ness in terms of FDI or transfer of

technology we must also raise the

budget for investment. That means

more money for our missions, for

our diplomats and for our foreign

office to operate effectively if not

comfortably. That requirement, we

believe the foreign minister under-

stands better and it is his turn to

foreign investment, in dissemina-

tion of publicity materials, in image

building, in displaying our products

at the entrance of every single

mission and in sending out more

diplomats trotting around foreign

bazaars not the retail stores, but

Unless we invest for bringing in

convince the finance minister.

**DHAKA SATURDAY JUNE 22, 2002** 

## The President's resignation

It raises questions that have serious implications

RESIDENT Badruddoza Chowdhury's resignation raises serious questions on the role and status of the highest office of the Republic. He didn't depart by choice. The BNP parliamentary party passed a unanimous resolution condemning the activities of the President as anti-party and threatened to impeach him if he didn't resign. He had earned party ire by not going to the mazar of BNP's founder late President Zia and failing to mention him as the person who had declared the independence of Bangladesh in his message on Zia's death anniversary.

The BNP General Secretary has said to the press that he 'doesn't enjoy the confidence of the party'. It has reduced the President of the republic to that of a person who has to be endorsed by the party and not necessarily the people. One may understand the sentiments of the party workers but it is the Parliament and not the party that elects the President. It seems that to the BNP the two mean the same

Constitutional experts have already questioned the process and the causes cited by the PP which could lead them to impeach the President. The President can be impeached but only when he has committed gross misconduct, but does failure to mention the name of the party founder and not visiting his mazar constitute an offence which merits this kind of a move? It seems that to the BNP the President is first a party member and then the head of the State.

When Badruddoza became the President, he resigned from all party and parliamentary positions he held and no longer was identified with the party. He took on the mantles of the post which is constitutional and demands respect as a formal office and not a political one. And one doesn't see him as being under the discipline of the BNP Parliamentary Party with which he has nothing to do and is certainly not part of.

Through this action, the status of the head of the State, the President of the republic, has been diminished. This office belonged to the people and not the party but obviously BNP thinks otherwise. The repercussions will be heavy and long. The next President will certainly remember that he is not the neutral head of the state symbolically representing all people but a party member put in a high office who can be removed if the party desires and without any concern as to what the parliament, let alone the people, may have to say.

#### AL's decision to join the parliament welcomed

This will strengthen democracy, improve party image

HE decision by the Awami League to finally join the parliament session is welcomed. It's the responsibility of all elected members to join the House, and the party by refusing to do so till date was actually encouraging extra-parliamentary tendencies. That they have been able to go beyond the temptation of street agitation is a positive step and bodes well for the future. The party that had once rejected the election results and declared it would have little to do with the House is now going there. This is congratulatory.

But this presence mustn't be just an excuse for making a few comments in connection with the budget and walking back to the earlier held recalcitrant position. It has to be a genuine presence and participation in every sense of the term. In responding to media questions the party leaders have promised to be there during and beyond the budget session. They had earlier argued that the environment was not conducive for participation but are now saying that because the situation had worsened, they are going to the House in the interest of the people.

The people are primarily interested in a vibrant and active House which will look after their interest. People aren't going to argue much about what made them change the decision of boycotting the House and join now if their role in future is pro-people. That the people do want to see an active House rather than agitating streets must now be clear to all. One thanks them for understanding the wishes of the people.

But this is not just about the Awami League but the BNP as well. If their past is remembered, it will be seen that they too had boycotted the last parliament for years. They had justified their staying put on the ground that the Opposition was not getting ample opportunity to express their views on the floor of the House. One, therefore, hopes that they will be careful to avoid the same criticism. It's not just a matter between two parties but the parliament and the people as well.

One wishes the best and hopes that the members of the House will use this opportunity to strengthen democracy in a land where it's desperately needed.

