

# Trade policies: The slip between the cup and the lip

## After the serial blasts

It's time to check our guards

UNFORTUNATELY, but not quite unexpectedly, Prime Minister Khaleda Zia and Leader of the Opposition in Parliament Sheikh Hasina have begun another round of blame game over Saturday's serial blasts at four movie theatres in Mymensingh. While the former has, in so many words, cast doubt on "those making smear campaign against Bangladesh at home and abroad", the latter pointed fingers at "an identified fanatic terrorist group within the (four-party) alliance". In the aftermath of the dastardly attack on unsuspecting moviegoers, such conspiracy schizophrenia in the leadership is what the country and the people neither desire nor deserve. At this point in time, we need to put the entire episode in perspective, assess its national, regional and international implications and, more importantly, trace whatever evidences we have down to the perpetrators.

Saturday's serial bombing is set against the backdrop of the September 28 explosions at a cinema and a stadium in Satkhira and several blasts last year, including the ones at a Communist Party of Bangladesh (CPB) rally at the Paltan Maidan on January 20 and Bengali New Year celebrations at the Ramna Batamul on April 14. The pattern of attacks makes it clear that the bombings were well-coordinated acts of a powerful network and that the blasts in Mymensingh may not be the last. The scenario is indeed ominous and calls for shored up and sustained security arrangements. Terrorism has become more pervasive than ever before, especially after the United States waged its war on terror. Several blasts at public gatherings over the last one year or so clearly indicate that the authorities have not at all been on guard against terrorist strikes. There has not been any warning or any caution from the intelligence agencies before any of the blasts.

Equally inept have been the investigating agencies -- the Detective Branch of Police, the Criminal Investigation Department and what have you. They have not yet found any leads on either the motive or the masterminds of several powerful explosions since 1999 that have killed nearly 100 people. In some cases, their callous handling of the situation led to even obliteration of crucial evidence. For example, after the blast at the Ramna Batamul, the spot was left accessible to curious public for a couple of hours. By the time the authorities awoke, some clues might well have been trampled upon.

Only objective investigations can reveal the masterminds and their motives behind Saturday's serial blasts. Be it the act of a local crime cartel or a religious group with international terror links, the incident has once again given us a reminder that the country is not at all prepared to fend off global terrorism. As terrorism transcends geopolitical boundaries, we need to take a more comprehensive approach to the whole issue. If need be, we may well seek international forensic expertise to get to the bottom of the terrorist bombing exploits.

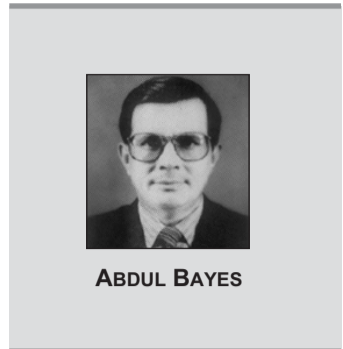
## Poverty alleviation

Poor should be included in policy-making

THIS year's World Population Report by United Nations Population Fund (UNFPA) raises some fundamental questions. The report called for global partnership to reduce poverty primarily through better healthcare services and a wider literacy coverage. Bangladesh has a long way to go in both areas before she can alleviate poverty on an accelerated or sustained basis. We admit that there have been some breakthroughs in the health sector, notably on child immunisation programmes, but maternal mortality rate remains worrisome, even though it has been static for the last few years.

Infant mortality rate has gone down but babies are still being infected with deadly diseases. And recently the threat of spreading HIV virus has increased the vulnerability of people to even greater risk, especially because of low awareness about the issue in general. The government has set up community hospitals with the assistance of some donor agencies, but these are besieged with problems. On the other hand, ensuring basic education for all still remains a tough task. We must do something about dearth of teachers and arrange proper and adequate funding to boost the education sector.

We support the UNFPA's appeal to include the poor in policy-making decisions. They should have 'voice in policies and programmes that affect them', because without their input, the programmes are likely to falter. We join the UNFPA in urging governments and international agencies to develop a global partnership that could be beneficial to all those who are involved with poverty alleviation programmes.



