

AL joining parliament

Open mind key to political settlement

THE decision of the AL to return to parliament after boycotting it for the past 16 months brings a welcome ray of sunshine into the gloomy political picture, and we applaud it unreservedly. However, we note that the AL has held out a threat to resign en masse if the party's reform proposals, with which it is going to parliament, are not accepted in full. To our mind, it would have been far better to have returned with an open mind and no conditions attached.

On the government side, some ministers are on the record saying that no constitutional issue, by which they mean caretaker government reform, is on the table for discussion. To the government, our advice would be, rather than set conditions for what can and cannot be discussed that might queer the pitch, it too should keep an open mind and avoid unhelpful posturing.

It seems to us that the opposition demand can be neatly split into its two component parts. On the first one, election reform, we are absolutely behind the call. Indeed, the government has even acknowledged the need for full reform in order to ensure that the elections are free and fair. So this is an issue that we are confident can be settled without undue difficulty.

The second issue, caretaker government reform, is more complicated. However, we will merely note here that some of the jurists believe that the opposition's demands could largely be accommodated without taking recourse to amending the existing law. Thus there should be no barrier to at least discussing how compromise might be reached that would be acceptable to both sides.

Clearly, returning to parliament is the first step and not the last, and much remains to be seen in terms of how both opposition and government benches conduct themselves upon the former's return. However, the fact that the door is open for discussion and debate is to our mind a welcome development, and we urge both sides to pursue negotiation with the interests of the nation as a whole upper-most in mind and with an aim to reach accord and spare the country unnecessary civil strife.

'Blanket' arrests

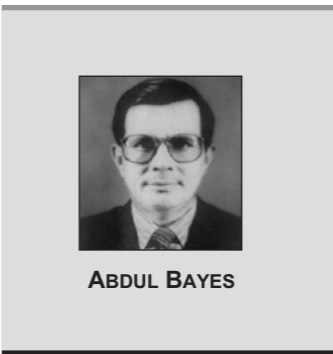
When will govt learn to avoid it?

THE High Court injunction on arrest of citizens without warrant under the Dhaka Metropolitan Police Ordinance has brought to the fore the issue of misapplication of the law that is abhorrent to democratic sensibilities. The court has also directed the government to go by the former's guidelines issued in April 2003 pertaining to exercise of powers of arrest under section 54 of the CrPC and section 86 of the DMP Ordinance. The HC has reacted for the second time to blanket arrests that the law enforcers have been resorting to as a pre-emptive move. The question is, why would the government need to be told one time too many by the court that it should dispense with this kind of mass arrests?

Any democratic government is expected to be auto-sensitive to the need for remaining within the bounds of the law which forbids arrest without warrant. The point has become all the more relevant because the government is meeting opposition demonstrations, particularly the large ones, with predictable aggressive measures that have twofold political fallout, neither being conducive to a stable democratic order. First, such measures are a blatant violation of the law of the land both in its spirit and letter. And this alone is cause for great concern since the rule of law is an inseparable part of democratic governance. Secondly, the belligerence on the part of the powers that be only exacerbates the already tense political situation. The politics of confrontation which is having a crippling effect on the nation as a whole can only worsen when such arrests are made. Denial of any space to the opposition is antithetical to the standard norms of democracy.

The intervention by the highest judiciary does prove that the fundamental rights of citizens are being encroached upon by what has been termed "unwarranted and abusive exercise of powers." This is precisely the point that the government has to take note of. Clearly, laws are not meant for harassing citizens.

Market friendly government



ABDUL BAYES

THERE is a large body of literature that supports the hypothesis that rapid industrialization takes place through intensive (as well as extensive) government intervention. As I mentioned last week in this column, the western development advisors advanced this prescription to the newly independent nations after World War II. The school of thought that gives a pivotal role to government in the process of industrialization tends to draw mostly upon the experiences of Germany, Japan, and the East Asian countries, which in their run to catch up with the west, relied heavily on government interventions.

Not surprisingly, perhaps, the Latin American countries and also some of the South Asian countries followed suit, and accorded high priority to government in the realm of resource allocation for industrial development. The governments in these countries owned and managed dominant industries and pursued highly protective industrial policy to promote domestic industrial base. Private sector initiatives were hardly encouraged on the heels of various types of market failures. The command economies of the erstwhile Soviet Union and the

BENEATH THE SURFACE

First, government should strive to make markets work for the private sector. Both physical and human capital development assume capital importance. Second, government should create sufficient space for export-oriented industrialization. Third, the financial sector should be made sound and sustainable through regulatory framework. And finally, the bureaucracy should remain above politics and resistant to rent-seeking pressures from vested interest groups.

