

## Ban on strike in Ctg port It's not about trade unions but mismanagement

THE government has banned strikes, processions, agitation, work stoppages and every other form of trade union activity for the next six months in Chittagong port. They will be reviewing the situation after that; but for the time being this decision has been taken by the authorities to ensure smooth functioning of the port which has been plagued by mismanagement for long. In the end, the situation has become so serious that the government put it under the umbrella of the essential services act to declare it strike free. The government has also announced that it will put Mongla port under similar protection in December.

The Chittagong port is the most sensitive institution in the country through which the life blood of the economy flows. It functions much below its optimum level. The presence of several trade unions active there points to the kind of political and economic stake involved.

But to put the blame on the trade unions alone and try to resolve the problem by ending strikes may be slightly missing the point. One would hope that the objective is to have a smoothly running port and for that a host of factors are responsible. Perhaps at the top of the list is the huge corruption network that manipulates and uses the port to make money that flows in many directions. The government's own agencies that are responsible for running the port are hardly models of efficiency and if the situation has declined the axe should be shared by numerous guilty shoulders.

That is why the authorities must take a long term view and ensure that all the holes are plugged and not just that relating to rights of workers.

We do appreciate the factors that contributed to this tough decision but we also feel that there should be equal distribution of guilt and responsibility. No one should be made a scapegoat and for that there should be a house-cleaning as a whole.

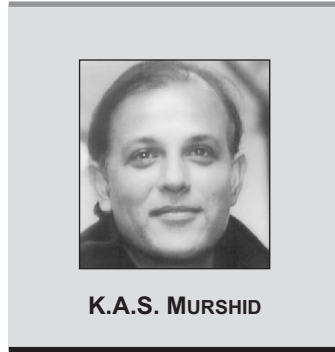
This is a six-month window of opportunity. The authorities must make best use of this.

## Dent on EC credibility Local administration of Sandwip should be taken to task

STRAY or not, unfortunate or not, that a zero turnout at the July 20 Sandwip municipal elections has put a dent on the Election Commission's credibility cannot be in question. Whatever the reasoning -- intimidation by the ruling Bangladesh Nationalist Party (BNP) and the Jamaat-e-Islami Bangladesh or 'popular rejection' of a flawed election, as local political leaders claim -- the fact remains that the Sandwip setback cruelly exposes lack of co-ordination between the EC and the local administration. It is indeed an outrage that the Sandwip administration decided not to apprise the electoral body of grim ground reality. The local authorities had known it all along that the political atmosphere prevailing at the offshore island was not at all conducive for an election. Although the news media had warned of widespread violence and intimidation, they made no mention of it in the pre-election law and order meeting on July 11. Such callousness points to at best incompetence and at worst a deliberate ploy to subvert the electoral system and discredit the EC as well as the government. The government should be embarrassed as well, for the blame for subversion of the Sandwip municipal polls has been put on two major components of the four-party alliance.

Overall, the EC and the government stand blemished by the unprecedented episode at Sandwip. There are many questions to ask and answers to get. The commission has already begun the process. Key local government and election officials of Chittagong have already been summoned for a meeting which, sources say, would lead to stringent disciplinary measure against people found guilty of negligence of duty. The government, on its part, should launch an inquiry into the whole episode to get to the heart of the matter. Questions such as why proper measures were not taken to protect voters from threats and intimidation, whether the administration in any way ensured the marionette of the municipal election by its inaction, whether it pandered to the wishes of local leaders and activists of the ruling alliance must be answered. At the party level, both the BNP and the Jamaat should try to find out the role their representatives played in this regard. They must realise that the Sandwip debacle has bruised the credibility of the electoral process because of their local units' misdeeds.

