

Free trade

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ONE of the current major trends among the industrialised countries seems to be to bury their hatchets and create or join a free trade block, where goods and services can move freely from one country to another with no tariffs or duties.

The primary idea is to establish a solid market structure for domestic industries to be able to withstand global competition. A free trade area helps a business firm grow, as it increases the size of the market. As mass production often leads to efficiency and lower production costs, business firms with a bigger market become more competitive.

Moreover, competition from firms in other members of the free trade zone forces firms to try yet harder to be more efficient, and at the same time drives the weaker firms out. In this way, by becoming more efficient, the domestic firms could prepare themselves to avert the adverse effects of globalisation.

Europe would be a good example for the beneficial effects of economic realignments. Europe is essentially an amalgamation of states with different languages, cultures, and nationalities. Many of the world's important events including the democratic movement and capitalism originated there. However, history is filled with tales of enmity and competition among European states, where many savage wars took place.

But it is hard to imagine those

old enmities nowadays. Amazingly, economic interests are rapidly changing the situation in Europe and bringing the previously disgruntled countries together by eliminating all international barriers to an improved economic life. The European Union, which was officially launched in 1993 with only six member states, has since expanded to 27, comprising a majority of states in Europe.

In 2002, twelve member states also surrendered their national currencies and adopted the Euro as their common currency. Slovenia adopted the Euro this year, and more countries are likely to follow suit next year.

All these moves are indeed intended to face one thing -- the market globalisation. The EU countries' GDP of over \$13 trillion in 2006 rivals that of the United States, and will surely go up when additional states join the union.

In order to maintain its superiority and to counter the move by the Europeans, the United States created its North American Free Trade Agreement (Nafta) with Canada and Mexico in 1994. Even in the absence of a congenial overall relationship, the United States found good reasons to form an economic alliance with Mexico.

As a free trade block, Nafta's GDP exceeds \$15 trillion, which is also poised to go up if and when Chile and other Central American countries are granted their memberships as expected. But unlike the European Union, Nafta is

limited in scope. For example, the United States would allow free movement of goods and services from Mexico, but disallows free movement of its people. In other words, this is a special kind of marriage limited to economic integration with no social assimilation, and it is designed simply to help domestic industries withstand global competition.

Similarly, the emerging economies could follow the tactic of market integration for maintaining their economic stability and growth. Let's look at the situation of the South Asian Association of Regional Cooperation (Saarc), a regional organisation that has a potential to greatly benefit from an effective free trade block.

Saarc was initially launched in 1985 with four states, but has now expanded to eight, comprising all of the states in the Indian sub-continent and Afghanistan, which joined this year.

The organisation encompasses a region that houses almost one fourth of the world's population. The region could evolve into one of the largest economic blocks with a huge market base as it will vastly increase the size of the market available to any particular firm in a Saarc nation.

Through intra-Saarc competition, improved and efficient business firms will emerge, which will then be better able to compete globally. Additionally, the allowance of free movements of capital and labour among the member states will further enhance the competitiveness of business firms in Saarc

nations.

But from its inception, Saarc has remained mostly ineffective and has achieved very little due to serious political squabbling among its member states. There are a number of acute problems that the organisation faces, and religion may be at the center of it all.

As a matter of fact, it was religion that caused the division of the sub-continent to begin with. The main issues, which have plagued the region for years, are: Kashmir in the northwest, water distribution in the east, and internal power sharing in the north (Nepal) and south (Sri Lanka).

The dispute over Kashmir has brought India and Pakistan to the battlefield on a number of occasions in the past, and it has even advanced the race for nuclear weapons between them. The costs of such a race are enormous since every dollar invested in advanced weapon systems means a dollar less is invested in education, healthcare, social welfare and development. The fallout of Kashmir persists as neither country is prepared to give in.

For Bangladesh in the east, a country of over 145 million people, the lifeline for the country is the water that flows through India. Because of India's unilateral diversion of that water in the upstream during the dry season, great havoc has been created in Bangladesh. Obviously, this is affecting badly needed cooperation between the two countries.