East European countries are, of course, extreme examples of state-led industrialization.

Yujiro Hayami and Yoshihisa Godo gave a succinct summary of the successes and failures of government interventions in industrialization in their book: Development Economics -- from the Poverty to the Wealth of Nations (Oxford University Press 2005). I reckon that the book could be a good recipe for reassessing the role of the state. The real question is why state intervention succeeded in some countries and not in others. In other words, despite a wider area under government control in Japan and East Asia compared to Latin America, why was the system not afflicted by a high incidence of government failure in the former cases? There is a volley of factors but we shall highlight few of them

Government and big business

Yujiro Hayami and Yoshihisa Godo believe that despite different organizational styles, Japan, Korea, and Taiwan developed a cooperative relationship between government and big business. "To outsiders, this relationship looks like a corporative state or 'quasi-internal

organization' in which the elite bureaucracy staffed by the best managerial talent guides business activities through formal and personal networks to an agreed-upon strategic plan."

Productive protection

The system of protection, introduced to help infant industries, was simple and transparent compared to the complex and the non-transparent treatment to infants in Latin America and South Asian countries, including Bangladesh. For example, the tariff rates adopted by both Japan and Germany hovered around a modest rate of 20 per cent or less, which was substantially less than 50 to 100 per cent or more in developing countries with import-substitutions industrialization policy.

It is, perhaps, not true that Japan succeeded in industrialization through subsidies. In fact, as argued by the authors, the dramatic development of the Japanese cotton textile industry, outstripping those of India and Britain, was achieved with virtually no protection or subsidy from the government. This contests the assertion that government subsidies are indispensable for late-industrializing economies. While the scope of bureaucrats' discretion

was pervasive, incentives to private producers were less seriously distorted than in Latin America or South Asian countries. Export incentives were applied across the board and rather than distorting prices, exporters were encouraged through other means.

Less moral hazard

"The more important factors were strong nationalism and the disciplined bureaucracy built for achieving the nationalistic goal. Economic development was valued equally or even more highly as a means to build a strong army for achieving national supremacy than to increase consumers' utility." Under this narrow but strong nationalism, government officials and politicians could hardly exercise moral hazards, observed elsewhere, to hinder development.

Government's goals

Large public investments were undertaken in building physical and human capital, highway networks and modernization of railways (e.g. bullet trains in Japan). The infrastructure so built reduced transaction costs, enhanced information base, and attracted investments. "Government intervention in the private sector was not limited to such rent-

generating regulations as entry control and cartelization, but also included provision of external market information and guidance and persuasion of private firms to form R&D cooperatives for high technology products." Moreover, export oriented industrialization constituted the core of industrial insights compared to the countries of Latin America and South Asia with import substitution strategy on board. "If the industrial policies in Japan contributed to economic growth, the contributions came less from implementation of specific targeting policies than from sharing of information between government and the private sector, which was promoted through dialogues in various committees and councils in the process of making indicative plans".

Credibility is public good

Government regulations also contributed to increased credibility of the financial system and thereby contributed to mobilization of household savings for industrial development.

Banks' credibility enhanced by those regulations served as public good in the early stage of development. "This mechanism would not have worked effectively, however, unless macroeconomic management had been successful in curbing inflation to a moderate rate and thus preventing deposit rates from becoming negative in real terms. Otherwise, heavy 'financial repression' would have seriously undermined banks' capacity of mobilizing household savings for industrial development."

Inward vs. outward

In analyzing the success stories of East Asian countries, export-led growth is adduced to be the anchor

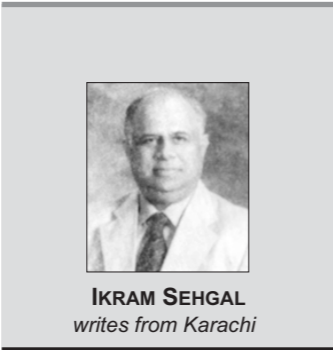
of rapid development. Competition in the international market compelled producers to reduce costs and increase product quality. "Export promotion policies necessarily entail government budget costs, whereas costs of import substitution can be passed on to consumers and unprotected industries. These merits of the export-oriented system are said to have underlain the high rates of economic growth in East Asia as compared with the autarky-oriented import substitution system practiced in Latin America and elsewhere."

