

Restructuring the SoEs

Job cuts should combine with employment creation

THE trimming of surplus manpower in the State-owned Enterprises is basically downsizing the government to make the state sector cost-effective, efficient and productive. Thus, when we hear of 40,000 job cuts being on the anvil for different state corporations and manufacturing units this fiscal, it does strike a responsive chord in us.

The World Bank is to lend US \$300 million for the golden handshake under its development support programme. By FY06, 75,000 to 100,000 employees will be jettisoned from amongst a total of 200,000 staff members in 96 state-owned manufacturing units which have been earmarked for privatisation. The process began last fiscal with 40,633 employees being retrenched from 22 SoEs at a severance cost of Tk 718 crore.

Most of the SoEs are white elephants. They have been a constant drag on national resources, time and energy. These have caused budget deficits year after year. The fact that they are not efficient, productive and viable reflected adversely on the economic part of governance by any ruling party. Governments have had to borrow hugely from the banking sector to keep the elephantine corporations afloat with the result that the private sector suffered a credit squeeze while the default loan figures of the SoEs accumulated.

In this context, it is good to learn that whatever number of SoEs remain in the field would be 'put on hard budget constraints and well-designed performance contract will be in operation with an appropriate system of rewards' to prove themselves. All this is very good, but wouldn't it be enough to ensure their efficiency. Two important elements are missing: they do not have competent management; and they are devoid of autonomy in their functioning. Unless we enhance the managerial abilities and give them functional autonomy as distinguished from the cosmetic variety, they will never be viable corporations or manufacturing units.

One more point, a highly valid one at that. Much as we want the bloated and wasteful institutions trimmed of their flab, we must go all out for new employment generation and skill creation. The downsizing should go hand in hand with new capacity building. Without that happening, the gain from job cuts will be just one-off.

Indigenous people need protection

Land grabbing allegations require official probe

A report from Moulvibazar says that part of a Khasia village has been grabbed by a group of people led allegedly by a ruling party activist. The attackers also abducted three members of the community in their bid to establish control over the land.

The news is extremely disquieting since the attack is on the ancestral home and habitat of a segment of indigenous people. The community complains that the number of Khasia villages has come down to 90 from 120 in the pre-independence days. So they have already lost a lot of ground, but civilised conduct on the part of the majority could still allow the indigenous people to live in peace. They actually give us the opportunity to prove our bona fides in terms of upholding their rights both in theory and in practice.

The Moulvibazar incident could be interpreted as a failure on the part of the local administration to protect the interest of the Khasia community. They apparently went slow in handling the matter. And this might be construed as an attempt to cast aside the grievances of a backward and vulnerable community, particularly when a ruling party activist is reported to have masterminded the whole operation.

Nobody has the right to alienate a group of people from its own land. The gravity of the crime can be gauged easily if it is measured by the universally accepted yardstick of human rights. These people and their lifestyle add to the cultural and linguistic diversity of society and, as such, it must be seen that their rights are not trampled.

The government should look into the matter and bring the culprits, who are known people, to justice. The local administration, for its part, should go beyond saying that it was not aware of such gross infringement on the rights of some citizens. They must act.

FDI: US observations point to our tasks ahead

M. SHAHIDUL ISLAM

SERIOUS economic players must not allow others to find pitfalls. Pitfalls hurt credibility. Yet, our pitfalls are so ubiquitous that foreign investors are scared away by the bottlenecks found strewn in the bureaucracy and the judiciary of this nation.

As Dhaka looks East to broaden the range of its international trade, the country's biggest investors—USA—expresses dissatisfaction of things that stand between quick disposal of trading disputes and in enacting desired amount of Foreign Direct Investment (FDI) to the country's sailing economy.

In its July 2003 *Country Commercial Guide*, the US Trade Center in Dhaka exposed a catalog of handicaps that it believes are acting as deterrent to foreign investment. The report comes on the heel of substantial decreases in the flow of FDI to the country.

The report blames non-implementation of government policies and bureaucracy and legal bottlenecks as major impediments to foreign investment. It talks of the hassles relating investment in the container port building, in private TV channel and in host of other ventures that got bogged down amid bureaucratic red-tapism and procedural duplicity. The government says it will look into the US' concerns.

It is one thing to look, quite another to mend. The US Trade Center's observations may not be truly reflective of the real investment ambience prevailing in the country, but they constitute an indictment on the failing, duplicitous, incompetence and dishonesty of a system that gathered rust and needs immediate re-vamp.

