

The galloping prices

No one to hold the reins

FREE market is not free-for-all. That's the realisation we should have from the current upward price spiral, knowing full well that its more man-made than an upshot of any natural imbalance between demand and supply.

It is edifying to note that the rising prices of daily provisions are not in the category of goods which have been taxed in the budget. In other words, the price hikes we are witnessing happen to be artificial bearing no relation to the fiscal measures contained in the budget. Even before the budget got operational, the prices were jacked up through speculative trading, fuelled earlier on by an increase in the government pay scales. Now comes the rain; all concerned beware of another price spasm!

The government ought to exercise levers against the price manipulators but it is seemingly capitulating to them. The natural question to ask would be: is it deliberately shutting eyes to what's happening lest there is a political cost to it, or is it a reflection of poor market intelligence? It is both, some discerning observers are apt to say. Any government worth the salt knows that skyrocketing prices would only reduce its popularity. So, if any political costing is to be done about higher prices it has to favour the general people rather than any coterie of businessmen, importers or wholesalers.

Customarily, when prices are jacked up, percentages of hikes against a benchmark would be worked out, causes, both natural and man-made are surmised, commerce ministry would hold series of meetings, businessmen have a taste of tough talk, they are asked to put up price-lists, ministers get photo-op as they visit market places. The charade goes on with inter-ministerial meetings and despatch lawmen to the bazaars. Prices don't come down.

Such symbolic acts are a wee bit more than playing to the gallery. It is time a composite approach were adopted to hold the price line on a sustainable basis. Frankly, CPD executive director Debapriya Bhattacharya's recipe finds a responsive chord in us. It is for the commerce ministry to have the figures for imported stuffs, commodities produced, stocks and demands so that supplies and prices are co-related and monitored and the price line is held in the end.

Overall, market management requires an effective role on the part of the finance ministry in regulating inflation.

Default culture within government

Outstanding gas bills surprising

IT is mind boggling to read the amount of money outstanding to the government on account of gas bills. And the biggest defaulters are the government and semi-government organisations under different ministries, owing more than fifty percent of what is due to the government on this account. We do not know whether these organisations have similar outstanding bills for other services provided by the government.

Why, may we ask, has such an amount been allowed to accrete in the first place? It was not a matter of months but years that both the users on one hand and the service provider on the other, have remained inert that such a huge amount remains unpaid for long.

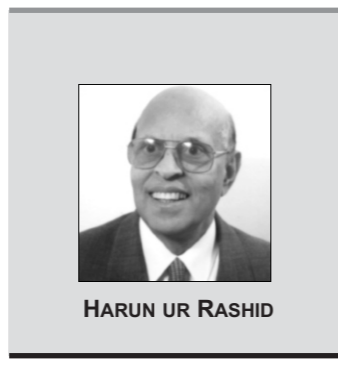
When it comes to the government agencies not paying their dues timely, it not only is a question of default culture it is also very much an issue of lax financial discipline. After all, the government ministries and their under command agencies have money provided for expenditures under these heads in their yearly budget. There is no reason why gas bills should go unrealised for months together, unless money provided for to defray expenditures under these heads are appropriated for spending on some other heads. This speaks of an abject apathy towards proper management of finances as well as a total absence of accountability.

Needless to say, such failure to pay has a knock-on effect on the economy that we must not allow to happen.

It is not enough to urge the defaulters to pay up only. Some serious action against them is called for so that this is not repeated. It is also not enough to have these amounts deducted ab initio from the respective budget allocation, as some high ups have suggested. That may allow realisation of some part of the bills, it will, on the other hand, lead to tremendous misuse of gas.

The default culture should be purged from the psyche of our bureaucrats. Making people more accountable is one way of doing it.

Poverty-reduction is more than debt-relief



HARUN UR RASHID

BRITAIN is the chairperson of the incoming G-8 Summit starting on July 6 and continuing for three days at Gleneagles in Scotland. The G-8 consists of the eight most industrialised nations of the world, namely the US, Britain, France, Germany, Italy, Canada, Japan, and Russia (Russia was invited to join lately).

