suffering from what is commonly known as 'mature market syndromes' of the Product Life Cycle (PLC). It has gone through typical 'introduction' and 'growth' stage and has reached the maturity stage. Usually, at this stage of the PLC, an organization faces market saturation, fierce competition, sales decline and profit erosion. At Grameen, market saturation is observed in the shrinking loan-base or the loan-fatigue among the borrowers. The competition is coming from ASA, BRAC, and various governmental and nongovernmental agencies. I would like to make a few suggestions to address some of these issues from a marketing perspective.

Use segmentation and redefine customer needs for better market entry: At maturity, Grameen Bank needs to approach the lending market from a marketing perspective. The market can be segmented on the basis of loan volume, performance, attitude or political power, and demographic or psychographic characteristics of the borrowers. For example, loan recovery may vary by the 'aspiration level (a psychological variable)' or the 'political power (a social-political variable)' of the borrower. The two segmenting variables must be treated separately. The needs of each segment should be addressed with separate product offerings. Cluster analysis, conjoint analysis or multidimensional scaling techniques can be useful in defining the segments or determining their needs.

Position and retain market leadership: In a mature market, Grameen needs to adopt a well-defined strategy to position or reposition itself as the market leader. In this regard I will draw the analogy from the business world. Coca Cola, Intel, IBM, Proctor and Gamble and Federal Express -- all are constantly trying to retain their leadership position. An erosion of market share by one or two percentage points creates a serious repercussion in companies like these (a typical mature market response). They are continuously working to 'stay ahead of the game'. To do so they rely on the people they hire, train and retain. This is why we find them competing for the graduates of the Ivy League schools. Grameen should follow a similar strategy -- go for the best and the brightest in the market to build the organization. Look for those who 'excel'. Bring them in, empower them and see the results in differentiation, positioning and leadership.

Set new standards and performance criteria: At 25, it is time to rethink organizational standards and performance criteria and question the established financial control system and fiscal discipline. Perhaps, some of the old, established standards need to be completely abandoned. Yes, 95 per cent recovery rate (*WSJ* doubts this figure) is a good selling point -- but this is not enough. Instead of passing the buck to natural disasters or macro environmental problems, the organization needs to seriously investigate the loan defaulters, institutional inadequacies, standards, policies and procedures and implementation strategies. Different standards may be set for different segments. External financial or accounting firms can be approached for professional help. The standards and control should however be established with a humane touch; after all, Grameen is a banker to the poor.

Consider 'standardization adaptation' while expanding globally: Grameen's global expansion is timely and praiseworthy. It is analogous to a multinational's typical global entry/expansion strategy. Grameen needs to determine the 'appropriate marketing mix' for each global market segment. Some elements of the mix would be standardized and others would be adapted. For example, 'Grameen' as a brand name with its logo or its lending products can be standardized. However, the distribution and promotion may need to be adapted according to the socio-economic background and culture of the country. Adoption of the right mix is the key to success in global expansion.

Think global, long term and legacy: Grameen's philosophy is almost like our national heritage -- an economic culture that Bangladesh successfully marketed to the rest of the world. Dr. Yunus is our pride. We would like to see that our image is maintained and the legacy of Grameen's achievement continues. That may require self-criticism, a soul searching and a reevaluation of the future. I am sure Grameen has a vision and it is evident in her national and international expansion. However, organizational strength and competence must commensurate with such expansion. Grameen's international expansion, donation and support may suffer if her performance is questioned at home, i.e., Bangladesh. International criticisms like the ones in the *WSJ* must be addressed to maintain its image.

My intention was not to undermine Grameen's success. I do appreciate the philanthropic not-for-profit outlook of Grameen but I cannot ignore the need for a business outlook in a globally expanding professional organization. In a globalized world, Grameen must be viable and credible to be philanthropic. I will reiterate, what Grameen needs today is a marketing approach to evaluate its product offerings, organizational competencies and future strategy. We all would like to be proud of Grameen.

Dr. A. N. M. Waheeduzzaman is an Associate Professor of Marketing at Texas A & M University-Corpus Christi, USA. His specialization is international marketing.

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Dr. Rubaiul Murshed

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2. Vit. B12 : for erythrocyte (a mature red blood cell or corpuscle; has an average life span of 120 days, then the body needs to produce 2,400,000 red blood cells per second in order to maintain the proper concentration of blood) production.
3. Calcium : for bone metabolism (the sum of all physical and chemical changes that take place within an organism; all energy and material transformations that occur within living cells).
4. Carbohydrate : for energy.
5. Phosphorus : for energy metabolism.
6. Magnesium : for muscle contraction.
7. Potassium : for nerve transmission.
8. Protein : for cellular growth and repair.
9. Riboflavin : for epithelial (the layer of cells forming the epidermis of the skin and the surface player of mucous and serous membranes) integrity.
10. Zinc : for the immune (protected from a disease due to the development of antibodies) system.

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