## A question of surplus



K.A.S. MURSHID

ECONOMISTS call it 'surplus', businessmen think of it as profits, *mastans* and student leaders call it *chanda* or toll and the Finance Ministry calls it 'revenue surplus'. Under whatever name it is known no one has any trouble understanding exactly what it is. Societies that consume too much or produce too little have no surplus to do interesting or desirable or even necessary things. The same analogy is equally applicable to governments, businessmen, *mastans* and individuals. Needless to say there's never been a shortage of resources to do useless things like write books (or columns like this one) that no one reads, or build poor quality 'all weather roads' that are unable to withstand even a single rainy season. So, first of all, no matter where we are, we need to generate a surplus. And in this connection both size and efficiency of extraction matter. Indeed a useful way of approaching policy actions is through an examination of their impact on surplus generation, extraction, accumulation, distribution and use. Presumably that's exactly what TIB has done while assessing official 'leakages' estimated at Tk 11,000 crore per year, i.e. around ten times the losses that Adamjee Jute Mills suffered in 30 years! Under such circumstances how on earth are we going to fund gas explorations, fast trains or even

'all weather roads'?

It should be clear then why the government is SO keen to e.g. double tax-revenues, generate savings through reduction of 'unnecessary expenditures', reduce the size of the government, close down state-owned enterprises and eliminate corruption from our economic life. Actually, the decision to close down Adamjee was eminently sensible. If it were possible to salvage AJM it would have been done. The culture of AJM and the country

steps that are also equally sensible. Detractors will of course continue to debate the closure of Adamjee for years to come. So will historians. I for one have been pleasantly surprised by the relative ease with which it was done and I have little doubt in my mind that many development experts will use AJM as a case study on how to get rid of SOEs painlessly. I can see the potential here for several dissertations, numerous consultancies on 'the lessons from AJM', and at least half

illiteracy so that they now need to be enlightened. What better way to do this than through books on National Leaders? I must commend the work of the committee set up with a retired Professor from the Oxford of the East in the Chair, to select books (worth a large amount of money) for school and college libraries up and down the country. I am familiar with the adage that charity begins at home. So I guess, is the Chair, which explains why he has selected half a dozen of his own books along with

*Little Boy*'. Now you know why I keep talking about surpluses. Just think of how many MORE of your wonderful books you would be able to buy next year with a fraction of the money we are going to save from closing down AJM. And if that is not enough we have an easier target for you: the English medium schools and private universities. What could be better than to tax those rich, spoilt brats out of the country while at the same time generating the funds to finance not just book purchases but perhaps

to drive the opposing student parties out (or underground) the main challenge will come from OUR own boys who understandably would be reluctant to lay down their six shooters and hatchets that have served them so well. I suggest that the 'guardians and godparents' of these boys (actually men) are compensated for earnings foregone because their wards are no longer able to bring in the loot collected from contractors, shop-owners and families of kidnapped school children. After all we cannot allow our leading citizens to starve, and at any rate, no one should be allowed to become 'worse off than before' due to a sudden change in time-honoured principals of patronage! .

I must confess to a very slight sense of nostalgia at the thought of the demise of student politics. My generation will no doubt remember the pitched battles fought in and around the DU campus (and indeed campuses throughout the country) with the police, the then EPR and the Army back in the late 60s when we were barely out of high school. Those were the heydays of student politics when both students and their leaders were respected and admired. Times have changed and what was relevant, indeed crucial then is a constant irritant, to put it soberly, these days. I say, OUT with student politics once and for all. To those 84 teachers I would simply like to say: "If you please, Sirs, perhaps you may wish to defend the right of your students NOT to be killed, maimed, kidnapped and raped right under your very noses before defending their right to engage in party political pursuits".

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## BETWEEN YOURSELF AND ME

What will come next? I have deep faith in the present, popularly elected government: it has a vast majority in the house which it can use to out-shout and bludgeon any opposing voice with ease (especially when helped along by a sympathetic Chair); it is ably shepherded by a large cabinet consisting of the best in the land along with an army of other, equally capable sons and daughters of the soil. Now is definitely the right time to address all outstanding challenges:

ensured that the type of incentives and signals that would have been needed would never materialize, while the jute industry presented its own set of problems. We have to face the fact that even the greatest of empires fall when their time comes. One can hardly say that the demise of Adamjee has been premature.