It is good to note that Blair is moving heaven and earth to rescue African people from poverty. It seems that Blair has become a "Good Samaritan" after going into a messy war with Iraq, against the wishes of the majority of his people in Britain.

British Prime Minister Tony Blair constituted a Commission on Africa and is the driving force for reduction of poverty in Africa and cancellation of debts owed by African states. Blair has made a trip to the US on June 7 and met President Bush.

The US President said to the media that helping Africa was a "central commitment of my administration's foreign policy" and on June 29 declared to double the aid to Africa for a five-year period but did not disclose the exact amount. The disbursement of aid will depend on conditionalities, such as political reforms, good governance and privatization of state-owned enterprises.

On July 2, in London's Hyde Park (and in seven other locations around the world), the Live 8 concert was conducted in which popular rock stars, such as Madonna, Paul McCartney, Elton John, U2, and Bob Geldof (famous for Ethiopia's famine relief Live Aid concert in 1985). The London concert has been free because it is not to make money but

to raise awareness of poverty in poorer countries. Yet the London concert has already made \$7 million dollars for aid to the poor.

Geldof has requested hundreds of thousands of participants of concerts to converge on Edinburgh (Scotland) to send the G-8 leaders a message: "Make Poverty History."

Disparity between rich and poor nations

Statistics indicate that the G-8 nations hold more than 60 percent of world's GDP, use 70 percent of the world's resources, and consume 86 percent of all goods in the world, although they constitute only 20

international financial institutions. The G-8 nations are expected to provide the debt-money to the international financial lenders.

The new World Bank President Paul Wolfowitz (one of the staunchest protagonists of the Iraqi war) made his first trip to Africa, taking his cue from the British Prime Minister and the US President. It seems suddenly after the Iraqi war, debt-relief in Africa has become the "flavour" of this year.

Can debt-relief reduce poverty in Africa?

Although debt reduction will boost the African countries to direct funds to

development in social sectors, one may argue that agricultural subsidies in the US and in Europe (in the EU zone, \$1 billion a day, 40 percent of the EU's budget) have distorted global trade, causing a glut in food production within the EU and affected adversely the African countries.

The subsidies to its farmers (4 per cent people within the EU) are more than six times the amount of aid given to developing countries.

Developing countries produce primary agricultural commodities and they cannot sell them in the G-8 countries because of tariff and non-tariff barriers. Trade is more important than aid. The World Bank estimates that protection in industrialised countries (mostly in G-8 nations) costs developing countries more than \$110 billion in trade, twice the value of aid. About half of the amount is caused by tariffs on agriculture and textiles.

Another fact that merits attention is that export-marketing is controlled by transnational corporations and as a result, a study found that 85 percent of cocoa beans, 75 percent of bananas, 90 percent of tobacco, 85 percent of tea, 90 percent of coffee, and 90 percent of wheat are marketed by transnational corporations.

The primary producing countries get only a fraction of the retail price of their commodities. A study by UNCTAD showed that cotton producing country's share was about 6.4 percent of the retail price of a ready-made garment (for example, if it is sold at \$8 dollars a piece, cotton producing countries get only 52 cents).

All the statistics show that to help developing countries, it is necessary to design an equitable global economic system. The existing system draws cheap raw materials from developing countries and sells manufactured goods to developing countries at a much higher price.

This means G-8 nations constitute the "core" of the world economy and developing countries in the Third World including in Africa exist as the "periphery" of the global economy. This system is often called neo-colonialism. Some say that those countries who practice it, it means power without responsibility and for those who suffer from it, it means exploitation without redress.

Aid and loans to the African countries did not bring prosperity for their people, rather they were burdened with huge debt. In its own internal review in 2000, the World Bank found that, of the projects it had sponsored in the poorest countries, barely one in three had achieved acceptable results.

The 33 impoverished nations have accumulated debt of about \$100 billion and strangely enough, during 2000-2004, there was a net transfer of financial resources of billions of dollars out of the African countries to rich nations, mostly to G-8 countries.

Another bottleneck is the time-gap between the pledge and disbursements of aid. On June 13, the leaders of five African nations (Botswana, Ghana, Mozambique, Namibia, and Niger) confronted President Bush in the White House and pointed out that the US was releasing aid at a very slow pace.

