

# Time for economic leadership

China, India, and smaller countries like Estonia, South Korea, Hong Kong, or Ireland are heading towards greater economic prosperity following the same principles of market liberalization, and there is no way Bangladesh cannot do the same. It is time for economic leadership, not war on the streets for political power that will bring no economic good, except to those who will run the government.

NIZAM AHMED

THE sudden, but brief call for the army to aid civil authority surprised many in the political circles, but not the people or the business community in general.

The coming that thwarted the AL combine's political ascendancy may not have been well timed but was welcomed with a big smile by the past government, the BNP, who were increasingly out of ideas on the streets ruled by socialist veterans. The BNP leader, Begum Zia, has often accused them, the 14-party, of behaving as CBA leaders for not respecting rule of law, or institutions such as the judiciary, the parliament, and the EC.

If this labeling is true, and to many it is, the BNP leader can be equally charged for doing likewise. Her 5-year term as the prime minister broke innumerable rules and bypassed many to acquire businesses and government favors for her party supporters. Her dishing out of TV broadcasting licenses to BNP loyalists is a prime example of nepotism. Furthermore, when BNP

dissidents raised their voices or floated new parties, Bikalpadhara and then the LDP, Begum Zia's government ruthlessly mowed them down. Her government goons closed their businesses and physically besieged them. Is this democracy, where the right to dissent or question is forcibly silenced? Today, Begum Zia, out of the blue, defends democracy and institutions, but not convincingly.

Begum Zia is also blamed for permitting her own son to wield authority, without holding any, in the running of the government. It is the people's belief that all accusations of BNP corruption were squashed, shelved, or never investigated by the Anti-Corruption office. This is common in an autocracy, but not in a democratic system where leaders respect democratic institutions. None in the government or outside dared bring corruption charges, produce evidence or stand witness against the big leaders because there was no guarantee about his/her safety. One is surprised why Awami League, after years of reproving BNP corruption, is quiet on this issue unless it is its own past

that makes it do so. Surely, to steal from the treasury is as wrong as stealing from ballot boxes.

If the military comes to the aid of civil power it will be an opportune moment to activate all corruption charges against prominent leaders, their party stalwarts and their dynasties. Without strong law and order the corrupt parties could easily foil charges of corruption. We have seen how Begum Zia's government, for electoral gains, cleared a few corruption cases against the former military dictator Ershad. Unless democratic rules are decisively grounded beyond political misuse, Bangladesh will forever remain corrupt, and rules will always be bent for personal and political interests. Devoid of proper democracy the benefit and privileges of a free nation will remain confined to the elite and their cronies.

This caretaker administration will pay a heavy price if it leans towards the BNP against the 14-party alliance, or vice versa. A military backed government, or the army in aid of civil power, is healthy only if it remains neutral and engages itself

to establish rule of law and to protect life, liberty, and property.

Apart from political programs Bangladesh also faces disruptive agitations on many economic issues. The mere talk of free ports, or free trade, or export of gas to India raises street demonstration and blockades. Such vital economic matters are, thus, suppressed by political terrorization of the economy.

Bangladesh people do not evaluate the merits of liberalization, or why free trade and open economies are useful for creating wealth without jeopardizing national sovereignty. Dr. Yunus often speaks of radical economic thoughts, and he alone can bring such ideas to the people for their endorsement, but his occasional murmuring will not help the cause of economic freedom, liberalization, and prosperity.

He should begin an organization that will consistently and vigorously promote market sovereignty, low taxes, and strong but limited government. Economic well-being cannot come unless rule of law, liberalized markets, individual rights, and less government are noticeable in an economy.

Bangladesh people, in the age of globalization are obliged to understand, debate, and discuss, open borderless economies. The world's mainstream economists no longer ignore the significance of the market, but our economists ridicule it and perceive a dominant role of the

government, and of their expertise, in designing the economy.

Bangladesh government intervention and injection of capital has failed to generate growth. Their aggregates are brilliant but are meaningless to the people. Their vision, or piles of statistics, cannot promote growth.

