

The inflationary challenge

Time to think of a containment strategy

BA NGLADESH Country Director of ADB Hua Du and World Bank Country Director Zhu Xian voiced their concern over increasing inflationary pressure being endured by the Bangladesh economy. From two different forums -- the ADB releasing its Bangladesh quarterly economic update and the World Bank director speaking at an AmCham meeting -- they put out a call to Bangladesh government to tame inflation. From a very consistently low inflation rate from 2001 to 2005 it increased to 6.8 per cent in July 2006 followed by a leap up to 7.4 per cent in March 2007. The ADB has now revised its earlier projection on inflation from 7 per cent to 7.2 per cent for the current fiscal.

Our cost of living is primarily indexed to the food basket. Coarse rice, which used to sell at Tk 15-16 per kg is now being bought at Tk 22-25. Lentil is selling at Tk 75 per kg. The acceleration in food inflation is put down to higher foodgrain prices in both the domestic and international markets, reduced imports and lower domestic production of cereals. Aus output has gone down by 13.7 per cent and the aman recorded a fall this fiscal compared to that in the last fiscal. Boro crop is estimated at 14.5 million tonnes, higher than the output in FY 2006.

Basically, the food prices will have to be reduced to contain the inflationary pressure, which is teetering close to a two digit figure. Obviously, the increasing international commodity prices coupled with the percolatory effects of the rising oil prices are beyond our control but what lies within our power to do is to put in place a supply and distribution mechanism that can keep the food prices within a tolerable range. There can be safety net programs for the poor as suggested by Hua Du and government intervention by way of offtakes from its godowns to stabilise the food market. The BDR fair price sale centres provided some relief to the urban consumers but they were far from enough to cater to the countywide demand for the daily necessities.

The recent drive against hoarding, restriction on trucking of foodgrains beyond 5 tonnes and some administrative efforts to control prices of essentials have contributed to a supply crunch.

We have to take recourse to better fiscal management now. Reduction in tariffs as envisaged in the new import policy should be of help on the supply side. But basically revenue collection continues to be disappointing risking higher government borrowing which could lead to credit squeeze on the private sector eventually affecting productivity. The issue needs to be addressed in earnest.

Cyclone passes off

Timely evacuation helped reduce damage

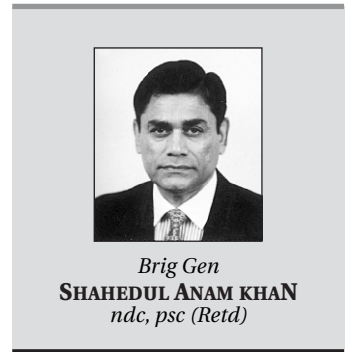
CYCLONE "Akash" crossed the coastal areas on Tuesday morning, leaving a trail of devastation, but the loss in terms of human lives, as reported so far, has not been high, thanks to a timely evacuation operation in the affected areas. However, we are shocked to learn that three people have been killed and 50 others are missing.

The cyclone looked very threatening, as it was moving towards our coastal areas. There was the threat of both devastation by the gale-speed and a tidal surge. Such a lethal combination is something that the poor, helpless people in the vast coastal areas find very difficult to cope with. But this time around, the warning system worked well and the people could be shifted to cyclone shelters in time. There was visible coordination between the local administration, owners of trawlers and other vessels and people in most of the places and, as a result, no great damage was done. Effective dissemination of information regarding the cyclone through a relay-system helped people's movement to safety. It should also be noted here that river vessels on different southern routes didn't operate and no mishap was reported. But the missing trawlers are a reminder of more to be done by way of streamlining the early warning system.

Now comes the question of rehabilitating those stricken by the cyclone. At least two thousand houses have been damaged in Cox's Bazar district alone. Shrimp farms and salt beds have been washed away in some places and, worst of all, the communication system has been disrupted. The affected people need financial and logistic support to overcome the crisis. Our disaster management plan must attach due importance to the issue.

Natural calamities in various forms are part of life here. People in general would face the challenge with great resilience, but frequently they had to succumb to the fury of such calamities in the absence of any disaster preparedness in the past. But the situation has changed for the better, and the agencies in charge of warning and rescuing people are working a great deal more effectively, despite various limitations and constraints. That said, they have to perform even better to minimise people's sufferings.

Better late than never



ONE feels delighted to hear the words of wisdom from senior members of both the major political parties, on the need to reform both themselves and their respective parties, and to give politics in Bangladesh a new meaning, a new direction.

Of significance are the comments of the BNP members, all belonging to the core group of the party, on making the party run on a more democratic line, giving the central committee more say in the conduct of party affairs, and, most importantly, curtailing the power of the party chairperson so as to prevent it being run in an autocratic manner, as has been the case so far, going by the accounts available.