They expressed their bitter disappointment at the US not accelerating disbursement of aid through the Millennium Challenge Account, (the White House's primary channel for aid) to poor countries, although they fulfilled all the conditions of aid, namely commitment to democratic elections and sound economic policies.

Poverty reduction and equity go together. Although the attempt of Blair to reduce poverty in Africa through cancellation of debts is commendable, the G-8 nations do not contribute 0.7 percent of Gross National Product to aid as per UN recommendations. The US spends 0.14 percent, the lowest of any industrialised nations. To cut hunger and poverty in half by 2015 as per Millennium Development goals requires a doubling of aid budgets, a further \$50 billion a year in aid.

The retired World Bank President Wolfensohn said at his last interview at the end of May: "\$1,000 billion around the world on military spending and around \$60 billion on development is a huge imbalance. And we think we are dealing with the issue of peace."

Accountability of leaders of African countries
Why do many people in Africa live below the living standard compared to that of the period of 60s?
Many observers believe that many of the leaders have a persistent tendency to disregard the necessity and relevance of public morality in their actions and conduct. They generally have behaved and acted as though their countries and national resources are little more

than their private or family property. Internal conflict, poor governance, and anti-business policies have stymied growth in these countries.

Ian Taylor, senior lecturer in African politics at St. Andrews University in Scotland, says in his article in the International Affairs, that the problem is not that Africa has no money but that many leaders spend it on the wrong things or embezzle it. He argued that in 2003 the Nigerian President built a stadium for \$347 million, twice the country's health budget that year. The money stolen by leaders in Kenya in the 90s could have educated all the country's primary school children for a decade.

Taylor cites figures showing that between 1970 and 1996, \$274 billion was taken out of 30 African countries, much of it by dictators. The amount was 145 percent of the debts those countries owed. Taylor says that he is not against debt-relief, but suggests other countries follow Denmark, which has pulled its aid out of countries it found to be corrupt, such as Malawi and Zimbabwe.

Conclusion

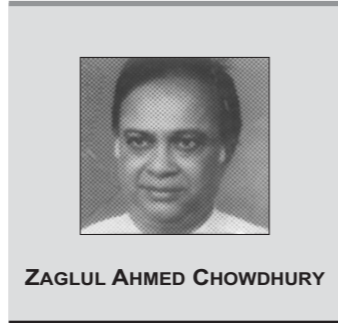
To reduce the poverty for people in Africa and elsewhere, it is imperative that the G-8 nations should take a holistic view of the situation. This includes not only the accountability of African leaders, but also the need of reforms of international institutions such as the World Bank and the IMF. Some economists go to the extent that they should be replaced by more equitable global institutions to reflect the present-day world of 191 member countries of the UN and more than six billion people.

Nobel Laureate Amartya Sen sees the need of reforms and argues: "The command over resources, knowledge and technology that we take for granted would be hard for our ancestors to imagine. But ours is also a world of extraordinary deprivation and staggering inequality. There is a need for change, a strong case for a far-reaching re-examination of the institutional structure of the international world."

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

BOTTOM LINE
To reduce the poverty for people in Africa and elsewhere, it is imperative that the G-8 nations should take a holistic view of the situation. This includes not only the accountability of African leaders, but also the need of reforms of international institutions such as the World Bank and the IMF.

First year of UPA government in India



ZAGLUL AHMED CHOWDHURY

THE United Progressive Alliance (UPA), a rainbow coalition led by the Indian national Congress, has just completed its first year in the office. Following the last general elections, it replaced another alliance government, National Democratic Alliance (NDA) headed by the Bharatiya Janata Party (BJP). The UPA government has no requisite majority in the house, but it formed the government on the support of the communists, who have 61 members.

Many thought that this outside support would not last long since the leftists do not see eye to eye on many issues with the UPA. Even though they have common approach on the issue of secularism. But such assessment has been belied since the understanding remains - although this might have slackened to some extent. The leftists are not fully happy with the performance of the government, but are keen to keep the UPA in power lest non-secular forces once again regain the governance.