Furthermore, our economists or the government, who are some 50 years behind in their economic thinking, do not recognize the potential of the informal economy that is primarily made up of the poor. Hernando De Soto, the Peruvian champion of informal economies, in his book "The Mystery of Capital," calls savings and assets of the poor as "dead capital." His surveys of real estate held by the poor, but not legally recognized in Third World cities as Cairo, Lima, Manila and few others, reach a "total value of at least \$9 trillion."

De Soto advises that leaders of the Third World need not "roam the world's foreign ministries and international financial institutions," but should work to transform such assets and savings into live capital by legalizing the informal economy that holds one of the largest pools of capital ever accumulated in the world.

The informal sector is "The next big thing for global business" writes Peter F. Schaefer (Tec Central online) citing the example of Cemex, a Mexican cement pro-

ducer, becoming the largest in the world (beating out France's Lafarge and Switzerland's Holcim) by its initial ability to serve the micro-market -- selling a bag at a time to the Mexican poor.

Bangladesh's poor, like the cross border traders, street vendors, cart pullers, hawkers, peddlers, owners of untitled dwellings and the like, constitute the informal economy. Dr. Yunus and his Grameen Bank formalized non-collateral micro-credit lending, but banking is only one part of the total economy.

Grameen phone, that targets the poor, is not without profit, but is expanding to prove that the poor can boost a market. However, the savings of the poor, unlike those in the formal economy, are illiquid. For example, they cannot back up a credit card or the purchase of a television on installments from a street retailer. Bangladesh' poor can generate wealth by entrepreneurship, but they are unable to utilize formal markets and grow further in the absence of property rights.

The Third World will not require foreign money, or depend on it solely, if the "dead" capital can be made liquid or capitalized. Transforming this dead capital is where the help is needed, not large disbursements of aid to benefit the few in the official economy.

The historic economic success of the West was built on property rights that legalized enterprise. The

dwellings of squatting vendors were legal entities, and did not have to pay the extra cash to police, the customs, the street gangs, or face eviction. Their beginnings were tiny but their enterprise got larger as there were no legal hurdles to face. There are many famous names in the West that began as such.

Bangladesh prepares projects with donor funds to finalize WTO and few FTA agreements. Such agreements will manage and define free trade, although wrongly, but the country can unilaterally, and immediately, create an economic environment, grant property rights in the vast informal market, liberalize trade, and enable competition. Such steps would strengthen political democracy and the economy, instead of its faulty variant as it is now.

Sheikh Hasina's election promise to establish a price regulating authority is nonsensical and shows how much our top leaders lag behind in their collective understanding of market principles. Her pledge to compensate business losses is mere rhetoric. Firstly, prices are never controlled or regulated in market economies as they provide essential market knowledge for efficient allocation of resources. Liberalization of the economy can break any syndicate or cartel, not government price regulations.

Second, powerful people in the government can shower riches on

many, as they do, but only by distorting the market and flouting government rules. When the government is ideologically responsible for developing an economy, like the generation of electricity, a selected few businesspeople will receive the go ahead but countless more will be barred. The system is unethical, unfree, and unfair. Hasina's government would be no different unless she wakes up to free market capitalism.

Market economy, formal and informal, is now a global truth and no government rejects it. But they have shifted their intervention, their strong arm, to areas as environment. Today's dilemma is how to cut government expenses, simplify taxes, and shrink the welfare state, not to expand it. It is to generate wealth, not to distribute it. China, India, and smaller countries like Estonia, South Korea, Hong Kong, or Ireland are heading towards greater economic prosperity following the same principles of market liberalization, and there is no way Bangladesh cannot do the same. It is time for economic leadership, not war on the streets for political power that will bring no economic good, except to those who will run the government.

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# Winning hearts and minds

The Awami League and BNP must establish channels of communication with the voters. Instead of highlighting the negative aspects of the opponents, the parties need to accentuate the positive in their own approach to governing Bangladesh, place their political agenda in front of the electorate, and convince the citizens that they will honour those commitments.

SHAFIQUL HUQUE

AMERICAN occupation forces entered Iraq with the objective of winning the hearts and minds of Iraqi civilians. But they failed miserably due to the use of inappropriate strategies. Massive use of force and deployment of advanced tools of mass destruction has left the country devastated, and the hearts and minds of Iraqis (along with the population of the rest of the world) remain to be won. The US is paying heavily for the wrong choice of strategies.