And, of course, their chorus on the influence of "dynasty" in Bangladesh politics is well orchestrated, and touches the common chord of popular sensitivity. (It seems that either the BNP chairperson is totally out of sync with the rest of the country, or had deliberately chosen to thumb her nose at all those calling for more democratisa-

STRATEGICALLY SPEAKING

What one gathers from the recent comments of the senior BNP leaders is that all powers are concentrated in one and one person only. And no one is certain what factors or who inform the decisions before they are made final, what is the process through which decisions are taken. Apparently, not much cogent thought had gone behind the decisions taken in the past. There is little doubt that the country would have been spared many troubles had the series of mistakes been halted at any one point, and objective and collective rational thought processes been employed to determine policies.

tion in the party when she elevated her brother to the post of a senior vice-president, reportedly in violation of the party's constitution.)

It seems that these senior BNP members are trying to outdo each other in their belated, but nonetheless welcome, exercise in self-critique. All very nice and good, but why did they choose to be wise after all these years?

One is not sure whether they have spoken out of conviction, or whether they find it expedient to comment on the lines that they have at this particular time. One would expect "national leaders" (for want of a better description of their position, since very few among them deserve to be called "leader" and even fewer "national") to stand up for their convictions, irrespective of the consequences of taking that position.

It has been the effort of the caretaker government since 1/11 to bring about political reforms, without which the election will be meaningless and the country will, more likely

than not, go back to where it was before Dr. Fakhruddin Ahmed took charge, if the current modality in nominating and electing the people's representatives remains in place. It is only but natural that a party that does not exercise democratic norms within its own organisation would display an autocratic attitude in administering the country.

Political reforms have several components, the most important of which is the reform within the political parties, of which inner party democratisation is by far the most essential. Reform cannot be externally imposed, or infused. It has to come from within, from the party members themselves.

One positive outcome of the political reform effort of the caretaker government has been that it has compelled the political parties to not only acknowledge the need for reform of the political parties, but also to express their views on the issue publicly, hopefully not merely for public consumption but for action

share of the blame for it).

One would like to ask whether the enormity of the mistakes has dawned upon them only lately, or whether their voices of protest were not loud enough to drown those of the "yes men" (and women) and the sycophants.

The litany of BNP's mistakes leads one to question whether, politics being a thinking game, there was any thinking person seeing beyond his or her nose. It seems there was neither a "man" nor a "woman" in the party to get things moving in the right direction, if one were to go by what Lady Thatcher had to say about politics. "In politics, if you want anything said, ask a man; if you want anything done, ask a woman." The right things were not said, and very few, if any, correct things done, by the party.

Even the most politically uninformed could see through the motivation behind enhancing the retirement age of the chief justice. No amount of rationalisation can detract from it the near fatal consequences of the act. And the BNP's intention to influence the election was further confirmed when Justice M. A. Aziz, a sitting judge of the Supreme Court, was made the CEC. (A case is pending in the High Court in this regard).

It should never have allowed President Iajuddin to take over as the chief of the caretaker government, either. It proved disastrous for the country, and at one point it looked as if the future of democracy might be at stake.

Equally appalling was the way the party hounded former president

Badruddoza Choudhury, elected to that post by the BNP, out of office, and continued to pester and harass him at every opportunity till he formed his own party. It was a pathetic sight to see the first citizen of the country shabbily treated while those in the party, known to belong to the saner elements in the group, failed to pick up enough nerve to protest.

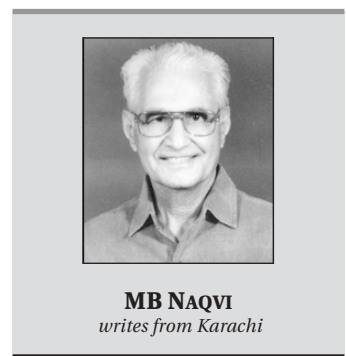
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Apparently, not much cogent thought had gone behind the decisions taken in the past. There is little doubt that the country would have been spared many troubles had the series of mistakes been halted at any one point, and objective and collective rational thought processes been employed to determine policies.

One feels happy that there is change in the mindset, albeit compelled by circumstances, in the senior echelon of the party. It is good to hear that they would like to see the autocratic manner of running political parties done away with. It is sad, though, that they chose to be wise so late in the day. But then it is better to be late than never.

The author is Editor Defence & Strategic Affairs, The Daily Star.

Wanted: An opposition party



THE country is chockfull of political parties. But there is no effective opposition party; most are safe, conservative ones whose economic and foreign policies were and are the same as the Musharraf regime's. One has primarily PML (Q), PML (N) and PPP in mind; small ones do not matter much, except ANP and various nationalist parties in Balochistan.

The PPP and PML (N) have meekly followed what was dictated by the army on America, India and Afghanistan, and followed WTO-favoured economic policies. Only, there is no genuine opposition party that necessarily has to be a left-of-centre party; it is badly needed.