India, the largest democracy, is experiencing coalition culture in recent times and it is now almost inconceivable that any single party can have its government in the south bloc. Needless to say that this pattern of government is getting strengthened in India and the latest UPA government is no exception. Gone are the days when a single political organisation could muster enough support in the lower house of parliament and stake claim to form a gov-

ernment of its own. Even the major parties seldom these days remotely dream of having an absolute majority in the 545-member lower house (Lok Sabha), elected by direct popular votes. They either seek to reach electoral understanding before the voting or look for like minded parties in the event of necessity to form of government as an absolute majority is often lacking. The previous NDA government and its successor UPA alliance fit in the same milieu of coalition culture.

The coming together of different political forces for the purpose of rule is not unusual in parliamentary

democracy, which may come by both under compulsion or sheer political understanding. But it has also its own pitfalls particularly when none of the constituents enjoy outright majority by its own strength. This is mostly the case in the Indian political scenario these days. As such, how long the coalition government can remain in power is always a matter of interest.

The Congress which spearheaded the country's independence movement, ruled the nation without any interruption for a pretty long spell and one person, Jawaharal Nehru, the first prime minister, remained at the helm till his death in 1964. Lal Bahadur Shastri, Indira Gandhi, Rajiv Gandhi and Narasimha Rao -- all Congress Prime Ministers -- headed their party governments without any coalition. The single party ascendancy in the pattern of rule ended when Congress under Indira Gandhi lost in 1977 to Janata Party, which

was born out of combination of several political organisations. Morarji Desai, Chadrsekhar, V.P. Singh, H.D. Deve Gowda, I.K. Gujral and lately A.B. Vajpayee -- the non-Congress Prime Ministers -- were product of coalition culture. The present head of government Dr Manmohan Singh is no exception as he leads a multi-party government although his Congress is the dominant force in the alliance. The coalition authorities generally come into being depending on political exigencies and at times relying on the support from outside. The UPA government has nearly 20 parties in it

and obviously the ruling coalition often comes under pressure from the constituents, which have both ambitions and priorities despite having broad common agenda. The Indian government has survived these pressures in the first year evidently for the reason that none wants to jeopardise the authority that gives benefit to all.

The UPA government has several heavyweight politicians coming from various parties and their ambitions may create problem for the ruling alliance. The presence of Sharad Pawar of Maharashtra and Laloo Prasad Yadav from Bihar is potentially troublesome since these senior politicians can come into differences over their influence and strategy. However, so far a positive condition persisted despite some differences and no doubt this has been made possible largely because of the remarkable gesture demonstrated by

heavily since advancement of the polls by several months was a misjudged decision which boomeranged on the NDA. A major reason for its largely unexpected electoral debacle was its apathy for and negligence of the rural areas. The new UPA government appears to be quite conscious of that attaching importance to the previously neglected sides. It has taken several welfare-oriented programmes. Prime Minister Dr Manmohan Singh and his finance minister P. Chidambaram often stress on the need for developing rural economy as well.

While the economy looks healthy, the UPA government has faced political embarrassment on several issues. The opposition has kept up its pot boiling against the government and is firing the salvo against the "tainted" ministers. Former coal minister Shivu Sharan was forced to quit as a sequel of an earlier criminal

investment and creating uncertainty in the Textile, RMG and related sectors. Meanwhile normal business activities are being complicated and saddled with debates on Rules of Origin, SARC Cumulation, Bonded Warehouse and other such issues. There was no conflict of interest between BTMA and BGMEA when incentives were timely disbursed. With the delay and uncertainty in the matter and the ever hanging threat of "spoon feeding", the whole textile sector is now confused and uncertain about the future. Considering this environment it is believed that a minimum cash incentive of fifteen percent would be realistic and bring back confidence in this sector.

It is high time that our government wakes up to the realities, and spells out its policies clearly on a well defined time frame. Bangladesh is perhaps the most competitive country for textile production considering all factors. Whereas other countries are injecting incentives to their textile sector, we on the contrary are withdrawing it. This will make it difficult for our entrepreneurs to operate and survive in a highly competitive global arena.