The question of how expensive it was to finance its closure is another matter and certainly deserves to be looked at. Thus, while short-term costs may be high (low current surplus), in the long run we stand to gain from lower government subsidies (future pie in the sky). There is a big IF involved here, as always: are we going to be able to keep the vultures eyeing the carcass of Adamjee, at bay?

Now, that Adamjee is firmly in the bag we are all eagerly looking forward to more bold and courageous

a dozen jobs with certain multilateral agencies for those key persons who have delivered AJM, so to speak, so that their experience can be fruitfully used in other contexts.

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A prime target, as we all know, is education. For too long our people have languished in ignorance and

those of his fellow committee members, friends, political gurus and of numerous other (little known) literary geniuses in this country. The fact that a person like Poet Laureate Shamsur Rahman has been ignored should teach all of us the importance of choosing one's subject of scholarship more judiciously. In the meantime can I request that we import some fig leaves for free or subsidised distribution? Even synthetic ones would be welcome.

At any rate, I would like to make a simple request to the committee: "Gentlemen, do you suppose you could recommend that the libraries that will benefit from your treasure trove of scholarship could keep a record of persons actually taking the trouble of consulting these masterpieces?" It would be a very interesting piece of statistics. Wouldn't it be nice to say 'one million people read my book on *Conversations with the Son of the Leader When He was a*

construction of museums, building of monuments and commissioning of short-films and plays as well.

I am certain that other challenges will be met with equal force and ingenuity. The debate on student politics is gaining momentum once again. This is an old debate that is unlikely to yield any new insight. While I have no objection whatever against students who wish to study politics I have no sympathy for those who are activists of political parties that continue to grope in vain for an appropriate 'ideology' to swear by. I earnestly hope that student politics will be banned, especially from Dhaka University. (If DU falls the others will crumble like ninepins). Congratulations BUET for drawing first blood! Despite all the thunder and lightning (e.g. from 84 teachers of DU) I doubt that it will result in any serious storms.

While it would be relatively easy

## Goodbye to Adamjee: Significance of its closure

SYED AKHTAR MAHMOOD  
writes from Maryland, USA.

BOLD decisions are rare in Bangladesh. Implementation of such decisions are rarer still. The fact that the government of Bangladesh has gone ahead with its decision to shut down the Adamjee Jute Mills may go down as a landmark in the history of economic management and, indeed, of industrial development in Bangladesh.

To many, this may appear an odd statement. There was a time when the Adamjee Jute Mills was considered the pride of our industrial sector. There was at least one product, jute goods, in which we were a major world supplier and Adamjee was the symbol of this flagship industry. How can the closure of this huge factory be considered a landmark in economic management, leave alone a highlight of our history of industrialization? Is this not more a sign of failure, a symbol of national shame?

There are many in Bangladesh who may think so and that is why the formal closure of an enterprise is not a common incident in our country. It is not just that labour often objects and stops non-viable enterprises from being closed down. It is also because it is deeply engrained in the Bangladeshi psyche that the closure of a business or the shutting down of an enterprise is a great loss of face, a national disaster almost.

Yet, orderly liquidation of non-viable enterprise is common in developed countries. This is strikingly evident when one compares over time the list of the top 100 or 500 companies in a developed economy. Every year the *Forbes Magazine* publishes the "Forbes 100" list, a list of the 100 largest companies in the US. This list was first prepared by B.C. Forbes in 1917 and, seventy years later, the magazine re-published that list, comparing it to its 1987 list of the top 100 US companies. How many of the original 100 were still there, at the top? Only 18! In fact, 61 of the top companies of 1917 did not even

exist in 1987. The same story comes out if we look at the S&P 500. Of the five hundred companies originally making up the S&P 500 in 1957, only 74 remained on the list through 1997. Change, not continuity, is what drives these economies.