The political parties of Bangladesh are following a similar disastrous strategy to win the hearts and minds of the electorate in the upcoming elections. The recent conviction of disgraced military

dictator H.M. Ershad has revealed yet another sad aspect of the state of politics in Bangladesh. The citizens watched incredulously as staunch opponents to the ruthless and corrupt regime of General Ershad rushed to offer their heartfelt sympathy and strong support to the deposed dictator.

Could it be possible that the leaders of the 14-party alliance have very short memories? Do they actually believe that General Ershad has been wrongly convicted? Do they think he is not guilty of corruption? That is not likely. The show of sympathy for a corrupt dictator is part of the strategy of political parties to win the hearts and minds of the electorate in Bangladesh.

Ershad's faction of the Jatiya Party may (or may not) garner 10-

15 seats in the next elections. The 14-party alliance is exposing its political bankruptcy by discarding all that it stood for in the build-up to the current movement in the hope of winning Ershad's approval, and possible support from a handful of Jatiya Party legislators (provided they win those seats). This is, indeed, a very unfortunate move on the part of the oldest and most formidable political party -- the Awami League -- and its allies, and will have a devastating impact on the confidence of the public in their capacity to lead.

If the Awami League leaders believed in their oft-repeated statements that they stood for integrity in politics then their strategy should have been to distance themselves as far as possible from Ershad and his corrupt legacy. This could be

one more strategic mistake that will haunt the Awami League for a long time, as they continue to lose credibility.

It is deeply disappointing to see both major parties place too much emphasis on winning support from smaller parties instead of building upon their strengths for contesting elections. The Bangladesh Nationalist Party has evolved into a mature institution and should have developed the capacity to win the hearts and minds of Bangladeshi citizens without leaning on the crutch of the fundamentalist Jamaat-e-Islami Bangladesh. The alliance with the Jamaat has caused immense damage to the image of the party (and the country), and has disappointed a large number of voters who consider BNP to be an alternative to Awami League for forming the government.

If BNP enters the electoral race on its own platform, without the Jamaat baggage, it might expect to perform better. There will be no compromises to be struck with the fundamentalists, and the party could draw upon the support of voters, who have an aversion to religious fundamentalists. They

might lose a few seats by following this strategy, but the returns they will be able to reap in terms of public confidence will be huge. Similarly, Awami league appears to have lost confidence in its stellar record as a political party, and is reaching out to insignificant allies to return to power.

Similar to the US government, both Awami League and BNP are pursuing the wrong strategy. Both parties have the organization, workers, strength and experience to win the hearts and minds of the electorate on their own merit. In their efforts to win at any cost they are shunning the normal rules of politics and engaging in dubious methods to win a few more seats in the legislature. In the process ideologies get compromised, promises are broken and the political system gets even more corrupted. The problem has reached such a stage that even die-hard supporters of the two major parties refuse to believe the statements made by their leaders on propriety, integrity and particularly on their resolution to battle corruption.

Faint rays of hope flickered with

the formation of the Bikalpadhara Bangladesh (an odd name for a political party) and its subsequent merger with the latest entrant into the political arena -- the Liberal Democratic Party (LDP). The apprehensive public has already noticed with concern the rush of leaders from the BNP -- many of whom do not have an entirely clean image to the LDP. The flickering flames of hope are about to fizzle out as credibility declines in the LDP's repeatedly stated resolve to adopt a "zero-tolerance" policy towards corruption.

While it is not surprising that the smaller parties strive hard to enter into alliances with the larger parties, the eagerness of Awami League and BNP to cater to their demands remains an issue. It reflects a lack of self-confidence, vision and capacity among the major political parties to face the electorate on their own, and convince the voters of their sincerity in leading the country.

Politics should not be viewed in the narrowest sense of gaining control of the majority of seats in the legislature, and ruling without concern for the country. The broader objective is to contribute to

# Where lies the remedy?

It is the sacred duty of the caretaker government to ensure a level playing field. For that to happen it is essential that a person, who can play an absolutely neutral, bold and dynamic role, head the caretaker government. Nobody, except probably BNP-Jamaat, will suggest that Professor Iajuddin Ahmed is that person.

