

The outcome from Davos

Expression of concern rather than commitment

THE World Economic Forum meet in Davos ended on a note of warnings for the shape of things to come in 2008. The risk of a US recession and slowing global growth, as we see it, warrant 'a coordinated action' on the part of not only the economic power houses but also of developing countries. LDCs likely to be at the receiving end in terms of reduced prospect for export in the event of a recession in the west should have certain leveraging against fall in trade incomes through better terms of trade. So, the coordination of policies should not be entirely be confined to the world's elite but also be inclusive of developing countries' stand-points.

That said, we now move on to Bangladesh's concerns as an LDC which have been amply highlighted by Chief Adviser Fakhruddin Ahmed at the Davos meet. Our two major concerns relate to adverse effects of climate change and lack of duty-free access to the European Union and American markets.

What certainly deserves a special mention is former British Prime Minister Tony Blair's voicing of strong support, as the chairman of the World Economic Forum meeting, to Bangladesh's twin demands: duty-free access of our goods to western markets and assistance to adapt with the adverse impact of climate change. We are not asking for any 'favour' but what we believe we deserve. Due to the climatic changes we have taken the brunt of two successive floods topped off by hurricane Sidr that wreaked havoc on a large swathe of our land. So much so that our pursuit of the millennium development goals might have been affected. UN chief Ban Ki-moon rightly challenged the delegates at Davos 'to renew a commitment to the UN Millennium Development Goals (MDGs) aimed at halving extreme poverty, boosting health and education and further empowering women across the developing world by 2015'. With the ODA to the developing world still lagging behind the target, a renewal of commitment to MDGs was only expected from the G-8 countries. But alas, such hopes have been belied. We do 'need new ideas and fresh approaches' as the UN Secretary General asserted.

ZIA's potential yet to be realised

Pragmatic policy required

IT is disconcerting news that while Zia International Airport (ZIA) has the potential to earn huge revenues for the country it remains underutilised at the moment because of lack of vision, planning and initiative. A report says that Bangladesh could earn over Taka 400 crore annually as extra revenue if the passenger handling capacity of ZIA could be put to full use by the Civil Aviation Authority of Bangladesh (CAAB). While we believe Tk. 400 crore is a huge sum for a country like Bangladesh, we fail to understand what is stopping the authorities concerned from going all out towards tripling of the present income.

It is being put forward by experts that the envisaged revenue enhancement would become a reality with the opening up of ZIA to more international airlines, but for reasons unknown, bureaucratic entanglement remains the problem in this regard. A section within the aviation authorities is allegedly overprotective of Bangladesh Biman despite its limited operational capability and none-too-efficient ground handling. Simple statistics show that while ZIA can handle about 85 lakh (8.5 million) passengers yearly, it now does only about 32 lakh (3.2 million). That is nearly one-third of its capacity, which explains the deficit in revenue.

We understand the target of enhancing revenue can be achieved through allowing more foreign airlines to use the facilities at ZIA on a regular basis, including during the off-peak hours. The revenue would come from offering various aeronautical and non-aeronautical services like landing, parking and route navigation etc. We believe there is substance in the argument that allowing more foreign airlines would also result in healthy competition among the airlines, improvement of services and reduction in ticket price. This means more people would travel in future by air than what they do now.

There is no denying that to increase revenue earning at ZIA, CAAB will have to ensure upgrading of ground handling equipment as per international demand. It might prove to be prudent to involve the private sector in such a highly precision and technology-driven enterprise. With more and more airlines applying for permission to use ZIA, we see no reason why we should not grab the opportunity.

Turmoil in the stock markets



CHAKLADER MAHBOOB-UL ALAM
writes from Madrid

FEARING that the United States was already in recession, stock markets across the world went into a tailspin on January 21. Next day, in a surprise move, the US Federal Reserve lowered its target for the federal funds rate, from 4.25% to 3.50%. The Fed did not beat about the bush to justify its decision. It was completely upfront about its intentions. In a statement, it said that it took "this action in view of a weakening of the economic outlook and increasing downside risks to growth... broader financial market conditions have continued to deteriorate further for some businesses and households. Moreover, incoming information indicates a deepening housing contraction as well as some softening in labour markets." Just so that there are no doubts about a possible US recession, the Fed added, "appreciable downside risks to growth remain."