Showkat Aziz Russell, Managing Director, Partex Holdings, is

case and some other ministers too are opposition's target including influential Laloo Prasad Yadav. Mr. Sharan was re-taken in the ministry and later made chief minister of his Jharkhand state even when the majority of the UPA in the state assembly was not there. The BJP protested and finally the opposition prevailed and this came as a serious jolt to the image of the UPA. Influential railway minister Laloo Prasad Yadav has of late been charge sheeted in a case when he was chief minister in Bihar state, but he has not so far resigned. The prime minister or for that matter UPA chairperson

ever, the decision to skip the 13th SAARC summit in Dhaka causing postponement of the event was not without controversy and the recent decision by the government to resume arms supply to Nepal even though the dismissal of the elected prime minister by the King was severely denounced by New Delhi has come in for criticisms from several quarters including the leftists. However, the government has shown interest in the re-scheduled SAARC summit in November this year, and this will help it remain close to the SAARC family.

On the whole, the UPA government in India is faring reasonably well even though it is not free from trouble at home. There is no immediate or major threat to its existence and it can rely upon leftists' support for near future unless any serious hiccup torpedoed the understanding. The absence of the leftists from a government function marking its first anniversary indicates that all may not be well in the UPA-leftists relations. However, no major rupture is expected barring unforeseen developments. The government seems firm in the saddle. The first year anniversary was unfortunately marked by bomb explosions in capital New Delhi when a film was being screened allegedly containing scenes hurting the sentiments of the minority Sikh community. Delhi is ruled by Congress party and as such the government is embarrassing for the UPA. Close on the heels of the first anniversary of the government, the Bihar state assembly has been dissolved much to the criticism of the opposition. The hung assembly failed to facilitate formation of a government but the UPA government in New Delhi chose to scrap the legislature when opposition NDA was in striking range to form a government with defectors.

This may bring UPA-NDA on collision course.

Zaglul Ahmed Chowdhury is a senior journalist.

MATTERS AROUND US

Close on the heels of the first anniversary of the government, the Bihar state assembly has been dissolved much to the criticism of the opposition. The hung assembly failed to facilitate formation of a government but the UPA government in New Delhi chose to scrap the legislature when opposition NDA was in striking range to form a government with defectors.

ever, the decision to skip the 13th SAARC summit in Dhaka causing postponement of the event was not without controversy and the recent decision by the government to resume arms supply to Nepal even though the dismissal of the elected prime minister by the King was severely denounced by New Delhi has come in for criticisms from several quarters including the leftists. However, the government has shown interest in the re-scheduled SAARC summit in November this year, and this will help it remain close to the SAARC family.

On the whole, the UPA government in India is faring reasonably well even though it is not free from trouble at home. There is no immediate or major threat to its existence and it can rely upon leftists' support for near future unless any serious hiccup torpedoed the understanding. The absence of the leftists from a government function marking its first anniversary indicates that all may not be well in the UPA-leftists relations. However, no major rupture is expected barring unforeseen developments. The government seems firm in the saddle. The first year anniversary was unfortunately marked by bomb explosions in capital New Delhi when a film was being screened allegedly containing scenes hurting the sentiments of the minority Sikh community. Delhi is ruled by Congress party and as such the government is embarrassing for the UPA. Close on the heels of the first anniversary of the government, the Bihar state assembly has been dissolved much to the criticism of the opposition. The hung assembly failed to facilitate formation of a government but the UPA government in New Delhi chose to scrap the legislature when opposition NDA was in striking range to form a government with defectors.

This may bring UPA-NDA on collision course.

Zaglul Ahmed Chowdhury is a senior journalist.

Spoon-feeding?

SHOWKAT AZIZ RUSSELL

TEXTILE sector's contribution to the society is not generally known. In an underdeveloped country like Bangladesh Textile sector directly employees over 30 lac people. Assuming an average family size of four persons the sector sustains 1.2 crore out of about fifteen crore people in our country. This represents about one in every twelve person directly depending on textile spinning, weaving, handloom and finishing industries. If we include the auxiliary support infrastructure involved in transportation, handling and manufacture of spares and consumables it would be even higher. It may be noted that RMG sector which itself employs a large number of people, has not been included.