# Off with Brazil, out with Belgium ...



M ANWARUL HAQ

Dhaka's diplomatic community. Every year on September 7 most traditional national day recep-

I somehow figured in his list of invitees for several years. And somehow because of my professional preoccupations I missed it for three years in a row. And invariably we crossed paths at another reception where he repeated exactly the same line, "Mr. Haq, you did not come to my country's national day reception. I will not invite you next time." But Moraes, despite his straight forward remarks, never took offence and invariably I was invited every 'next time'. Ultimately his long stay of nearly a decade in Bangladesh ended. And with his departure not only another friend of Bangladesh departed but the Brazilian mission in Dhaka was also closed down in 1998

American countries to recognise Bangladesh and opened a resident mission in Dhaka in 1974. However, Brasilia decided to close its mission at a time when its economic conditions were worsening with spiralling

Now comes the news that Bangladesh which is operating a mission for over two decades in Brazil is also closing it down, ostensibly as an austerity measure, although nothing has been said officially by the foreign ministry or the finance ministry. The Bangladesh flag will be raised for the last

of Brazil when it closed its mission

There is also an incoming report that Dhaka is also closing its long time resident mission in Poland with the Bangladesh flag being hoisted for the last time on October 31.

It seems Dhaka discovered after vears, that it should close down its Polish mission, ostensibly again for austerity measures but actually for lack of being unable to acquire any tangible economic benefits. That too Bangladesh is doing when Polish economy is having a robust growth and it is on the anvil for being a member of the European Union.

Besides. Warsaw continues to have

a presence at the CDA level.

Dhaka's decision may finally lead

Warsaw to shut its mission down

here just as Hungary decided in

1998 to close its Dhaka mission

because of Bangladesh's lack of

reciprocity in not opening a mission

in Budapest although while pulling

down the Bulgarian flag in Dhaka it

our embassy in Brazil it can be said

that Bangladesh is also shutting

down its only diplomatic presence

not only there but all across that

Available figures reveal that two

way trade in 1998 represented

transactions worth nearly 120

million US dollars with Bangladesh

exporting several traditional items

and importing soyabean oil and

In an interesting development

jute minister Hafiz Uddin Ahmed

only recently visited Brazil, just

before our mission's expected

demise, where he met, among

others, chamber leaders and

advised that they import jute directly

from Bangladesh and not from third

countries, i.e through European

buyers as is the case for many

Dhaka a little too late. And the jute

minister's visit is perhaps the only

ory not only to Brazil but South

ministerial level trip in recent mem-

That realisation comes for

vears now.

vast South American continent.

On the question of winding up of

cited "budgetary constraints."

much of economic potential. But as is said that time and distance cannot stand as a barrier for people who are in deep love and friendship. it can be said, perhaps with a little more certainty, that in matters of trade and business potential no distance is too far to travel.

There is still a chance to keep our mission in Brazil functioning, even if it is downgraded to CDA level. A mission closed is like bidding adjeu forever.

We have an able ambassador in Brazil who has been entrusted to

ACCORD AND DISCORD

arsenal which, among others, include training, expertise wisdom, and persuasive powers.

firing line and have to fire back before any other force can step in using the tools in their diplomatic

elsewhere but still have only five missions in Africa, of which three are located in the northern part. The country has reopened its

mission in Brunei, in Maldives, in Amman and in Madrid. The mission in Maldives can further enhance manpower export. With its opening Bangladesh is now having missions in all the SAARC countries.

Meanwhile despite receiving an offer from the government of Austria on providing free accommodation for setting up an embassy, Bangladesh did not open a mission in wind up the mission. But in reality, Vienna due to lack of clearance by

istan who have great love for Bangladesh. It only proves how much a resident mission could help other smaller organsiations besides business houses to participate in the development process of that country. We now connect with Kabul via our mission in Tashkent.

Bangladesh should also convince other countries to open more resident missions in Dhaka. That would be a natural inroad for bringing in more nationals of respective countries businessmen and tourists alike. And when a new embassy opens, it is said business comes on

A case in point is the closure of

the Belgian mission in Dhaka in

1988. Now Belgium provides its

consular services from Bangkok

like so many other countries provid-

ing from outside Bangladesh.

where the wholesalers operate and the manufacturers produce we cannot acquire the expertise to whip up a selling spree for Bangladeshi goods or the country as an invest-It must be remembered that our diplomats are our front line soldiers. They are constantly on the ment destination.