The most important power of a

LETTER FROM EUROPE
In any case, it seems that the Fed's current measures will not be enough to stop the downturn. According to Professor Stiglitz, measures like higher unemployment benefits and tax rebates aimed at lower and median income households, which have been suffering from cash shortage for some time, are likely to have instant effect on the economy because cash received through these means would be spent immediately.

central bank is to control money supply. Therefore, the main objective of the Fed in lowering the federal funds rate is to expand money supply so that banks can lend it out to private consumers and corporate investors and thereby stimulate economic activity.

Although most experts now blame Greenspan's low interest rate policy for a possible recession, Bernanke is partially responsible for it. Bernanke was a Fed governor in 2001. In the aftermath of the 2001 recession, most economists were afraid of a possible deflationary situation, in which "falling prices force economic activity to slow down, then further drops in prices lead to even less economic activity, and so forth."

As a consequence, Bernanke supported Greenspan in pursuing a low interest policy, which unfortunately led to the housing bubble and eventually to the sub-prime mortgage meltdown. Banks indulged in reckless lending

practices, like issuing mortgages without any collateral, often without verifying the income of the borrowers because they felt that house prices would keep rising indefinitely. No doubt, Greenspan was negligent in not exercising the Fed's regulatory powers to keep the situation under control.

Then the financial institutions did something even more reckless. "Mortgages were bundled with others and sold to investment banks, which, in turn, sliced and diced the claims to produce artificial assets that Moody's and Standard and Poor's were willing to classify as AAA." In other words, they were, in theory, as good as US Treasury securities.

This was fraud on a massive scale, perpetrated right under the noses of the Fed, the US Treasury and the SEC, and no one did anything to stop it. Last summer, a large number of these securities were downgraded. People stopped buying them. Then, like

an infectious disease, the turmoil in the sub-prime market spread to other parts of the securities market like short-term commercial papers, creating a huge liquidity crisis.

Central Banks on both sides of the Atlantic pumped billions of dollars into the system to create liquidity. But economic activity involving both consumer spending and corporate investment continued to decelerate because people's confidence in the system had been badly shaken. Many banks reported huge sub-prime losses.

The problem is that even now no one knows exactly the extent of the banks' real exposure to these wilting assets. Inevitably, these losses will rise sharply as mortgage defaults rise. No wonder the banks are now more worried about their own survival than about the problem of stimulating the economy.

In any case, it seems that the Fed's current measures will not be

enough to stop the downturn. According to Professor Stiglitz, measures like higher unemployment benefits and tax rebates aimed at lower and median income households, which have been suffering from cash shortage for some time, are likely to have instant effect on the economy because cash received through these means would be spent immediately.

At the same time, in order to restore confidence in the financial system, the government should take appropriate measures obliging the financial institutions to make full disclosures about their exposure to the sub-prime assets.

While, according to the Bureau of Economic Analysis, the personal savings rate in the US is almost zero, household debt stands at 133% of personal disposable income. As columnist Bowring pointed out, "personal savings rate has been declining steadily since a double digit level in the early eighties, a decline that has been in part driven by rising asset prices which masked the need for saving out of income rather than relying on credit driven boosts to apparent wealth." In other words, American families have been borrowing against their homes (home equity) to take care of their day to day expenses.

Perhaps it was a good policy

when home prices were rising. But now that the bubble has burst and property prices are plunging, banks are setting aside billions of dollars to cover defaults on these home equity loans. Unfortunately, in this globalised world, the effects of the collapse of the US housing market and the sub-prime meltdown will spread to other parts of the world.

There is no doubt that economic growth in most parts of the world is gradually slowing down and the United States is the focal point of the slowdown, where unemployment has risen to 5%. Although the fundamentals of the EU economy look good, its export market will inevitably suffer because of a rising Euro and the ECB's reluctance to lower interest rates.

Some economists argue that US slowdown will not affect the emerging countries because their domestic markets have developed to such an extent that exports matter far less than they did in the past. This is probably wishful thinking because, in this globalised world with ever-rising food and oil prices, if there is a significant fall in consumer spending in the largest economy of the world it will affect the economic growth of the developing countries sooner or later.