In the north and south, both

Nepal and Sri Lanka have been bogged down for years by their infighting over internal power sharing, which is having a serious impact on their attitude to and cooperation with others. The current internal situation of Bangladesh and Pakistan is not helping things either. Even the newest member state Afghanistan has its own baggage of problems.

The various conflicts in the region have already extracted a heavy price. Earlier, close to fifty per cent of Saarc countries' economic resources went for the destruction of each other and this has continued even today, though perhaps at a lesser scale. For example, out of the annual budget of \$190 billion in 2006, the Saarc countries spent about \$28 billion, roughly 15%, for defense related purposes. This amount represents about 2.7% of their total GDP, a huge amount compared to their per capita income.

The region's overall per capita GDP is about \$3,350 based on purchasing power parity. Even for India this amount is a mere \$3,800. Nearly 50% of the people in the region live on less than \$2 a day, and about 400 million or 27% of the population live on less than \$1 a day. So, to overcome such a depressed condition, the best course of action for Saarc countries would be to end political squabbling and forge economic integration.

India has the largest and fastest growing economy in the region, and it also holds a big trump card for resolving the major issues that

have afflicted the region. As a big brother, India has a great responsibility to steer Saarc countries in the direction of economic integration. By doing so, India will expedite its own growth and ensure its stability as well. If India needs a convincing argument for this, it should only examine the circumstances that led to the creation of the EU and Nafta.

By observing the overall mood at the 14th Saarc summit that was held in New Delhi in April of 2007, one might sense that a change in the perception about Saarc may be occurring. This position may have been influenced by the increases in economic growth that has happened in many member states and by the realisation that, in the current wave of globalisation, economic integration rather than political separation is the best way to achieve and sustain economic prosperity.

The position that India took at the summit pretty much set the tone, and it appears to be positive. The summit had begun with a big fanfare and with an impassioned plea for greater cooperation to improve trade relations, combat terrorism, and above all alleviate poverty.

There was even a call from one member state, namely Sri Lanka, to adopt a single currency for the Saarc countries. India's offer to allow duty free entry of goods from the least developed members and to ease visa requirements for students, teachers, medical patients and specialists in various fields is encouraging.



Market day in Kathmandu.

tant. A big delay in reaching an agreement will not help.

Thus, the challenge is now squarely before the Saarc coun-

tries, and if they fail to seize the opportunity and meet the challenge of economic integration with courage, they will have no one to blame but themselves. Let's hope sound judgment will prevail, and soon.

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Who's in charge of America these days?

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UNDERSTANDING America from a distance these days is quite a challenge, though, in truth, even from within the country the best observation that many people can make is that they no longer have a functioning government.

During the past few months, things have ground to a halt -- almost everything, in fact, as the nation observes a paralysed president and, worse, a catatonic government. Many of us cringe at what might befall us next -- another hurricane, another terrorist act, an international crisis -- because we realise our government has little ability to deal with anything.

The simple explanation of how all this has come about is our disastrous invasion of Iraq, but that is only a starting point. In the past few days, the Bush administration has admitted that all international issues, except Iraq, have been put on hold -- not only for the president

himself but also for Condoleezza Rice, his secretary of state.

North Korea, Palestinian territories, Venezuela (the so-called trouble spots) are being ignored as high-level trips overseas that have been in the planning stages for months have suddenly been cancelled.

Will this total focus on Iraq (which includes Iran) result in anything positive? The answer to this question is readily available if we simply look at the past few years. Each new plan for winning the war in Iraq is followed by another new plan, ad nauseum, as the Bush administration pursues its relentless fixation on Iraq.

America no longer has a functioning Department of Justice, which is probably exactly what the administration desires. Alberto Gonzales's Justice Department ceased functioning once he lost his moral authority to lead the office. He's a joke but also a toad, and the sad thing is that he's so unaware of his own inadequacies that he has

no grasp of what has happened to his credibility.

And the Department of Justice itself? There have been so many resignations of lawyers serving directly under Gonzales that if a major legal issue needed a quick decision, who will act on it? But that's all to the president's advantage, as enemy combatants are tortured and citizens' rights evaporate as quickly as lawyers exit from the Justice Department.