**ABDUL BAYES**  
NICHOLAS Stern, senior vice president and chief economist of the World Bank (WB) recently delivered a written speech in India. The tone of his speech appeared to me quite in tune with the current concerns centring on international trade: "Making Trade Work for Poor People". As I glanced through, I felt tempted to draw upon his draft for two reasons. First, he advocated trade as an engine of growth and poverty alleviation -- a hypothesis one can rarely reject these days (and especially when one serves in the WB!). And second, he succinctly summarized the reasons as to why trade is not what trade should be for the poor everywhere. In other words, he pointed out the slip between the cup and the lip as far as trade policies, growth and poverty alleviation are concerned.

**Trade, growth and poverty: Indian example**  
The eminent economist started with Indian economic growth performance and its relationship with trade reforms. During the 1960s and 1970s -- the period of pervasive protection -- economic growth rate of India had been staggering at less than one per cent per annum. But the rate rose to 3 per cent during the 1990s -- a period when India pursued extensive trade reform policies. As a result of the shift from inward to outward looking strategy, India is reported to have reaped home good harvests: about a one-third increase in consumption per

capita over the last decade and a 5 to 10 percentage point reduction in national poverty rates. Nicholas Stern attempted to adduce the achievement to trade policy reform that seemingly spurred economic growth. Mentionably, trade reform *per se* does not propel growth but plays a key role in improving the investment climate. And investment climate is one of the two pillars of a credible poverty reduction strategy that the author had argued else-

where. The other pillar, to him and in his words, is the empowerment of poor people whereby they get access to better health and education to enable them to take part in growth and participate in decision making that mould their lives. The nexus is thus clear: trade reforms influence investment climate; investment climate affects growth and growth affects poverty. Drawing upon the experiences of a large number of countries -- especially the two of our giant neighbours, India and China -- the author spoke of a positive correlation between openness to trade, income growth and poverty reduction. For example, in a recent study, economists J. Frankel and P. Romer found that an increase of one percentage point in the ratio of trade to GDP raised income by at least one-half per cent.

**Big players, bad practices**  
Industrial countries (big players in the game of trade) boast of average ad valorem tariff of less than 5 per cent on manufactured goods. But in practice, alleged Stern, these countries continue to have very high tariffs on many products of impor-

tant to developing countries. This so-called tariff peaks relating mostly to agricultural and textiles and apparels -- are essentially harmful to exports from poor countries. According to Nicholas Stern, tariff peaks are also reflection of tariff escalation implying that the more a product is processed, the more is the restriction it has to face. In EU and Japan, for example, fully processed food products face tariffs twice as large

price of milk. In the US and the EU, the market price is inflated by 71 and 76 per cent, respectively. The support instruments in the US comprise, for example, government purchase of dairy products, export subsidies, high import tariffs and tariff-rate quotas. Unfortunately, the losers are likely to be, first, the poor consumers inside rich countries who tend to spend a larger share of their income on milk and other dairy products. Secondly, the poor milk-

regulations require mechanical milking for imports of dairy products. In a nomad society with camels that are 300 km away from the main ports, this is a prohibitive costly proposition. Of course the case could be brought at the WTO for the lack of "sufficient scientific evidence" to support the ban but the \$3-5 million earning did not justify the costs of the court. There are many such cases in evidence -- and Stern had to cut

claims, second only to US. (Bangladesh's trade relation with India soured following some of the antidumping initiations against Bangladeshi products). Stern's advice to India to this effect is important. By resorting to these tactics, India is just protecting the rent seekers who had to quit markets on the eve of the abolition of tariffs and quotas. Again, by the same breath, India is doing harms to the growth of regional trade and investment. Because of its big size, India's openness to the region is more important for its own sake and for the sake of the region.

**Important points**  
First, trade is good for growth and growth for poverty alleviation. Trade reform is thus essential for growth elevation and poverty alleviation. Second, trade at the moment is not what it should be for the poor due to the following reasons: (a) developed countries tend to discourage exports from poor developing countries through a volley of non-tariff and 'behind the border' policies. Non-tariff and behind the border policies tend to militate against the interest of the poor; (b) Antidumping policies adopted by developed and some of the developing countries (specially India) tend to serve the interest of the high-cost inefficient domestic producers and delay the development of exports in partner countries where the poor have a stake in exports.

**The missing points**  
In a country like Bangladesh, trade reforms programmes are allegedly tagged with the inflow of aid from multilateral donor agencies. Some other least developed countries also covered commendable mileage as far as reforms are concerned. But what penalties await those who tend to constrict the exports from least developed countries? It is expected that WB should do something about it to see that the cup and the lip go together.