More worrisome is the fact that the accusations come from a country whose investors have around \$1.3 billion worth of their money at stake in Bangladesh. Since the mid 1980s, over 200 US companies have gradually crept into Bangladesh's economic scene although the major chunk of such investment arrived in the 1990s following the 'visible discovery' of gas and oil.

FDI vs. free trade

The proportion of FDI to the overall GDP serves as a prime indicator to measuring up a country's degree of

integration into globalization and free trade. Using this yardstick, one observes Bangladesh's truncated standing as an economic player. Especially between 2001-02, FDI had spiraled down from \$78.1 million to \$45 million in a \$40 billion(GDP) economy.

Until the US companies' arrival, private investment in the energy sector has been insignificant throughout the 90s, totaling about \$500 million during 1990-99.

Curiously, the latest US observations followed a different observation by the World Bank, which said in its latest report that, 'without significant improvements in energy distribution, expansion of FDI in generation and production

1) expose the degree of anger that any foreign investor is wont to feel with regard to Dhaka's handling of international trade issues.

Legal limbo

Allegations like these also collide with the 1986 Bangladesh-US investment treaty that stipulated measures to encourage and protect US investment. Since irritations have multiplied over the years irrespective of the existence of such a treaty, Colin Powell had insisted on Bangladesh signing a new Trade and Investment Framework Agreement (TIFA) during his last month's brief stopover in Dhaka.

The TIFA, however, is meant to do a different trick: bringing into effect more rigorous regulations

international trade relations. The legal limbo is indeed a matter of serious concern for investors from within and without.

The US trade center's allegation that foreign companies' profit remittances have been delayed for over one year in some instances—pending tax clearance—is another disturbing sign. "As a result, actual foreign investment has lagged well behind its potential," claimed the report. Interestingly, few will dare to disagree with the report's main thrust and the theme.

The winding path

The path to investment in Bangladesh is an ever-winding and circuitous one. It is compounded further by the shameless corruption of

While the debt to GDP ratio is over 160% in China, Bangladesh still enjoys a comfortable margin due to its debt GDP ratio not overshooting the threshold of 50-100% that most economists believe as safe... The twin danger to investment comes from the dwindling public investment by the government and the more alarming depletion in the flow of FDI. This double danger retards employment opportunities, hence the buying power of the consumers and the instances of poverty.

is unlikely to be financially sustainable. Many foreign investors seem to be heading to these words of caution, as the dwindling FDI trends reflect.

The FDI situation deteriorated badly in July-March 2003 when the total foreign investment reduced to a trickle (\$28 million only) of what came during the corresponding period of the previous year. In July-December 2003, it dipped even further to a meager \$16 million, 55.6% less than the corresponding period of 2002. The US observations, hence, seem timely and telling.

Although the trade balance between the US and Bangladesh had always tilted in Bangladesh's favour, the US did not hesitate to allow lately duty free access to a number of Bangladeshi products under the Generalised System of Preference (GSP). It, therefore, seems perplexing as one hears about a US exporter's traumatic experience of being stuck for eight years to obtain payment for a shipment of wheat.

This and many other observations (See the *Daily Star*, July 21, p-

and modalities pertaining to fund repatriation in particular. But that in itself not slacken Dhaka's endeavour to mind to the existing US concerns and mend them accordingly.

For, over 40% of Bangladeshi exports head for the US, fetching over \$2 billion annually to the nation's economic basket. Despite the recent slump in global demand, Bangladesh's overall export rose during the first six months of FY 2003, reducing the trade deficit to \$624 million from the \$788 million in the corresponding period of the previous year. The US's robust buying from Bangladesh has a lot to do with such a positive trend in our export drive.

Dhaka also can ill afford to deny the pitfalls of our legal system, which is yet to catch up with the expectations of foreign investors. The system is incapable of redressing grievances with respect to compensation, tort, expropriation of fund and bringing to justice the corrupt bureaucratic and business 'mafias' who claim monopoly in matters economic at the expense of the rules and regulations govern-

and other officials-- and the overlapping bureaucratic supervision by officials from the Board of Investment (BOI) and the Export Processing Zone Authority.

The report claims 30-40% of the overall fiscal deficiency of Bangladesh springs from losses incurred by the State Owned Enterprises (SOE). The Board of Investment (BOI), on the other hand, only registers investors outside the EPZ.

Investors willing to invest in power, mineral resources and telecommunications must face bureaucratic hurdles in respective ministries while garment exporters must obtain production allocation for quota from the Export Promotion Bureau (EPB). 'BOI is not the one stop shop as is touted by the government', maintains the report.

Although the BOI is housed organizationally in the Prime Minister's office, regulatory and administrative powers remain vested in respective ministries. The report hence remains dismissive of the BOI's role as an effective advocate for foreign investors.