Many years ago, the great German economist, Joseph Schumpeter, talked about this when he coined the phrase "creative destruction". Schumpeter wrote extensively about how creativity is critical to development; how the

he could and learned as much as he was given the opportunity to learn. He did his best within his domain. Now forces beyond his control have brought an end to all this.

Many would want to view Adamjee's closure from this human angle, moving beyond the cold calculations of accounting and the apparently heartless principles of economics. Yet one should not forget that there is nothing humanitarian about the adoption of inappropriate economic principles. The

dedication that he had developed over time, all these were assets for him which could have earned him greater dividends had he been employed more productively in a more prospective industry. This, in essence, is what resource reallocation is all about. We may believe that by providing a secure job to hundreds of Adamjee workers all these years, we did them a great favour. We may believe that we are doing the same with many others

possible that some of the machines in Adamjee could be used elsewhere. And, of course, if new enterprises develop, many of the workers could be re-employed and perhaps use their skills more productively. Some years ago, my friend the economist Binayak Sen, wrote a very interesting paper called "The Anatomy of Closure". Binayak studied a number of industrial enterprises in the Tongi area which had reportedly shut down. He found that, in reality, very few of them had

support should be time-bound. Open-ended support, especially for enterprises with doubtful viability, has rarely, if ever, proved to be a wise policy.

Some discussions of industrialization in Bangladesh emphasize the need to create conditions that allow new enterprises to enter the arena. In other words, people argue for entry policies. That is all very justified; indeed, free entry and competition are key to industrial development. However, it needs to be stressed that effective exit mechanisms are part and parcel of effective entry policies. When non-performing firms are not allowed to fail, they need to be propped up with subsidies or other forms of protection. Barriers to exit are thus also barriers to entry as these measures impose a "tax" on new entrants that do not benefit from them. Barriers to exit have been shown to have significant deleterious effects in many developing countries. India being a notable example. "Hard budget" constraints, another term for effective exit mechanisms, have been crucial to the success of the private sector in transition economies such as Poland. In summary, exit policies or the "freedom to fail" are precisely meant to enable assets (people, ideas, funds and physical assets) to be withdrawn from bad businesses and to be re-allocated to better uses. Good exit policies do not destroy assets and harm development; bad businesses do.

One can hope that the bold decision to close down Adamjee will forever change our attitude to the closure of non-viable enterprises. By changing our mind-set and helping to create conditions that allow more flexible movement of resources from low-productivity to high-productivity uses, the closure of Adamjee may indeed be viewed in future as a landmark in Bangladesh's industrialization.

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innovation of new products and new ways of doing things is key to generating growth. But he was quick to point out that building new things is only half the story. Equally important for development is the less popular task of eliminating and disbanding obsolete industries; creative destruction, as he put it.

One reason why closure of enterprises is likely to be unpopular in any country is evident from the many heart-wrenching pictures and stories published in Bangladeshi newspapers in the days following the closure of Adamjee; pictures and stories that bring out the human dimension of this huge factory's closure: the uncertainty, the fear and the tearful goodbyes as workers and their families took leave of their long-standing friends, co-workers and neighbours. Particularly poignant was a picture published in the *Prothom Alo* of an old worker, crying uncontrollably as he said good-bye to his loom, a loom that he had worked on for years, perhaps decades, a piece of machine which he may have tended to all these years with as care as he would give a child. He may have given his best all these years, worked as hard as

huge amount of subsidies that had kept Adamjee open, and this old man employed, all these years had its human costs too. The money that had kept Adamjee afloat could have been spent on building clinics and hospitals in rural areas or building and maintaining schools for poor children. Some of it could have gone to build rural roads, to develop irrigation networks or electrify our villages. Not that this would have happened necessarily -- governments could have squandered away the money on useless projects -- but there would at least have been an opportunity to spend on socially useful projects. It may have been nice to keep the Adamjee workers employed all these years but there was also an opportunity lost to spend the money in other, more worthwhile, ventures. As is often said, there is no free lunch.