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## BENEATH THE SURFACE

In a country like Bangladesh, trade reforms programmes are allegedly tagged with the inflow of aid from multilateral donor agencies. Some other least developed countries also covered commendable mileage as far as reforms are concerned. But what penalties await those who tend to constrict the exports from least developed countries? It is expected that WB should do something about it to see that the cup and the lip go together.

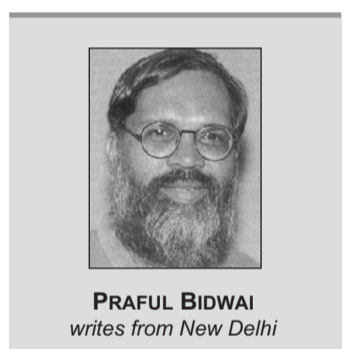
men and small and medium producers of poor countries also tend to lose due to perverse policies. As mentioned before, India has strong capacity to supply dairy products to OECD but for bad practices in those countries. (Distance should not deter any move to exports since New Zealand has been supplying butter to the European markets for decades).

In the name of food safety, argued Stern, developed countries went to limit the exports of the least developed countries. Of all the specific examples that he cited, allow me to mention -- and paraphrase when needed -- the case of camel cheese from Mauritania. A Mauritanian producer, Tiviski by name, won a prize in German trade fair for the cheese. He quickly found German distributor and the cheese was to be sold at luxury shops such as Fauchon in Paris and Harrods in London. Exports of camel cheese was likely to alleviate poverty since the main ingredient, camel milk, is collected from nomad producers most of whom lie below the \$1/day poverty line. But sanitary regulations in EU stood on the way as EU

short the list I presume -- that developed and relatively strong developing countries have been pitting against the exports of least developed countries. Again, it is not only through tariffs, agricultural subsidies or sanitary regulations that developed countries continue to constrict exports from developing countries. They also use a variety of other means. As a result, for developing countries specially, either market access is contained or the cost of doing business is raised.

One of the anti-poverty policy is antidumping charges. Products from developing countries are charged with antidumping. Nearly four-fifths of the antidumping initiations reported to the WTO in the mid-1990s by the US and EU were against products from low and middle income countries. Disconcertingly, of late, developing countries have also been plagued by the detrimental development of antidumping virus. India emerged among the top ten countries affected by antidumping initiations. Stern noted that since 1995 India surpassed the EU to become the number two initiator of antidumping

# PM should visit Pakistan: Break the ice now!



**PROF. PRAFUL BIDWAI**  
writes from New Delhi

also linked his visiting to Islamabad for the proposed SAARC (South Asian Association for Regional Cooperation) summit to Pakistan "completely" ending its support to "cross-border" terrorism. New Delhi had earlier made its participation conditional upon Pakistan granting India "Most Favoured Nation" (MFN) status under a World Trade Organisation agreement -- i.e. putting India on a

three months ago and agreed to confirm the dates by September 23. Six did so. India stalled and linked its participation to "progress on economic cooperation", to be determined at the Committee on Economic Cooperation, meeting in Kathmandu in October. This reviewed how far SAARC has moved towards a South Asian Free Trade Agreement (SAFTA) by the year-end. India believes Pakistan is

similar fears. India should slow down SAARC trade liberalisation, while negotiating fast-track deals with individual countries, e.g. Sri Lanka. All this can be discussed. But for that, a summit must take place. No one should make SAARC a hostage to unilateral concerns or bilateral disputes. India shouldn't cancel the summit citing "terrorism". If this argu-

prepared to talk on any issue except Kashmir". The summit is not about Kashmir. The Association's charter forbids discussion of bilateral issues. There is every reason why India should reopen dialogue with Pakistan, following the welcome dismantlement of the 10-month-long military build-up. Pakistan now has a new civilian government. Although all power doesn't vest in it,

India. His first statement in office emphasised improved relations as his "topmost priority". Mani Shankar Aiyar, a former diplomat who has known Mr Kasuri from his college days in England, believes he will treat "our negotiators in an honest, straightforward way, without resorting to wile or guile". It is possible that Mr Jamali and Mr Kasuri won't be allowed to succeed. But India must give them a chance, not prejudice them. Freezing diplomatic contacts has not helped India's counter-terrorism, economic or political concerns. Indeed, it has caused suffering to ordinary people, strengthened communal forces in both countries, and intensified the entire region's stagnation.