Conditionality

In delineating the role of government in industrial development, grandiose generalization is difficult to make. The experiences of Japan and East Asian countries, as documented by the economists I mentioned before, seem to provide some lessons for us. First, government should strive to make markets work for the private sector. Both physical and human capital development assume capital importance. Second, government should create sufficient space for export-oriented industrialization. Third, the financial sector should be made sound and sustainable through regulatory framework. And finally, the bureaucracy should remain above politics and resistant to rent-seeking pressures from vested interest groups. Unfortunately, few of the conditions are satisfied in developing countries that suffer under severe government control. The sooner the lessons learnt, the better it is. Government should be for the market but not in the market.

Abdul Bayes is a Professor of Economics at Jahangirnagar University.

That Davos feeling!



IKRAM SEHGAL

writes from Karachi

ONE can describe the Davos feeling till Kingdom Come, you cannot capture it in words (or video) for others. A truly unique gathering of Heads of State and Government, senior ministers (mainly of finance and commerce), the Annual Meeting of the World Economic Forum (WEF) includes world renowned academics and intellectuals (including quite a few Nobel Prize winners), nearly a 1000 of the major companies of the world represented by their chief executives, 200 or so of the topmost media personalities of the world, and selected non-governmental organizations.

The 2006 highlight was an address by former US President Clinton. Among the Heads of State were Pakistani President Pervez Musharraf, Nigerian President Obasanjo, and German President Angela Merkel. Among the celebrities, Muhammad Ali and Shabana Azmi received Crystal Awards in recognition of excellence in their respective fields. I was extremely impressed by the natural humility and grace of Shabana Azmi. Admiring her as a beautiful and outstanding actress is one thing, her contribution to the social sector is really amazing, but to have her mix without any shred of arrogance was really captivating. One wishes there are more like her, the world is a better place because

AS I SEE IT

If you have quality and stature it shows. You don't have to employ full time PR people churning out propaganda, the world quickly discovers who is a person of substance and who is not. Riding on PR you can get to a pinnacle, you will sooner or later be found out for what you are. For the sake of this country we must keep sending leaders regularly to Davos who are committed to the country and not to themselves. Pervez Musharraf scores heavily in Davos because he roots for Pakistan with his heart and soul, and it shows.

of people like Shabana Azmi.

The focus this year was on the two emerging economic powers, China and India, and their present and possible future interaction with the countries of the world, and their own region in particular. Statistics cannot really describe the dynamism of a people that attracted \$60 billion in foreign direct investment (FDI) in 2005, compare it in 2005 to the other country that has done really well, India, which attracted \$6 billion. China does not have to really sell itself to the world, and it doesn't, yet its rapid economic growth continues to be the first country of choice of investment.

It is unfair to compare China to India, which has recently found its feet in the world of investment but is now among the countries of preference for investment. India this year went all out to demonstrate its economic dynamism, and even though PM Manmohan Singh was not there, ministers like Chidambaram, Kamal Nath, etc were quite prominent in their walkaround among potential investors, almost all of whom were present in Davos.

Starting with an "Incredible India" media campaign, including posters at Zurich airport on the road to Davos, on many vehicles and buildings, and so on, I believe that the Confederation of India Industry (CII) had a budget of \$3 million, it showed, down to the thunderous

grand finale of a foot-stamping thrilling dance and musical presentation for the Gala Soiree.

Not one penny was contributed by the government or the companies in the public sector, it was a pure commercial enterprise put together by the private sector, both in money and content. All those who did it for their country deserve congratulations, and it is a matter of pride and a source of inspiration for all other South Asians, maybe we can emulate them in future, we have a common objective to wipe out poverty and deprivation from one of the most poverty stricken regions in the world.

India was upstaged to some degree in the political arena by President Musharraf's dominating presence in Davos. He had a frenetic schedule of media conferences, sessions, bi-lateral meetings, lunches with business leaders, and a truly mixed gathering of nearly 250 business leaders, academics, media persons, etc who braved the cold and falling snow at 7:00 of a Friday morning for a breakfast session.

Throughout, Gen Musharraf was in his element, and took pains (and difficult questions) to give Pakistan's viewpoint on the geo-political situation, counter-terrorism, economics, etc. At one session, he went from table to table talking to the

participants. As a Pakistani it was good to hear adulatory remarks about a Pakistani leader from hard-bitten persona who don't give their praise easily.

He made no apologies for his being a uniformed person, in fact he contained any criticism by openly stating why it was necessary for Pakistan to progress to democracy in a phased manner. Someone asked him about a successor, he disarmed the crowd by saying: "This is not a monarchy, when I am gone the system will select a successor."