HUSSAIN IMAM

THE country is at a critical stage. The prospect of holding a meaningful election by January 2007 is bleak. 45 valuable days, of the 90 days time limit for the election, have already passed. Neither has the Election Commission been able to offer a correct voter list, nor has the caretaker government been successful in creating a congenial atmosphere for holding a free, fair and credible election.

If there is only one person to be blamed for this situation, it is

Professor Iajuddin Ahmed, the honorable president cum CA of the republic. The president has, by assuming the dual role of president and chief of the caretaker government, made a mess of both the institutions -- the office of the president as well as that of the caretaker government -- not to mention the election 2007.

The president has wasted 45 days in the name of resolving the political stalemate, with little or no progress. Some critics suggest that he has, in fact, by going alone in an authoritarian style instead of taking his advisers in confidence, made

the situation more complex. Nobody now believes that a free, fair and meaningful election that is acceptable to all can be held within January 2007.

If the president means business, and is serious about holding a free, fair and meaningful election, he will do better if he extends the time limit by another 90 days. If not for anything else, he needs this time to make a reasonably accurate voter list. The list that our election officials have produced so far, at a cost of nearly Taka 100 crore of this poor country's taxpayers' money, is learnt to be rubbish,

to put it mildly.

The list has to be scrapped and dumped to the waste paper bin where it belongs. The same has to be done with the EC itself. In response to the demands of the 14-party coalition, and other political parties, what our election officials have done in the name of updating the voter list (for the third time) in the last 10 days or so is nothing but a crude "tamasha" (hoax) with the people.

They are supposed to go door to door and correct the list. I haven't met anyone who has seen them. I live in a 48-flat tower complex. Even as a modest assumption it has 150 voters. Nobody from the EC has turned up as yet. I still don't know whether I am a voter or not. As the media reports suggest, this case is similar all over the country, especially in the cities. We are now told by the EC that the voter roll that

is being corrected/updated now cannot be printed because of time constrain. We have to be content with a hand-corrected voter list. Isn't that the biggest joke of the year?

So what is the remedy? As far as I am concerned, the best option is to extend the time limit, remove those in the EC who are responsible for this mess, or who have become controversial for one reason or other, and go for complete reform of the electoral process without any fear or favor so that the people have full confidence and trust in it.

The question is how to do it within the ambit of our constitution? We note with great curiosity that our politicians, especially those from 4-party alliance, have of late developed great fascination (!) for the constitution. They won't agree to deviate an inch,

nor accept any interpretation other than their own of any provision of the constitution so far as the reform of election commission, or any other matter related to electoral reforms is concerned. Although we see that they didn't mind amending the constitution to indemnify the killers of the father of the nation, or to increase the retirement age of the Supreme Court judges so that the man of their choice could become the chief of the caretaker government.

The president does not necessarily need to suffer from such phobia. We have seen him being quite liberal in interpreting the constitutional provisions when it came to him taking over as the chief of the caretaker government by bypassing so many other options of the constitution, or when taking unilateral decisions ignoring the

opinions of his advisers. Why doesn't the president once again show some flexibility in adhering to constitutional provisions for the sake of democracy? I am sure that if he is sincere about it he will find a way out.

Another most important thing at the moment is for the president to relinquish the job of CA and request Justice Mahmudul Amin Choudhury to take over the responsibility as per the provisions of the constitution. It may sound harsh, but this is the ground reality one has to accept if the nation has to overcome the present political crisis and have a free, fair and credible election.

All the political parties want election because they know it well that there is no other way to go to power. The only difference is that the BNP-Jammat jote wants it to happen as per their blue-print while

the others want a level playing field.

It is the sacred duty of the caretaker government to ensure a level playing field. For that to happen it is essential that a person, who can play an absolutely neutral, bold and dynamic role, head the caretaker government. Nobody, except probably BNP-Jamaat, will suggest that Professor Iajuddin Ahmed is that person.

Having said that, there is no denying that Professor Iajuddin Ahmed, in his capacity as the honorable president of the country, is the person the entire nation is relying upon to pull the country out of crisis. The Almighty Allah has given him the opportunity to play a historic role at this critical juncture of our national life. The people at large expect him to play that role.