**At the end of the day, Pakistan must be persuaded that it's futile to try to bring India to the negotiating table through terrorism. This can only happen if the ground-situation in Kashmir improves. India has nothing to gain by pursuing hegemonic plans, as distinct from a principled policy vis-à-vis its neighbours. Its security and prosperity lie in improving relations with them. Despite problems, that category includes Pakistan.**

par with its other trading partners. Mr Vajpayee's latest statement might altogether destroy the summit planned for January 11 to 13. Mr Vajpayee is ill-advised to stipulate such conditions. The summit -- and resumption of an India-Pakistan dialogue -- is in India's own interest. A lesson from cancelled past summits, including that in 1999, is that the annulment ill-serves regional cooperation. The progress, peace and prosperity of South Asia's 1.3 billion people hinge upon cooperation. India's official position on the summit is inconsistent. It recently denied the summit dates were even communicated to it. In truth, the Foreign Ministers of all seven SAARC states met in New York

dragging its feet on this. Other SAARC members contest this view. The Kathmandu "consensus" was that "considerable work" needs to be done before the SAFTA framework is signed. Pakistan insists the MFN issue must be delinked from SAARC. The WTO agreement contains certain provisions, based on which a state can delay granting MFN status to another. Bangladesh, a "least developed country", also wants more time. By forcing the pace of trade liberalisation, India risks losing SAARC itself. For its part, Pakistan is reluctant to give India MFN because its trade and industry fear Indian goods will flood their market. Other SAARC states too have

ment was valid post-December 13, why did Mr Vajpayee attend the Kathmandu summit this past January? Why did he go to Lahore in 1999 without a let-up in militant violence in Kashmir? India did not break off relations with Pakistan when militancy erupted in Kashmir in 1989. The two negotiated confidence-building measures over two years. Throughout the 1990s, there were talks. The Agra summit happened -- without a change in the border situation. It's only after 9/11 that India adopted a macho, US-style "tough" stance. New Delhi now seems inclined to scupper the summit. Mr Vajpayee has further confirmed this by asking: "What's the use of going to SAARC when [Pakistan] is not

it is not a hardline regime and excludes the fanatical Muttahida Majlis-e-Amal (MMA), Manipulative and undemocratic as he was, Gen Musharraf did succeed in keeping them out. The new Prime Minister, Mir Zafullah Khan Jamali, is supposedly a liberal. Pakistan's recent history shows that even those who enter office as the army's stooges (e.g. Junejo and Nawaz Sharif) can end up fighting it. Foreign Minister Khurshid Mehmood Kasuri has an even better image -- on account of his distinguished lawyer-father, his education, and membership of the principled Tehriq-i-Istiqal. He is associated with Track-II diplomacy and wants better relations with

We must negotiate on all issues, including terrorism and Kashmir, after restoring people-to-people and diplomatic links. At the end of the day, Pakistan must be persuaded that it's futile to try to bring India to the negotiating table through terrorism. This can only happen if the ground-situation in Kashmir improves. India has nothing to gain by pursuing hegemonic plans, as distinct from a principled policy vis-à-vis its neighbours. Its security and prosperity lie in improving relations with them. Despite problems, that category includes Pakistan.

Praful Bidwai is an eminent Indian columnist.

## TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR

Letters will only be considered if they carry the writer's full name, address and telephone number (if any). The identity of the writers will be protected. Letters must be limited to 300 words. All letters will be subject to editing.

**Terrorism in Mymensingh**  
Once again innocent people are targeted for the disseminating someone's ulterior political propaganda. It is the worst thing that can happen to the people of a nation. It has been long time that some quarters in our country are trying to prove our nation as a fundamentalist and we are also giving them fuel by not capturing those culprits who are responsible for these series of bomb blast from Uddichi to Mymensingh. We, the ordinary people, have seen enough political drama. Now we want some results. The Government should employ all its resources to bring those mindless creatures to justice. In this regard the Government can seek help from the Western nations as they have a lot of expertise in this matter. **Md. Mynul Mamun Dhaka**

**Telephone installation charge**  
It is really frustrating that in our country, the installation charges for a telephone are the highest in the world: about Taka 20,000. Why are we being deprived of telephone facilities? Why is the government doing nothing to ensure us of this facility? Instead, the government is engaged in publicising mini-projects like routine digitalisation of different exchanges and so on? During this age of communication, telephone is not only an essential commodity, but also to get a telephone connection is our technological right as well. **Alif Laila Dhaka**