If we can double the textile production, the employment would increase by eighty percent in which case one out of every seven person in Bangladesh will benefit from this sector alone. At present no other industrial sector in the country has the potential of such high level of employment. Such an important scale of employment potential will have a positive impact on the government's poverty alleviation programme which is our most important thrust today. It will also

markedly decrease crime, violence and anti-social activities, which are principally related to lack of employment opportunity. Further, increase of disposable income in the hand of a large section of the population will play a positive role in improving the healthcare, education and quality of life at the national level, which is our key objective.

Over seventy-five per cent of foreign exchange is earned by this sector. With a bit more positive support and encouragement from the government this level of foreign exchange earning will definitely improve. In a country short of power, textile sector generates over seventy-five per cent of its power needs. Its comparative dependence on the national power grid is small. Power supply, an important infrastructure, need not be burdened by the growth of textile industry.

Today Bangladesh occupies around 2.5 per cent of world exports contributing about USD5.5 billion from export earnings out of which our retention is around USD2.62 billion. To sustain this export level we need to inject around Tk.10,000 crore by the year 2007. Unfortunately both in the Textile and RMG sector investors are feeling insecure due to lack of a clear-cut long-term policy to support

and encourage these vital sectors.

One wonders how we allocate priorities in preparing the budget correlating to income generating activities that provide direct and indirect benefits to the overall well being of the nation. Most exporting countries provide direct or indirect subsidy and support to encourage growth of the sectors important to them, based on their own macro level cost benefit analysis. In Bangladesh, unfortunately, some of our highest policy makers term it "spoon feeding" and curtail incentives and support without considering the overall negative impact to the national income generating scenario. Considering the direct and indirect positive impact of textile sector on the national economy, one wonders why incentive support of even 2000 crore was not considered for allocation, out of the national budget of Tk.64,000 crore. This represents just 3 per cent of the national budget.

On actual basis, disbursement of subsidy and support by the government directly or indirectly, has hardly exceeded over thousand crore in the past years. This was based on cash incentive of 25 percent which has been abruptly reduced to 5 percent. This lack of support, is one of the major reasons for drying up of further

Showkat Aziz Russell, Managing Director, Partex Holdings, is

Understanding the spirit!

MAJOR MOHD AKHTARUZZAMAN (RETD)

IT sounds strange in the state of affairs that a civil engineer has become the chairman of Power Development Board! Not only that he is a civil engineer, the new PDB chairman got higher education i.e. Post-Graduate Diploma in Irrigation Science. Before joining PDB, he was the Managing Director of Dhaka WASA. In his service career, he was an engineer at the Bangladesh Water Development Board.

Because it is not necessary now-a-days that the chairman of PDB has to be an engineer. Anybody can be the Chairman of PDB. Even a person from taxation, education or judicial service can be appointed as Chairman of PDB. Any person from an active political party, affiliated or connected with politicians can be the Chairman of PDB. The job of the Chairman of PDB is not that important! He is just a Chairman. There is no set qualification criterion for the post of the Chairman of PDB. It is the wish of a democratic government to appoint any body to any post. You have to accept it. While no qualification, education criterion is set for a politician then why to bother about that for the post of the Chairman of PDB. After all, what job will he do? Our linemen

will ensure electricity at every house, meter readers will ensure cheap rate and the Chairman will only ensure the security of their job which anybody can do as long as 'he is our man'. What a situation is prevailing in the country! We have been forgotten to say what is wrong!

Thank God, the new Chairman of PDB is an engineer, a civil engineer, an irrigation expert and has got long experience in flood control and water management. His experience is also relevant as he worked in the Water Development Board, which was once coupled with the Power Development Board. Let us not forget that power after all is also produced by water. So, the government appears this time to be very wise, appropriate and correct in appointing the most appropriate person for Power Development Board. I am sure, he must be a very close man of the government. Congratulations to the new Chairman of PDB and bravo to the government for a bold and appropriate decision.

Is it our mere narrowness of mind due to which we often fail to understand the spirit? After all, the government has to do justice to everybody and must treat everybody equally.

Major Mohd Akhtaruzzaman (ret'd) is ex-Member of Parliament, Kishoregonj-2 (Katiadi).

OPINION