Homeland Security is probably the biggest joke at the moment, and also the major concern. Homeland Security currently has thirty percent of its positions vacant. The world remembers Katrina, and the massive failures of Homeland Security to deal with that disaster. But should another hurricane or act of terrorism hit home, who would be in charge? To whom would authority be delegated?

Too many of us believe that utter chaos will prevail should a major catastrophe befall us. And it's

certainly no relief to think that lightning never strikes twice in the same place. It does.

Most of the regulatory offices of the United States government haven't operated at any level of competence for years now. The Bush administration knew that it couldn't change the laws to limit regulation (of our food, for example, or our pharmaceuticals), so they took another approach: under-fund all government regulatory agencies, so they can't perform the oversight mandated by law.

Our food is tainted, miners die for lack of proper mine inspection, imports from China (most recently) bring death to human beings and their pets.

Two years ago, an attempt to strangle the United States Postal Service and privatise it failed -- only because most people send their messages electronically these days. But we came close to another major push for outsourcing. Big Business thrives as

never before, while profits multiply with minimal governmental regulation.

During the Cold War, those of us who work in Washington, D.C., used to joke that the Russians could easily invade us if they simply waited for a major

snowstorm. Washingtonians are absolutely paralysed by snow.

If they're in their automobiles when a snowstorm arrives, they often abandon them wherever they are. The Russians are past masters of snow, so the joke was that all they needed to do to take over Washington was wait for a major snowfall.

Mother Nature is unaware that the United States government has no capability to deal with natural disasters. As for any terrorists -- homegrown or imported -- I'm certain they're laughing at the state of our paralysis.

So what about the average American, you may ask. Has he caught on to what is really going on in America and overseas? Sadly,

most Americans regard the office of the presidency as sacred -- the holder can do no wrong. But lately, there has been an increased awareness of things as they really are.

George Bush's popularity has dropped to the 35th percentile, only one percent above Richard Nixon's 34%, days before he resigned, though it took Americans years to realise that Nixon was a fraud.

So, maybe there's hope, even though George Bush will never resign. But I'll bet that before Bush's presidency is over, his ratings will be far below Richard Nixon's, making him the most unpopular president in modern history.

Small comfort, when one thinks of the damage that can still be done in the president's remaining eighteen months.

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Fear of failure

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AW Adviser Barrister Mainul Hossain has expressed the apprehension that the current caretaker government might even fail and the consequences would be inconceivable in that case. He also opined that the nation would have to share the blame should the current government fail and that this is thus the duty of the nation to shore up the government.

The learned adviser has also blamed the media and the intellectuals for not playing due role and for non-cooperation with the government. This observation of the adviser seems to be totally out of context as the media were the prime supporters and promoters of the government since its inception and the intellectuals did not play a less important role.

Meanwhile, did the government really pay heed to media and intellectuals suggestions? Rather, their suggestions were treated cheap and thus ignored in many cases. Truly, the influential people in the government seemed more interested in being obliged to donors' suggestions, or rather prescriptions for which even the businessmen expressed frustration.

The government continues to proceed with its agenda. Ironically, however, the "public" concern of the current government seems to be falling off gradually. Perceived decline in the people's initial euphoria is, of course, indicative of such a trend where thoroughly optimistic ones are becoming increasingly fatalistic.

Real and comprehensive reform was indeed a pill that the people were more than ready to swallow no matter how bitter it was for the criminalised politicians. However, the attempt to nourish the reform sapling in the tub seems to have caused a fair amount of boredom in the people.

While crucial issues such as unabated price hike and crime rise continue to seriously hurt the people, the government efforts to combat the menaces seem to be falling short of requirements. And, closure of mills and factories and resultant joblessness has appeared to be another nagging problem for the government.

Though the government seems to have failed to gauge the accumulated effects of these, the outcomes are already unbearable for the people. Neither have these turned out to be wholesome for the government.

Meanwhile, sharp rise of heinous crimes has rightly been attributed to loss of vocation of many due to indiscriminate evictions and retrenchments.