The present situation is defined by four factors:

- The judicial crisis over CJP's refusal to quietly resign has overshadowed all the major crises that radically divide the body politic; let no one forget the major faultlines in the polity, and all must remain focused on their resolution.
- Elections have been promised for later this year. Two further questions arise: would they be truly free and fair, undoctored by the administration? The record hitherto is not promising. Secondly would "they" not impose a state of emergency, or even Martial Law; after Karachi, the

PLAIN WORDS

That would require planned economic development for providing jobs to most people, or self-employment opportunities to others, in both cities and villages. If some people cannot be provided jobs, they should be legally entitled to basic Social Security. That will prevent hunger and disease. Education and healthcare are a necessary part of what the state has to provide. That is democracy now. A program of that nature, along with leaders that are in tune with this, can be the builder of a better tomorrow.

drift of events is dangerous.

Little is new about the major crises dividing the polity. The first being Islam-versus-modern democracy, the second being ethnic demands of the minority provinces, and the third being the social, political and economic condition of the people that demands effective remedial action that only a genuinely democratic dispensation can provide.

Therefore, the need is to rationalize the present movements and evolve a comprehensive program to resolve contentious issues through creating popular consensus and strong democratic action -- and subordinate the special interest groups.

Wherefrom the new party is to come? It has to be the party of the common man. Today, the cost of doing politics is astronomically high. Holding one big rally now requires crores of Rupees. Though it must be said that the movement that the legal fraternity has launched is more or less self-financing, and has not required moneybags to foot the bill. All popular movements do become self-financing, provided the common man's sentiments are aroused and channelized.

The second requirement of a new party is leadership. By leadership most people erroneously think of a charismatic and versatile personality. Up to a point, in an underdeveloped

country, the need for some versatility and charisma cannot be denied. But emphasis must remain on uniting around a specific program of action that should be credible to the people as much as to experts.

The legal fraternity has done its job extremely well; it has organized and successfully led a movement that has fired people's imagination, creating a desire for effective action to change the present dispensation. The present dispensation sports a government that obeys the military, which favours feudals, industrialists, rich traders, bankers and rich professionals.

Let no one forget that the regime feeds the feudals with high procurement prices, distorting prices to international levels without forcing them to pay their Haris and Muzaaras international wages. It has made the rich richer and the poor poorer, while the fundamental rights of the people are dependent on the pleasure of one man: the General-President.

As and when the president feels like, he punishes the media and imposes restrictions he thinks proper, i.e. fundamental rights are not guaranteed and enforceable in the presence of discretionary powers of the administration and the president. Behind these stands the military junta. All that needs changing, which requires an effective opposition party to lead mass movements to achieve

characterized by tolerance of dissent and acceptance of pluralism.

The question of leadership recurs. In Pakistan, a non-rich man can scarcely mobilize the people around a good workable plan of action. The need for versatility and charisma remains, though. Still, all should ensure that a charismatic leader does not get a licence to act whimsically. He or she has to remain wedded to the program that the people have approved.

Such leaders are thrown up by popular movements in which common people willingly struggle against perceived evils. In this, the quest must focus on the leaders who are fighting for the CJP -- do I hear you mention Aitezaz Ahsan on whom I am ready to put ten Rupees. But new leaders have led the movement toward the realisation of democratic ideals without stopping at formal democracy, the first stage. They have to add economic equity, good governance (people's participation) and cultural enrichment as aims.

Their current insistence that the lawyers' movement is entirely non-political can be a matter of tactics, or they may think politics is dirty while the legal profession is noble. They should not remain in an ivory tower, however. To establish rule of law, supremacy of the Constitution and the laws -- the laws have to be proper laws, not simply ordinances issued by military dictators.

Law requires certain requisites that the legal profession understands. They have to be made democratically, and cannot go against the spirit and purposes of democracy. Struggle for the rule of law is also a struggle for laying the foundations of democracy. Others things have to be added to it, particularly what a more democratic dispensation has to do.

What a democratic dispensation should do in Pakistan's conditions is not hard to figure out. It has to tackle problems of people's majority, urban and rural. The problems of the two are not identical, though they are linked. Common people have to be taken to a more prosperous level in which they can enrich themselves culturally also.

It may be a distant dream today, finding workers and peasants enjoying literature, music or dancing or other visual arts. But these are desirable things that should happen after the people have become healthy, educated and mostly employed.

That would require planned economic development for providing jobs to most people, or self-employment opportunities to others, in both cities and villages. If some people cannot be provided jobs, they should be legally entitled to basic Social Security. That will prevent hunger and disease.