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# Revenge of the Euro

EMILY FLYNN VENCAT

THE crowds mobbing New York's most famous toy store buzz in European accents this year. Inspired by the rise of the euro -- which shot up an additional 3 percent recently, to a 20-month high of \$1.32 -- the Germans, French and Spanish are making transatlantic trips to stock Santa's sack at FAO Schwarz, picking up everything from arcade games to toy trains for what in effect is a one-third discount. No question: Europe is feeling the power of the euro, and enjoying the fall of the dollar.

Sure, France's finance minister, Thierry Breton, called for "vigi-

lance" against the rising euro, lest it undercut European exports. But Nout Wellink, the head of the Dutch central bank and a member of the European central bank's rate-setting body, dismissed the French call as a "Pavlovian response" to a development that, in fact, confirms the rising strength of Europe itself.

The Paris-based Organization of Economic Cooperation and Development once again lowered its 2007 growth forecast for the United States (to 2.4 percent) and raised its forecast for Europe (to 2.2 percent). It, too, said those trends explain the strengthening euro, which does indeed threaten European exports -- but also increases European buying power

abroad and dampens inflation and lowers borrowing costs at home. Says Gabriel Stein, senior economist with London-based Lombard Street Research consultancy: "Many Europeans perceive a strong euro as the seal of a strong Euroland economy. It's good news."

Europe's quiet confidence is indicative of how much it has weaned itself off dependence on America over the last few years. To the extent that the euro-zone grew at all in 2003 and 2004, it was driven by exports to the United States. Back then, consumer confidence among Europeans was low, and European companies had not yet developed the robust export mar-

kets in China and Eastern Europe that they enjoy today.

Result: the last time the euro spiked -- in late 2004, when it appreciated by 5 percent against the dollar in three months -- it was a matter of urgent concern. Jean-Claude Trichet, head of the European central bank, bluntly described it as "brutal." This time, tellingly, he has remained silent. "The underlying fundamentals of the eurozone economy have improved dramatically over the last few years," says Peter Van Houte, head Europe economist for ING Wholesale Bank in Brussels.

Europe's strengthening trade relationships with countries other

than America give it more balance. European goods exports to America last year totaled euro 185 billion -- up just euro 5 billion since 2001. But its sales to Asia totaled euro 244 billion -- up euro 44 billion over the same period.

For the first time last year, BRIC nations (Brazil, Russia, India and China) contributed nearly as much to global economic growth as the United States, according to the Goldman Sachs, allowing them to offset decreasing demand in America. At the same time, oil-fueled economic growth is making the Middle East a key market for Europe. "The US economy is simply less important for the world economy than it used to be," says

Jurgen Michels, European economist with Citigroup in London.

Another reason Europeans aren't too worried is that the euro isn't strengthening as much as the dollar is weakening. Although the euro has climbed by 11 percent compared with the dollar since the beginning of this year, its value against a trade-weighted average of its 23 most important trading partners' currencies -- including the British pound and the Japanese yen -- has increased by just 5 percent. (Indeed, late last week the British currency hit its highest level against the dollar in 14 years.) "The euro's overall competitiveness matters a lot more than its relationship with a single country's cur-

rency," says Matthew Sharratt, euro-zone economist with the Bank of America.

Looking ahead, most economists expect the dollar to keep falling, driven down by America's huge trade and budget deficits. "The best situation" going forward, says Erik Nielsen, chief Europe economist at Goldman Sachs in London, would be that the dollar depreciates further but mainly against Asian currencies, like the Japanese yen and Chinese renminbi, easing the US trade deficit with Asia without undermining growth in Europe. "So far, so good," says Nielsen. "But now we're missing the other leg" -- further depreciation against the

Asian currencies, as opposed to the euro.

The key benchmark, say analysts, is the psychologically significant price of \$1.367 to the euro, which is the record high, reached in 2004. Above that mark, the ECB would have to consider dropping interest rates against its wishes in order to decrease foreign investment in the currency. But short of that, Europeans' increased purchasing power is simply setting the tone for a very merry Christmas, with plenty of American presents under the tree.

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