I fail to understand whether legal measures can tame the criminal threats unless there are proper rehabilitation of the displaced and jobless people. Though reform is always on the priority list of the government's agenda, other critical issues seem to have been largely overtaken by the same. Thus, the

economy has already suffered badly with inflation reaching record proportions.

Meanwhile, a fear is taking root that irrational elements in the government are making the government constantly misuse its mandate. Even the ideas are being tossed up that Pakistani or Turkish models of democracy are going to be put in place in Bangladesh. The reform process, too, is being orchestrated the way the powers that be want it.

Hence, perceived political obstacles are being trapped. Floating of new political parties is taking place despite ban on politics. Truly, the country has no dearth of sycophants and opportunists. While feigning to advance the cause of positive change, they misguide the government machinery to the greatest possible extent. It is also true that upstarts thrive in a vacuum.

No conscious citizen of the country wants the current government to fail. Admittedly, each and every patriotic citizen of the country termed the government as a blessing in disguise and showered unqualified applause on the people behind the change. And, courageous steps of the government constantly reinforced the people's expectations.

Self-examination would thus be a real help for the government instead being engaged in a meaningless blame game. Though it is not yet too late for the government, it is the government's loss of initial focus and arbitrariness that are to blame for this rather difficult state of the government that has been exuded by the law adviser which the people never wished for.

Frankly speaking, the people are not willing to hear such frustrating comments from the advisers of the government which has so far ruled the country with a strong hand. It was not even exposed to any perceived threat from any potential quarters. It only received assistance in all sectors and the crack down on the politicians continues to tighten up.

Thus, the government needs to regroup and review its work-plan. To make mistakes is not a crime but to defend and maintain those are crimes. Hopefully, the government will be able to put things in proper perspective and performs things for the greater interest of the nation and for furtherance of democracy in the country.

It bears repeating that failure of this government is expected by no patriotic citizen of the country. However, it is difficult to ascertain that the people will remain ready to share the blame of failure of the government, if so happens. We, however, keep our fingers crossed that it does not happen.

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The grande plan

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PHOTO: AFP

French President Nicolas Sarkozy.

policy, and Jacques Attali, who was a top aide to President François Mitterrand, to draft reports on globalization and development-assistance reform. Dominique Strauss-Kahn -- the left's economic heavyweight -- is now the odds-on favorite to become the next head of the International Monetary Fund, in large part thanks to Sarkozy (making Strauss-Kahn conveniently unlikely to steady the left's uppermost ranks). First, he named a half dozen active or former Socialists to his government -- including one of the most popular, Bernard Kouchner, as minister of Foreign Affairs.

He then persuaded Hubert Védrine, who was the last Socialist to oversee foreign

special advisory commission on institutional and constitutional reform. Parliamentarian Alain Vidalies, who is a member of the Socialist national council that Lang recently resigned from, told *Newsweek* that it is all part of Sarkozy's "cynical and purely tactical political operation."

He's largely right -- and the plan is working brilliantly. Ouverture has let Sarkozy brand himself as meritocratic and politically open-minded, yet he has made no public promises that these hires would change the government's vision in any way. Instead, the president has

grabbed Socialists, centrists or others whose positions largely echo his own (Sarkozy has deftly reserved ministries that are overseeing his most controversial reforms -- Immigration, Justice, Finance, Health and Labor -- for faithful allies).

"Ouverture isn't a political coalition," clarifies Yves Jégo, a conservative parliamentarian close to Sarkozy. "The road map hasn't changed. Those people have boarded the train, but it's still going to the same place."

Still, reforms in France will require plenty of political capital and popular support to succeed. As the right knows from experience, public unrest can scotch the best-laid plans -- even absent a vibrant Socialist opposition. Despite Sarkozy's popularity, 51 percent of the French say they might join a strike of their professional sector if they feel the reforms are misguided.

That's where ouverture comes in. "It sends a message to the country that President Sarkozy is acting in the name of all of the French people," says Stéphane Rözès, a political economist who directs the CSA polling institute. "To reform deeply, he must reach wide." And he might be able to.