**Time for a new defence strategy**  
While everyone has some type of defence organisations to protect them e.g. Europeans have NATO, US also has NATO, NorthCom, NORAD, DoD, [Borg, Species-8472] and God knows what else,

what do the Arabs/Muslims have? Let's see, ...please wait... processing... processing...Eureka, I have managed one; Gulf Cooperation Council (GCC)! Now, has anyone even heard of this? Unlikely. It is high time that Muslim/Arab countries united, did some soul searching, spent some money and created at least something similar to NATO - if not more powerful - to protect them. Believe you me, they desperately need one! **Azad Miah Oldham, UK**

**Copying spree**  
The next SSC exam is not very far away. What has the government decided to do about the copying spree that becomes a chronic problem during these public exams? Mass cheating prevails in almost all the institutions in our country, especially in the rural areas and this has spread among the students like an infectious disease. What is most frustrating is that the guardians and

the teachers help the students in copying. Students who have political connections are often protected and these students think that being able to copy in exams is their right. If we don't stand against this malpractice, we would never be able to get rid of this vicious cycle. Strict laws should be implemented to control copying spree. Those who copy and those who help them should be brought to book and punished. The government should take necessary steps beforehand and try their best to control this malpractice. **Azaf Chowdhury Barisal**

**HBFC Loan**  
Minister for Finance and Planning, Saifur Rahman is reported to be said that the HBFC loan repayment policy is as such that even if your grandson continues to pay the instalments, yet the loan would not be adjusted. Moreover, the Minister said during a session in the JS on

12/09/02, that unless the rules of HBFC are amended, anybody, once trapped in the HBFC loan policy, will not be able to get rid of it in his lifetime. On the same occasion, on reply to the question of Mr. Monirul Haque, a government party member, "Whether the decisions of the last Sangsad's Petition Committee are going to be implemented?" the Minister said that he was not fully aware of the fact and the issue would be raised in the Sangsad after inquiry. So far I can remember from BTV telecast of the JS on that night, the Minister also said that he would do it within a month. We are glad that the Finance Minister realises the trouble the HBFC loan receiver face and we hope that he would do something immediately to save us from this burden. **Md. Omar Hyder Dhaka**

**Overhaul police**  
We feel secured and happy after the deployment of army to tackle the deteriorating law and order situation in the country. The police force is to be blamed for the deteriorating condition --they have failed miserably to carry out their responsibilities. There are many complaints against the police: toll collection, earning money by keeping connection with the criminals, rape and even murder, etc. The murder of the police informer Jalal and dumping the dead body in a water tank afterwards is still vivid in our minds. We feel disheartened by the fact that the army will return to the barracks ultimately and the police would again be in charge. We request the Prime Minister not to withdraw the army till a reliable, efficient and dedicated police force is formed. An overhaul of the police force is a must. They should be equipped with sophisticated weapons and devices that will help them to deal with the criminals; and the number of policemen must be increased. Are not the policemen feeling ashamed that they have failed in

their duties? They should take lessons from the army about discipline, hard work and dedication. **Nur Jahan Chittagong**

Corruption prevails everywhere in our country. And we have already been branded the most corrupt nation in the world. It's not that there aren't criminals and terrorists in other countries. It is the very opposite. But they have a better, competent and responsible police force and that's where we lack immensely. Our police force is the most corrupt, irresponsible and politicised police force. The government's recent army deployment to curb terrorism clearly indicates the failure of Bangladesh police. We hope the government will succeed in this joint drive. And we wish it would keep party politics out of it. Otherwise no joint force will be successful. And please overhaul the police force for the sake of the nation and the people.

**Md Alamgir Hossain Magura**

**Woes of the tax payers**  
There remains an eternal tug-of-war between the taxpayers and the income-tax officials. Distrust and animosity exist between the two groups and paying income tax is a permanent source of anxiety and inconvenience for the taxpayers. Therefore, a hassle-free income tax payment procedure is urgently needed. Rules have to be redefined, if necessary. Collection of revenue under income tax will increase significantly if given emphasis on three things -- expanding tax net, depending more on indirect taxes and a foolproof tax accounting system. Above all, the age-old concepts and procedures have to be abandoned and replaced with updated and realistic frames tailored for the 21<sup>st</sup> century. **Abul Ahsan Narayanjan**