I must congratulate Ambassador Masood Khan and the Pakistan Mission Staff at Geneva. Being a Davos veteran of over a dozen years, one is rather skeptical about Foreign Office gnomes who have been mostly boorish and arrogant in a place where one has to mix well. This year the Pakistan foreign mission was extremely pro-active, the credit must go to Masood Khan.

Those (nearly 250) who came for "Breakfast at Davos" at 7 am at the Hotel Steigenberger with the President included personalities like Khalid Abdullah Janahi (Shamil Bank of Bahrain), Khalid Alireza (Xenel/Saudi Cable Company), Rahul Bajaj (Bajaj Auto of India), Philip Bowring (International Herald Tribune, Hong Kong) Peter Eigen (Transparency International, Germany), Ann M. Florin (The Brookings Institution, US), Adi B.

Godrej (Godrej Industries Ltd, India), Dhruv Sawhney (Triveni Engineering & Industries Ltd, India), Katherine Marshall (World Bank, US), Imam Feisal Abdul Rauf (Cordoba Initiative, US), Sir Martin Sorrel (WPP, US), Joseph Stiglitz (Columbia University, US), Strobe Talbott (The Brookings Institution, US), Mr Michael Useem (The Wharton School, University of Pennsylvania, US), and others.

A few Pakistanis are WEF members, among them Hussain Dawood, Chairman Dawood Group, Tariq Karmani, Chairman PIA, Jalees Ahmed Siddiqi, MD PSO, Zakir Mahmood, President HBL, lawyer Tafazzul Rizvi and bureaucrat-turned social worker Tasneem A. Siddiqui, circulated very well. Former PML (N) Minister Sartaj Aziz was invited in his personal capacity and contributed to a number of sessions, it was good to see him get recognition of his own volition. Ministers Khurshid Mahmud Kasuri, Jehangir Tareen, Awais Leghari (who is also a WEF Young Global Leader), Ms Sumaira Malik and Hina Rabbani Khair circulated well, they need to mix more among the Annual Meeting participants, staying back even when the President goes away.

It was wonderful to see a Pakistan hold the world stage in commerce in the form of Dubai-based Arif Naqvi, easily mixing among world business heavyweights in his own right as a genuine article. We have to somehow get more Pakistani business people to Davos, this is a networking opportunity that must be availed if Pakistan is to attract foreign direct investment (FDI) in any volume that matters. If FDI is \$6 billion for India in 2005, I have no doubt it will be close to \$10 billion in 2006. The boost that India gets because of Davos, and also because it is the initiative of the private sector with a lot of

encouragement from the government.

Global Agenda produced a wonderful Pakistan Supplement, congratulations are in order to the whole publishing team. It was hard work, and the entire credit in Pakistan must go to Omer Ayub Khan, Minister of State for Finance, son of the Former Speaker Gohar Ayub Khan and grandson of the man who brought industrialization to Pakistan, President and Field Marshal Muhammad Ayub Khan.

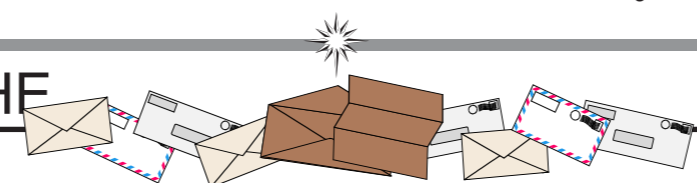
This young man put his heart and soul in the success of this Supplement, and one must congratulate him in staying the course in ensuring that the Supplement happened despite the fact that he got only lip-service support from those who matter, for reasons of their own. The sad part is that those who spend millions and millions of public money just to get the attention of the President had to be persuaded both in the public and private sector to make their contributions.

The Supplement was a good back-drop to the President's presence, he was not accompanied by any media men, and unlike others he does not need one. If you have quality and stature it shows. You don't have to employ full time PR people churning out propaganda, the world quickly discovers who is a person of substance and who is not.

Riding on PR you can get to a pinnacle, you will sooner or later be found out for what you are. For the sake of this country we must keep sending leaders regularly to Davos who are committed to the country and not to themselves. Pervez Musharraf scores heavily in Davos because he roots for Pakistan with his heart and soul, and it shows.

Ikram Sehgal, a former Major of Pakistan Army, is a political analyst and columnist.

TO THE EDITOR TO THE EDITOR TO THE



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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.

Happy the nation!

A survey says we are the happiest people in the world, feels so good to hear that!

The feeling can't be expressed in words, and the eyes get full of tears. People in our country are poor; still they try to find happiness and satisfaction with their limited income. They fight against poverty so hard, they fight against hunger, and they fight against the desires. How it feels when a hungry child sees delicious chicken being grilled in the roadside restaurants, how he feels when he right at the moment gets a clue, hears a little sound from stomach that reminds that he didn't have anything to eat in the morning; the feeling is so painful!