There is another dimension to the human story and for that we may return to the old man whose picture we had seen in the *Prothom Alo*. Would he have been better off if Adamjee had shut down much earlier and he had been re-employed in another industry with much better prospects? The skills

who continue to work in factories that have long outlived their usefulness but which can't be closed because of what economists call barriers to exit. But, in actual fact, we are not. In the longer run, income and welfare of workers depend on how productive they are. And how productive they are depends on the kind of enterprises they work in and the nature of complementary inputs and machines they work with. We do not do favours to workers by keeping them in the same enterprise year after year, even after it is clear that the enterprise is no longer viable, and then one day spring a nasty surprise on them. They are better off in an economy where resources, including human resources, can move freely from less to more productive uses.

The closure of Adamjee should be viewed in this light. The shutting down of an enterprise does not symbolize the death of assets, but rather their re-birth. Already we are hearing about proposals about how the huge land on which Adamjee sits could be better utilized; some have spoken about establishing an export-processing zone, others have suggested an IT-village. It is

actually closed. Many of them had shifted to other lines of production, sometimes related to their original business and sometimes in totally different areas but always in more remunerative ventures. It is rather sad that this has remained a largely un-read paper, symbolizing perhaps the national attitude to closure of firms that I had alluded to at the outset.

If we are to think seriously about Bangladesh's development, it is imperative that we develop a better understanding of the importance of resource re-allocation in the process of development, of the value of closing down enterprises that are no longer viable, of the need to free up resources so that they are put to better use. All this requires that we systematically identify and remove the barriers to exit; i.e., factors that prevent non-viable enterprises or obsolete product lines from being closed down. We should realize that while there might be some merit in providing support to an enterprise that is in temporary difficulty caused by extra-ordinary conditions, such support could only be provided on an exceptional basis. The enterprise should be intrinsically viable and the

## OPINION

## 'Dhaka-Ctg high speed train...'

AH KHAN

THE write-up appearing in the Opinion column of The Daily Star on July 21 is interesting indeed. It, however, smacks of the same parochial considerations, which ruled the railway sector in this country since partition of the Sub-continent in 1947.

The taxpayers witnessed new railway lines being constructed and dismantled after a few years' operation, or abandoned after having spent considerable amount of public money. Narsingdi-Madanganj railway line was constructed and opened only to discover that the traffic it was expected to cater for did not exist. Abandonment of the line, therefore, was a wise decision! Similarly Faridpur-Barisal railway line became a 'priority', and a few kilometres of new track was constructed. Again we had to muster the wisdom to take a decision for abandonment. Interestingly Dhaka-Aricha railway line, which could have served as a vital link connecting the railway network in the western part of the country, was not considered important enough. This line could have also enhanced, to some extent, the viability of

Faridpur-Barisal Railway Project. River route, however, serves Barisal reasonably well. Dhaka-Aricha Railway Project was unnecessarily packaged, under parochial considerations, with a new Ishurdi-Nagarbari link. Dhaka-Aricha railway line, with a ferry between Aricha and Goalanda, could easily connect both the southern and the northern parts of the western region of the country, because of the existence of Hardinge Bridge over the Padma River. Interestingly, the twin project was started from the wrong end, namely, Ishurdi. As expected the project was abandoned after incurring some initial expenses. That the railway in the country was neglected and that inadequate investment was made in this sector -- these statements, therefore, are only half-true.

Now, coming to the subject of Dhaka-Chittagong high speed train, it can easily be visualized that the big investment involved for the magnetic levitation based high-speed train system, as proposed, can be justified only on very high traffic-density corridors. Naturally, therefore, Dhaka-Chittagong corridor should be the first candidate for consideration. The author of this paper does not pretend to know much about magnetic levitation. But it is known

that it has the prospect of becoming the leading future mode of surface transport, replacing both railway and road. Thousands of kilometres of magnetic levitation railway tracks are under construction in China. Many other countries, including the USA, are taking initiatives to use the newly developed technology.