We must also raise the profile of our country through our missions

Any money invested in carrying out foreign policy goals should always be considered well spent. Mentionably, as a routine measure, audit teams fly to missions at high cost at regular intervals to check any over spending.

Closure of a mission by a foreign Before anyone else, most of our diplomats understand that they are country or absence of even a sub the sellers of the country's image mission or absence of a resident and products and every embassy is consular presence in Dhaka leads a sales centre.

If we can spend a whopping amount for our defence, we can spend a little more for our foreign policy. It must be remembered that our diplomats are our front line soldiers. They are constantly on the firing line and have to fire back before any other force can step in using the tools in their diplomatic arsenal which, among others, include training, expertise, wisdom, and persuasive powers.

We may be short in our resources but we can maximise their use and one of the best means is to invest in diplomacy. Bangladesh can live by diplomacy if it uses the right language at the right time, at the right place and before the right people.

It costs less and earns more

M Anwarul Haq is Diplomatic and Defence

America, the continent with so and Senegal we opened missions



ARIO Ceaser de Moraes Pitao was a familiar face in which was Brazil's national day the veteran diplomat who was the Charge d' Affaires of his country used to host a reception at his residence. And every year, unlike tions, it was held in the afternoon.

Brazil was one of the first Latin

time in Brazil on August 31. But sources indicated that

Bangladesh's current economic situation is not as precarious as that

did we ask if we had posted capable diplomats in Brazil all along these past years. Or was it a distant and safe location for 'exiling' some military officers or less competent

diplomats?

On one hand missions abroad are opened after evaluation of certain factors like if we would be able to reap the optimum economic benefit from that country for our country, enhance trade and investment potential and if there is presence of a sizeable Bangladesh community. On the other, the closure of a mission after functioning for two decades or more, reflects poorly on the diplomatic capabilities of both the foreign office and the large posse of diplomats posted over the years at such huge cost to the national exchequer

Here it may be said that Bangladesh's decision to shut some of its missions in the past has happened in conjunction with its desire to open some new ones, which seems not to be the case this time. On several occasions missions (including some of ours) are relocated by countries for political or economic reasons. After all, with changing times territorial jurisdictions must also be redefined. may be sometimes requiring a mission's reloca-

Over the past few years missions have been closed in Belgrade. Bucharest. Kabul. Harare and Dakar. In case of Zimbabwe

the finance ministry. Although we have ten missions in Europe and another for UN offices in Geneva, a mission in Vienna would lead to multi-facted diplomatic connectivity

After New York and Geneva, Vienna's importance as a diplomatic hub is internationally recognised. Vienna houses the headquarters of several important UN agencies and international organsiations besides being a gateway to the former east European countries. The headquarters of UN Industrial Development Organisation (UNIDO), International Atomic Energy Agency (IAEA) and UN Social Issues Secretariat and also the inter-governmental agency on Narcotics and Drugs are based in Vienna. Dhaka should proceed towards opening an embassy there if the offer is still on

It is also important that Dhaka reopen its mission in Kabul, if not at ambassadorial level, at least at the CDA level considering the opportunities ahead for Bangladesh's participation in Afghanistan's rebuilding. The BRAC, has already set up a full-fledged office in the Afghan capital and is planning to conduct educational programmes. They will also set up schools, clinics, undertake livelihood programmes and an artificial limb centre. BRAC officials say their growing presence is raising the profile among the people of Afghan-

to manifold problems involving difficulties in obtaining visa to delay in facilitation problems for the country's business circles and for the sizeable manpower that seeks inroads to almost every developed and many developing nations.

Belgium holds the heart and neadquarters of the European Union. It also headquarters NATO. Although we have a large mission in Brussels, we must insist that they re-open their embassy here and for good reason.