Municipal law and

For, a provision in the US Bangladesh Bilateral Investment Treaty lays out procedures for referring irresolvable investment dispute for third party settlement in the ICSD. As well, there are other mechanisms to resolve international trade disputes under the aegis of the WTO and the UNCTAD.

Dhaka is reminded to be receptive of another fact, that, besides being the largest investor, the US also does out about 4% of its international aid to Bangladesh each year. This has resulted into a phenomenal increase in the US annual aid over the decade; from \$170 million in the early 1990s to about \$332 million by now.

The military collaboration and wage remittances from the US constitute the two other strong currents of ties to bind the knots and nuggets of the two nations' mutual interests.

Regional scenario

Dhaka's shortcomings can also be gleaned by comparing within the region the level of FDI the other nations had attracted. Throughout the 90s, India outperformed Ban-

gladesh in enticing foreign investors despite Bangladesh having opened up its economy in the late 1970s and India beginning the process almost two decades later (since the early 1990s).

Even China received more FDI than the US throughout the 90s without dismantling the Communist infrastructure. China's annual average FDI flow exceeded the \$45 billion mark throughout the 90s. The Asian economic miracle and availability of cheap labour acted behind such phenomenal inflow of FDI to the region.

Bangladesh's fault-ridden investment climate deterred investment from the region as well. East Asia is awash with dollar for investment, some \$950 billion in excess liquidity sloshing around the region's banking system, reserves and portfolios. More dollars are heading to the region due to the stymied performances of the US and European equity markets. Dhaka must prepare herself to attract some of those funds without squandering any more time.

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The changes in the regulations and attitudes are also called for due to the UNCTAD's prediction of increased FDI in the least developed nations (LDCs) in 2003-04. In its recent survey, the UNCTAD predicted the FDI to rise almost 84% in some selective LDCs.

Bangladesh is unlikely to be one of those lucky ones with its age-old attitude and a baby-walk toward reforms that should have been in place long before foreign investors caught us napping.

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Hindutva threatens secular India

DR. FAKHRUDDIN AHMED
writes from Princeton

ON July 5, the writer attended a conference in downtown Philadelphia's sprawling Pennsylvania Convention Centre, organised by the Islamic Circle of North America (ICNA) and Muslim American Society (MAS). One session was devoted to "Hindutva in India and America," with two guest speakers from India. Father Cedric Prakash, a Christian from Ahmedabad, Gujarat, and an eminent syndicated columnist whose columns appear in The Daily Star, Mr. Praful Bidwai, a Hindu from New Delhi. It was truly a privilege and an honour to listen to and talk with the two fiercely patriotic Indians. If I were to list their accomplishments, that will take up the remainder of this column!

Father Prakash related that on March 25, 2003 former police chief of Ahmedabad, Mr. Krishnan, gave a blow-by-blow account of the complicity of Mr. Modi's government in the killing of Muslims in February 2002. The next day, Mr. Krishnan was shot dead by assailants in broad daylight! Father Prakash also recounted how his

to seek the permission of the civil authorities, failing which they are liable for imprisonment. The punishment is double for women, Dalits and the tribals, "who cannot think for themselves." For Hindutva, Gujarat was a "laboratory." Now that the experiment has been deemed a success, it will be repeated all over India, the BJP says. Father Prakash pleaded: "We are fighting to preserve the secular character of India. I am not speaking to you as a Muslim, Hindu, Christian, nor as a Pakistani, Bangladeshi or Indian. I speak to you from my heart to respect as human beings our brothers and sisters. In many places in Gujarat and Ahmedabad, Muslims cannot buy a house, own a shop, get a job, attend a good school or hold their

the nuclear bomb (which degraded India's secular ethos), and most disturbing the carnage of 2000 people, mostly Muslims (which visited darkness upon 50 million people of Gujarat.) The last was instigated by a political agenda to undermine the plural and secular character of India. Mr. Bidwai painted the true pictures of India: "India's richness lies in the fact that India has always been multicultural, multireligious, multilingual, multithetic, with different cuisines, modes of dressing and social interactions. India boasts of not only Hindus, Buddhists, Muslims, Christians, Jains and animists among its population, but also of Jews in Maharashtra and Kerala. Islam in India is as old as in the Middle East. It was introduced in

people of other faiths, is to transform secular India into Hindu India, so that all non-Hindus are disenfranchised. The idea is to drive Muslims out of the political process, commented Mr. Bidwai. Dalits listening to Vedic verses have been threatened with the pouring of molten brass into their ears!