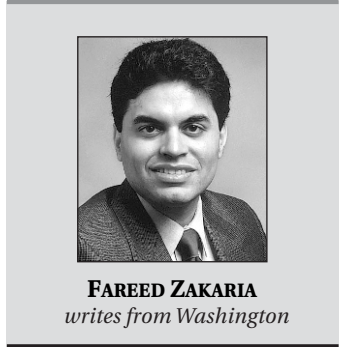
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MB Naqvi is a leading Pakistani columnist.

CORRECTION

In Nuruddin Mahmud Kamal's "Chronicle" column of May 15, we inadvertently left out the word "not" from the following sentence: "Now, it is only natural that officials who enjoy many financial benefit/rewards and advantages from the government, BGFC and Bapex should not be absolved of criminal responsibility when things go wrong." We regret the error and apologize for any confusion caused.

The Democrats' trade troubles



LAST week house speaker Nancy Pelosi and congressman Charles Rangel showed genuine leadership by making a deal with the Bush administration to ease the passage of new trade pacts. But they did so from within a party that is going seriously awry on this issue. Too many Democrats, including most of their presidential candidates, simply wish the subject would go away.

This is a bad strategy for the party

These two shock absorbers would better equip the average American to face a world of global competition. It would ease the genuine anxieties that people have about trade and build durable political support for expanding the world economy rather than walling us in. It's a more sensible solution than China bashing, bogus labor standards and protectionist subsidies. It's a New Deal for trade. Now is any Democrat willing to say that?

and for the country. Bill Clinton's most important political achievement was to transform the image of the Democratic Party into one that was in favor of growth, markets and trade.

Clinton supported and articulated a powerful defense for the North American Free Trade Agreement, the World Trade Organization and commerce with China, among many such issues. He spoke confidently of the promise and opportunities of a globalized world. When you talk with elected Democrats now, they could not

sound more different. Far too many of them are parochial, pessimistic and paranoid about the global economy.

Globalization and technological change produce real anxieties for many people in the developed world. But the basic facts are incontestable: over the past 20 years, as these forces have accelerated, the United States has benefited enormously. Its companies have dominated the new global economic order; its consumers have reaped the lion's share of the resulting price reductions.

America has grown faster than any

large industrial economy during these years: over the past two decades, American per capita GDP has roughly doubled. The median income of a family of four rose 23 percent between 1985 and 2005.

There are serious problems of dislocation and rising inequality -- and I'll return to these -- but that there have been substantial gains is indisputable. US unemployment stands today at a stunningly low 4.4 percent, about half that of many large European economies.

In this context it is almost bizarre to listen to the fears of so many

Democrats (and increasingly some Republicans). The Central American Free Trade Agreement, which has almost no effect on the \$13 trillion American economy but is a huge benefit to the countries in the region, passed the Senate with little Democratic support.

Now trade pacts with three Latin American countries -- Panama, Peru and Colombia -- have been loaded down with amendments, and even so will face opposition from many Democrats. Again, this is a deal that will have almost no impact on us but is hugely important to three crucial allies.

When I was in Asia last month, I was told by several officials that they found themselves in an uncomfortable position. They liked what they heard from Democrats on America's role in the world, but they were troubled by what they heard about trade.

One of them, who declined to give

his name for fear of giving offense, said, "Look, it's an easy call for us. We don't like the Republicans on foreign policy. We think they've been stupid and unilateral.

But they are staunchly progressive on free trade and that's the most important issue for us by far." Democrats cannot plausibly hope to lead the world by abdicating America's historic role as the leader of an open global economy.

It's true that the pace of change is fast and often frightening. And it can cause real pain for real people. But we can't solve this by slowing down or shutting off trade. What advanced economy in history that has closed itself off from the world has prospered?

Would Detroit's automakers have been better off if they had never been exposed to international competition? Perhaps the outsourcing of service jobs today is different. But for the past 50 years America has

outsourced manufacturing jobs -- and yet the economy and personal income and our standards of living have kept growing robustly. Why is it different if the person exposed to international competition now wears a tie?

The current Democratic approach to these issues is misguided. Loading trade pacts with environmental and labor standards is ineffective, unless the aim is to sink them. It will not really change the fact of low-wage competition from poor countries. And, most important, it doesn't really help American workers to prosper in the long term.

What America needs is a new way to tackle trade. It is a C-and-T agenda: cushion and train. The government should help people to weather the shocks of this roller-coaster ride, and it should help train them to be better equipped for the next round of global competition.

We do very little of this today.

When someone loses his job in America, he loses his health care and pension. Imagine if that didn't happen -- and it doesn't in other rich countries -- would that worker be as terrified of change? And then imagine if he took a series of retraining and education courses to prepare him for a new job or career.

These two shock absorbers would better equip the average American to face a world of global competition. It would ease the genuine anxieties that people have about trade and build durable political support for expanding the world economy rather than walling us in. It's a more sensible solution than China bashing, bogus labor standards and protectionist subsidies. It's a New Deal for trade. Now is any Democrat willing to say that?

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