But it seems that while finance minister M Saifur Rahman has made generous allocations for many ministries and projects, he has made no substantial change in the allocation of the foreign ministry. This has happened despite the fact that foreign minister M Morshed Khan has not only diplomatic expertise but also commands sound business background. After all, in this age of economic

diplomacy when the thrust is on bringing more investment, it is money that we are talking about. But to bring in investment in busi-

# **OPINION**

# The new budget: A document for turning around strategy excess liquidity with banks and

M SHAMSUL HAQUE

national budget is a document that is prepared with two primary functions. One is to provide an estimate of revenues and expenditures for getting certain things done in the coming year. Two, it contains certain incentives and disincentives for people to change their behaviour and expectation in line with the goals and argets set in the budget information is given in terms of financial numbers and the second set of auidelines is given in form of fiscal and monetary policy changes. After a long time budget for FY2003 has drawn attention to both set of information as they are certainly different from the previous year's. Usually the second set of information is focused for discussion when marginal increments occur in revenue and expenditure estimates.

This year's budget is a document showing strategic intent and signals for change from the dwindling past. I would like to highlight some important features of budget for

FY2003 in support of my statements. These are as follows:

Revenue increases not unrealistic: FY 2003 budget apparently shows big rise in revenue estimates when compared with the dismal performance of 10-11 per cent of the previous AL government. Hence the fuss about it being too high and unrealisable. FY 2002 budget cannot be benchmark. If a trend line was fitted from the 1992-95 years of BNP government the revenue estimates would be justified (16%+) and those who will collect it, the NBR officials, have said it would be possible. In budgeting for business organisation it is those people in similar positions who are involved in budget making and implementation. It is now up to the political leaders to help maintain suitable conditions for revenue official to deliver on their

Besides there are 52 more days to collect taxes by officials in FY2003. In this country of slow processing of files this is physically more suitable. To revert to one-day holiday itself was a bold decision by BNP govt.. A poor country's officials cannot be allowed two days as weekly holiday. Business activities were also affected by two-day holiday

Since the services sector including NGOs have grown faster than other sector of the economy widening of the tax net to include them is justified. It is there that most of the money has gone in the past years. Substantial taxable capacity exists in this sector. On reduction of the taxable income limit from Tk.100,000 to Tk.75,000 the NBR and World Bank said that " this threshold is high by regional standards and given Bangladesh's income inequality". Hence it is more likely that revenue collection targets will be reached if a suitable monitoring system is put in place. That has already been done as noted below

Change and discontinuity from the past: FY2003 budget has demonstrated certain boldness in changing the course of the economy from conventional sectors such as manufacturing to agriculture where this country has definite comparative advantage. As things are, valueadded in manufacturing based on imported raw materials in Bangladesh hardly exceeds 25-35 per cent. (Garments exports-30 per cent and Pharmaceatical-30 per cent). In agriculture and agro-based industries value added can easily exceed 60 per cent. Such a change

of direction has been suggested by many for many years. However this was not possible so far due to the traditional budgeting system of spreading ADP funds over too many existing projects taken in the past for varieties of reasons, mostly noneconomic and donor induced. This year it was reported that no allocation was made for 152 projects (over Tk.24, 000 crore) included in the ADP. In FY 2002 number of projects without allocation was 99. That is BNP govt, took certain bold steps to change direction of ADP not only from its historical legacy, but also in dropping 53 new projects (over Tk.10,000 crore) on which donor funds were not available. To be able to abandon projects with past investment (sunk) is a sound financial decision. Based on time value of money-dragging projects for a longer period reduces its economic and financial viability. The abandonment decision for so many projects has allowed GOB to allocate more money for the newer projects in education, agriculture and IT sector. I can vouch that this will bring rich dividend to the nation in replacing our traditional export earners Needless to mention the opportunities of thousands of job creation from these projects. Job creation has been one of the main focuses of budget for FY 2003 as has been

said by the finance minister. This is not a budget in continuity from the past as has been suggested by some economists.

A shift towards self-reliant growth is also aimed at in the budget. That is in line with changing aid regime in the world.