Therefore some people live in extreme poverty. Very small amount of income, within it they buy their foods, they buy clothes, accessories and they also accommodate their guests. They

are so famous for their hospitality. They themselves may starve, but they won't let the guest know that. With the best effort they'll try to entertain you when you'll visit them. Again there are some fellow Bangladeshis who would serve you with the best dishes which maybe they themselves cannot afford to eat. Bangladeshis are so good, really! Cantara Wali Ruhi DU

Euphoria

London School of Economics recently termed Bangladesh as being the "happiest nation on Earth". Interesting. People living in the rural areas have been consistently rated as being 'happier', 'more trusting' and also 'more content'. They take what little they can and manage to string a simple but content life on that little, coupled with some social support.

They do not know and I wager do not care about Transparency International. But we do have a substantial number of 'educated' people who do, and so far two people have asked, one from abroad, why are Bangladeshis so 'happy' even with the myriad problems?

A simple answer, simply because all of us somehow or the other manage to profit from rule breaking and the negative situation around us. Someone who wants to smoke will simply light up under a sign reading "No Smoking Here" and then argue that if anyone has a problem he can move away. People who break traffic rules pay a few taka to get away from the on-duty sergeant and use the excuse, "Others do it too, why should I not do it?" Going up the chain, a politician may take huge bribes to sell out the interests of the nation while a judge may do the same to

let loose a notorious criminal.

He does it and is happy, I do it and I'm happy too. So everyone here is happy with the situation.

Ahmed Waris Mohammedpur, Dhaka

Thanks, DS

Today, my hand seemed to have moved by itself to write for DS --- a newspaper which speaks the truth, which makes a literate person truly educated, and produces a feeling of joy inside us, when we read it.

The medium through which the segment of society transfers knowledge like energy, strength to understand the world is press, and the nation's journalism stands on solid pillars of great publications, which of course includes "The Daily Star."

The example of quality journalism is portrayed by this newspaper, which draws a kind of picture of honour in our hearts, and

makes us believe we are reading the truth and understanding the global as well as local problems.

The sight of people reading Daily Star, keeping it in their homes and offices, cannot be ignored. The service that it provides is deeply admirable by all means. People love this daily not only because its presentation is good, it also reflects patriotism and love for our culture.

The page where now I am speaking with hundreds of thousands has been developed as a conference centre for citizens, where they will have the freedom to speak and spare views, asking questions and giving countless answers.

To me, it is harder to believe that DS was born just one and a half decade ago. It has gained experience through speaking for the people. Such experience gained by fighting with pens is the part of our national dignity that must

help to motivate the forthcoming generations.

My sadness grows with this letter, as I have limited space to express my joy, which leads me to write only two words to each part of The Daily Star, "Thank You."

Tahsin Hyder

Maple Leaf International School Dhanmondi, Dhaka

Of the people, for the West!

The "Middle East Quartet"-America, EU, Russia, and UN-has warned Hamas that unless they commit themselves to non-violence, and recognise Israel, their fund will be cut off (DS, Feb. 1, '06). The Quartet, however, did not warn Israel to end the occupation, or to recognise the right of 4 million Palestinians they forced out.

For the Palestinian economy that couldn't stand on its own

because of decades of occupation, about a billion dollars of aid that they receive yearly makes the difference between food and hunger, health care and death, education and illiteracy. Hamas has made it clear that the money will be spent on humanitarian purpose only, and that can be monitored. The Quartet decision came on the heels of an Israeli declaration that they will not hand over 35m dollars of tax money collected from Palestinians.

The Quartet had insisted on the election, now they want to collectively punish Palestinians for exercising their right in that. Those who are aspiring for democracy in Pakistan, Egypt, Syria, Turkmenistan, and elsewhere should get the message-West wants you to have all the democracy you want, but you must elect the people of their choice.

Ashish Ahsan

Uttara, Dhaka

Congratulations, DS

I avail the privilege to congratulate you on celebrating the 15th founding anniversary of your daily. The mega issue on that very day was a great read as it focused on the achievements of the worthy sons & daughters of the soil. You have rightly celebrated, I believe, your achievement in upholding "People's right to know" throughout these 15 years of uninterrupted journey that's befittingly done through your upholding the achievements of the worthy people of this land. We belong to the nation that fought gloriously for its language and liberty.

Congrats and wish your proud march forward...Cheers!

Rafique Islam Rime

Agrabad, Chittagong