We should not be afraid of the 'big investment' involved. After all, the country is striving to encourage more and more direct foreign investment. Build Operate and Transfer (BOT) and Build Own and Operate (BOO) are good arrangements for securing such investment, provided a transparent bidding procedure is followed. The bidding process itself will be a test of the viability of a project as well as 'affordability' of the users. After all the investor has to get his money back and, therefore, has the highest stake. Incidentally, BR has successfully implemented two BOT projects. These are the Computerized Ticketing and Reservation System and Conversion of Non-AC Passenger Coaches to AC.

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OMAR KHASRU

BUET, despite the recent troubles, is perhaps the only public institution of higher learning that still pursues education seriously and purposefully. The recent decision by the authorities to put a temporary moratorium on student politics is an enormously welcome and appropriate step. It is also the demand of the time, and that of students, parents, devoted teachers serious about imparting knowledge and society at large. Instant, strong and staunch protest, dissent and opposition are stemmed from the 'usual suspects', a term so appropriately used in the movie, *Casablanca*. They are the members of the opposition parties, affiliated student wings and associated front organizations of these out of power political parties. Then there are these 84 Dhaka University (DU) teachers, who have joined in the sanctimonious chorus of infringement of civil rights, contravention of civil liberties, breach of universal human rights, flouting of right to dissent, sky is falling and the wolf is here kind of discordant drivel. What it boils down to is the clamor is emanating mainly from profes-

sional politicians, professional student politicians and professional teacher politicians.

This tiptoe baby step of temporary prohibition on sordid student politics to confront tender terror, extortion, toll taking and other heinous crimes, including mayhem and murder, perpetrated by crime syndicates and criminal enterprises in the name student politics may be a provisional and proverbial band aid treatment on a festering wound. But it is a small and necessary step in the right direction and hopefully a prelude to a tab on student and teacher politics in all public universities, especially Dhaka University, hotbed of everything that ails public universities and detrimental to high quality higher education.

When most of the BUET students and teachers have hailed the action (Bangladesh Observer, 22 July 2002), the 84 DU teachers have slammed the ban on student politics (Daily Star, 22 July 2002). This shows a discrepancy of view, priorities, penchant and proclivities, a gap wide enough to drive an 18-wheeler truck through. As if things were not bad enough at DU, these teachers have to spread the gratuitous, uncalled-for, and

disabling tentacles by unwarranted intrusion into the affairs of another university, where, unlike DU, there is at least a semblance of serious pursuit of knowledge and learning. This is quite indefensible.

A cursory glance at the list of the statement-givers will make it clear that these are teachers who during the tenure of Awami League, enjoyed government patronage and largesse in terms of administrative positions and other favour. The main criteria of appointment of teachers to lucrative, beneficial and much sought after administrative positions seem to be political involvement and affiliation, and connections in high places rather than an objective evaluation of background. There are examples of teachers becoming Vice Chancellor, Pro Vice Chancellor or member of University Grants Commission (UGC) by sheer dint of political benefaction without regard for academic achievement. The question I, and I am sure the majority of hoi-polloi like me, would like to ask these 84 politicized teachers is, why don't they mind their own business and at least make a smidgen of effort to better the situation at DU, rather than interfering in

the affairs of another academic institution? Do they want to bring BUET down to the lousy level of DU?

People have a clear notion of the vicious and destructive nature, and squalid quality of existing student politics. The conjoined twins of criminal activity and student politics cannot be separated. The unholy nexus of politics, crime and student politics cannot be disbanded. So we have to go for the next best thing and go for the desperate, dramatic and drastic measure of banning student politics. BUET has taken the first right step. The hope and the prayer is other educational institutions will follow soon to divest and purge themselves of the onerous criminal enterprises. For the sake of reputation and eminence of the institution but mostly for the good of the society and the future of the students. Somebody should hammer the message in the heads of those who oppose, for egocentric and self-centered vested interests, the BUET ban on student politics.