Before the 10th century, Hinduism was more complex, Mr. Bidwai said. The hierarchy in Hinduism, with privileges for a few Hindus, not the masses, dates back to the 10th century. The European fascists of the 1930s inspired the Indian fascists. The RSS, modeled after Hitler and Mussolini's parties, was founded in 1925. Now Jews in Israel, Indians and neoCons in America support them. As the

BJP government has presided over the ethnic cleansing of Muslims in parts of India, it has suffered no consequences. On the contrary, BJP's main fundraising wing in the America, VHP, has opened 73 chapters in the US and enjoys tax-exempt status! VHP is a very powerful presence in the US. When the US Senate attempted to pass a resolution criticizing the Gujarat massacres, the VHP went into overdrive, and the US Senate backed off!

The BJP and the Sangh Parivar are upper class Hindu-led movements. Even former actress turned politician, Miss Jayalalitha, defended 1992 and 2002 Gujarat. BJP draws support even from the most modern and highly educated Indians of the Indian Silicon Valley. Mr. Bidwai lamented that in Mahatma Gandhi's own Gujarat, now polarized, the Mahatma, whom the world idolizes, is "hated;" the real hero is "tough" Sardar Patel! Mr. Bidwai cautioned that the BJP is succeeding in tainting the minds of the young. During interviews for admission into one of New Delhi's most selective and prestigious colleges, 65 per cent of the applicants named Hitler as their number one hero! Mr. Bidwai also warned of the BJP's hidden agenda against the Muslims. "In Utter Pradesh and West Bengal no party can win an election without some degree of Muslim support. By attempting to disenfranchise the Muslim voters through intimidation, the BJP wants to deny them political power." Stripped of political power, Indian Muslims will be really at the mercy of the BJP!

"Hindutva is hegemonic, not Hinduism," Mr. Bidwai stressed, while exhorting the audience not to despair but to act: "Let us not accept BJP's version that India is a Hindu state, and that all Muslims are terrorists and agents of Pakistan. Majority of Indians are not fundamentalist. They have a stake in this. They want India to remain multi-religious, they want to normalize relations with Pakistan, and they share a tradition of human rights, dignity, tolerance and respect for each other." With the

LETTER FROM AMERICA

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friend, a former Muslim Member of the Indian Parliament was killed. The MP knew, and had appealed to the highest authorities in Ahmedabad to save his life. No police was sent, and the MP was first stabbed to death and then his body burnt. Earlier this month, all 21 Hindus accused of burning Muslims alive were acquitted. The New York Times correspondent Hari Kumar reported on July 8: "A Muslim woman who recanted her testimony that Hindu neighbours burned members of her family said that Hindus in Gujarat caused her to change her story. She was threatened with death if she did not recant. She was told that if she did not recant, she would be killed."

The woman, Zahira Sheikh, 20, was the key witness in a trial of 21 Hindus accused of burning 14 people alive in March 2002... After the recantations, all 21 were acquitted." So much for justice under the BJP!

Father Prakash added that anyone wishing to change their religion in Gujarat is now required

heads high and say, 'I am a Muslim.'

"We cannot discriminate against any religion. The police can arrest any Muslim or Christian on charges of terrorism any time. We don't want Gujarat in every part of India. The world cannot remain silent. We have had a patient hearing in the US. American citizens should pressure the US government. Recently, an American Judge awarded 116 million dollars to the families of two Jews killed by the Palestinians in the Middle East. Two thousand people were massacred in Gujarat in 2002. Will the Judge award 116,000 million dollars to the families of those killed in Gujarat? If not, why not?" the priest posed.

In his talk, Mr. Praful Bidwai said that four recent events have shaped India negatively: The 1975 emergency rule, (which had more to do with Indira than India,) the 1992 demolition of the Babri mosque (people's revenge on a holy place,) the 1998 detonation of

India not through force, but by the Arab traders in the middle of the 7th century. Christianity came to India along with St. Thomas."

According to the people in power today in India, Mr. Bidwai said, India is a Hindu country, which was repeatedly invaded by foreigners, who must now be destroyed. They argued that the Babri mosque was built on the birthplace of Rama. When archeological excavations revealed that what lies beneath the Babri mosque is an OLDER mosque, the BJP, VHP (Vishwa Hindu Parishad) and RSS said, "it is a matter of faith." Mr. Bidwai pointed out "there is no text book that says so. It is a fabricated faith, a negative faith on destruction." (The bottom line is, Indian court's ruling notwithstanding, a small Hindu temple has been operating on the site of Babri mosque since 1992, and it is now clear that the BJP will demolish two more mosques at Kashi and Mathura, as was reported by Mr. Kuldeep Nayar in the Daily Star on July 1