Smaller deficit financing and fixed borrowing from banks: On the issue of much smaller deficit financing committed from the banking sector by GOB (Tk.1300 crore only), this is equal to 6 per cent of the total domestic financing, compared with 28 per cent in FY02 and 38 per cent in FY01. For the last twothree years I have written papers asking the AL government to save us from the tyranny of huge deficit financing and borrowing from banks. It is true inflation rate did not rise high because the AL govt. kept our borders open since the massive flood of 1998. But we have been paying the price of much high rate of monetary expansion in much depreciated external value of Taka. It lost 40 per cent its value during AL regime. There were runs on the currency and the nation was left on the verge of bankruptcy. The budget deficit for FY02 has been brought down to 4.3 per cent of GDP compared with 5.9 per cent of FY01. And the MOF has set a target of bringing it down to 3.9 per cent of GDP in FY03. This will strengthen macroeconomic balance. Some economists argue for higher budget deficits pointing out to India and other developing countries. At the same time they also raise question about our capability to implement projects and quality of expenditure. Are not these arguments contradictory? Like the AL govt did we must not simply spread public money, that too, borrowed from banks, to spend larger amounts. Until effective local governments are set up it is better that we make money available for the private sector. The finance minister has fixed

the limit of bank borrowing. This will signal the money market players that they will have to earn their living elsewhere. That is, from the private sector. For that they will have to bring down interest rates to clear the market. Private investment will get a boost, as current high interest rates are simply untenable given the

EDITOR TO

lower returns on investment. This in turn will reduce the borrowing cost of the government not only on bills but also on other savings instruments issued by GOB. That is likely to reduce interest burden of the government this year and following years allowing more savings in revenue expendi-There will be no crowding out by

the dominant public sector borrowing. Needless to mention that private investment will increase due to lower interest costs

Shared responsibility: The finance minister knows it very well that without effective control over expenditure and implementation of projects actual results will not be as expected. It was a correct decision to set up a Commission for Public Expenditure right from the beginning of the fiscal year. This is based on the concept of shared responsibility that will again give signal to the responsible quarters in the government to watch out. This Commission should establish a strong MIS immediately and prepare guidelines for its functioning. Lately the cabinet also approved to set a Revenue Commission for similar purpose.

The Privatisation Commission must act seriously to the heavy burden of SOE losses close to Tk. 3.00 billion in FY 02. Energy sector SOEs have been identified as contributing to 86 per cent of losses, besides causing production losses in other sectors amounting to \$1.0

Capital market will improve: As a professor of finance I must also express my satisfaction on the incentives as well as the disincentives given to the listed companies in stock markets. Tax holiday benefits have been widely misused and

have increased capital flights from Bangladesh. New companies with strong financial viability should be encouraged to float shares as opposed to those "green field" companies. Assets of many large SOEs such as JMB, T &T networks. Biman etc should be secuiritised. In the final analysis we must rely more and more on capital markets for long-term financing of investment For that, however, significant improvement must be made in efficiency of capital markets and corporate governance in the companies. Lots of work needs to be done in this respect if we keep track of what is happening in rest of the world, even in India on improving corporate governance.

Leadership quality makes all the difference between success or failure: In conclusion this writer fully endorses the policy changes and actions proposed in the budget for FY 2000. There may be relative hardship in some quarters, especially in urban areas. For a better future we must tolerate this and allow the economy to be placed on a stronger footing. The leaders in the government must show strong determination in their plans and policies. People in the government and in general must be motivated through effective communication to implement the budget. It is a budget for a turning around strategy of the nation. In the jargon of corporate strategy, "failure is not an option" for the government and the nation if we want to reduce poverty significantly within 2010.

Dr. M. Shamsul Haque is Professor of Finance at IBA, DU.

Proshika, which used donor funds

and profits derived from donor

funds to start their own ISP.

Proshika's argument presumably is

that their profits will be used for

As we have seen in recent reve-

lations that is quite untrue.

Proshika's profits, crores of it, are

lent to its boss for his own

Which one do you think will

benefit us more on the long run?

Gononet, BOL and Aftab BD or

# TO THE EDITOR TO THE EDIT

### Bias towards the host

FIFA should not have trusted Korea with such a major responsibility of hosting the World Cup. Anyone who has watched the matches of South Korea ought to know what I'm talking about.

In the Korea vs Portugal match in Round 1, I found the behaviour of the referee and the linesmen very fishy. Portugal needed to win the match to advance into the next round but the referees seemed determined to help Korea to qualify at any cost. They kept awarding free kicks to Korea every now and then on flimsy grounds and the dismissal of the Portuguese players were also not justified.

When I watched the match between Korea and Italy in Round 2, I was completely shocked. The

referee from Ecuador was simply outrageous. The goal that he disallowed was obviously not offside. Sending off a player like Francesco Totti during extra time without any good reason was also totally unfair. has become very obvious that the co-hosts South Korea have been manipulating the results of the World Cup matches. I wonder what their plan is-- do they want the World Cup by hook or by They should learn from their co-

hosts Japan who survived till the second round by playing real foot-

Sonya

Please join parliament On e-mail

#### precedence of boycotting the parliament on the plea of non-congenial atmosphere in the JS. In October general election people voted BNP and also AL to express their views and give voice to their hopes and

AL and also have created a bad

The law and order situation has gone down the drain and the opposition is least worried about the people's plight. When people have failed to get what they aspired from the ruling party, they turn to the opposition. But the opposition also

aspiration. People dreamt of

democracy in the true sense of the

term. But their dream wasn't ful-

Isn't there any one who care about the general people of Bangladesh? Bibek

#### Police training I read a news on 19th June edition of

The Daily Star stating that Bhutan wants training assistance from the Bangladesh Police Force. I was stunned and horrified, Why? Why would the Bhutanese Government want to inflict so much suffering and misery on its own people?

I can understand if the Bhutanese Police Force is corrupt and they need training to achieve greater heights in corruption and inefficiency, but isn't it bad enough to have one country suffer from the clutches of a totally degenerated Police Force rather than export it to another country and bring that nation to ruin?

Someone should quickly inform his Majesty King Wangchuk of Bhutan and tell him to call back his

Police Chief from Rajarbagh Police lines and hide him somewhere in Paro before The Bangladesh Police Force graciously accept the offer. Farhan Quddus

Old DOHS, Dhaka

## **Duty on computers**

There have been protests against the imposition of 7.5% duty on import of computers in the proposed budget. I support the government proposal, actually the duty should

First, we have to see who are the users of computers in our country, it is mostly used in offices- government, private and multinational companies and personal users ranging from middle-class to upper class, all of them are capable of paying 7.5% tax. If people can buy computers, paying 7.5% tax won't

be a big problem. If the essential food products imported for the mass are taxable then I don't find any reason why the non-poor- friendly computers should be tax-free.

Masum H. Khan On e-mail

#### Re BADA

Just under a year ago I bought what I thought was a good condition large Toyota sedan for a little over 10 lakhs. I used the ANZ Grindlays car finance scheme to pay for it. I wanted a nice largish car but couldn't afford a new one

From what I see in the full-page advertisement in your paper (June 20), for just 4 lakhs more I can afford a Volvo. This is amazing, until now the few Volvo S-40's in Dhaka banks at usurious interest rates to belonged to Ministers. For once, start this service. Then we have thank you Mr Finance Minister

THE EDITOR TO THE EDITOR

The second hand Toyota I bought from one of the best reputed and most successful of the Bijoy Nagar dealers is already giving me trouble. All my life the Nissan Sunny's on

the road always belonged to Secretaries. Now I can afford to buy one. Beowulf

#### "Tax the NGO's"

This is in regards to SRH's letter (June 20) supporting BNP's plans to tax the NGO's. I agree with him that NGO's in business activities rob the real entrepreneurs of their profits.

Proshika and BRAC's ISP? Taxation of NGO business groups is

development work.

expenses.

not the answer. A ban on NGO conglomerates is the answer. **Bastiat** 

Take my email for example, I use bol-online, owned by Beximco, who borrowed money from commercial