Chaklader Mahboob-ul Alam is a columnist for The Daily Star.

Between ambition and reality



PRAFUL BIDWAI
writes from New Delhi

THE shrewdest way of defeating your opponent, they say, is to flatter him to death. Mr. LK Advani did exactly that to his old-time friend-senior Atal Behari Vajpayee by demanding that he be awarded the Bharat Ratna, India's highest civilian honour.

Mr. Advani nearly succeeded in sending Mr. Vajpayee packing out of his stewardship of the Bharatiya Janata Party by writing: "Sadly, there have been instances when the award was not given even when such illustrious Indians existed in our midst or when their names were suggested for posthumous recognition."

Mr. Advani's gambit was linked to his own bid to become the BJP's nominee for the prime minister's post should the National Democratic Alliance win the next national election. He has long nursed this ambition. Mr. Vajpayee has repeatedly thwarted him.

Mr. Vajpayee was the NDA's

THE PRAFUL BIDWAI COLUMN
Mr Advani's gambit was linked to his own bid to become the BJP's nominee for the prime minister's post should the National Democratic Alliance win the next national election. He has long nursed this ambition. Mr. Vajpayee has repeatedly thwarted him.

unquestioned numero uno, without a successor. Mr. Advani could rise in importance -- but only at Mr. Vajpayee's pleasure. This was a paternalistic relationship typical of the RSS "principle" of a single leader's absolute rule.

Mr. Vajpayee appointed Mr. Advani deputy PM in 2002, but only under pressure. In 2003, Advani acolyte and party president Venkaiah Naidu famously described Mr. Advani as Loh Purush (Iron Man) and Mr. Vajpayee merely as Vikas Purush (Development Man), projecting them together as the BJP's "twin mascots."

This was an attempted palace coup during Mr. Vajpayee's absence from India. Mr. Vajpayee reacted with a black-mailing threat. He said Mr. Advani "would lead the party in the next election." Mr. Naidu apologised abjectly.

This time around, Mr. Vajpayee yielded but only after much persuading by RSS secretary Mohan Bhagwat. A major consideration was his extremely poor health. Yet, he remains the BJP's most acceptable public

face.

Mr. Advani is in a hurry to become prime minister. That's why he put the BJP into election mode in December by setting up an "informal group" of camp-followers, including Sushma Swaraj, Arun Shourie, Arun Jaitley, and Venkaiah Naidu.

Mr. Advani was also eager to get anointed as the NDA's candidate as PM at its January 22 meeting, held after the BJP's morale-boosting victories in Gujarat and Himachal Pradesh.

This was attended by the presidents of all NDA constituent parties barring the Trinamool Congress, and the chief ministers of all the 9 Alliance-ruled states. It denounced "the failed... corrupt and ... divided ... United Progressive Alliance" and claimed to become an alternative.

However, the NDA is in too much of a hurry. The UPA government isn't about to collapse. The Left parties, which threatened to withdraw support if the UPA pushed the India-US nuclear deal, have changed their stance partly because of the Nandigram and Taslima Nasreen

episodes. The UPA is averse to an early election.

True, the Left parties will increasingly demarcate themselves from the UPA ahead of the election, in which they'll directly fight the Congress in the three states in which they rule. But that might not produce an early rupture.

The NDA's Advani gamble is risky. He's no substitute for Mr. Vajpayee. Mr. Advani is an apparatchik (organisation man) and deal-fixer. But he's no strategist. He has started issuing statements on international issues, but he's out of his depth on these.

Mr. Advani's intellectual horizon is extremely narrow. His all-time favourite book is the trashy How to Win Friends and Influence People.

He's not an orator or mass leader. In his recent election meetings in Gujarat, he had to be content with audiences as small as 30-strong, while Mr. Narendra Modi drew thousands-strong crowds, as did Ms. Sonia Gandhi.

Compared to the 30 percent approval ratings for Ms. Gandhi and Mr. Vajpayee in

various opinion polls, Mr. Advani's highest score is 9 percent.

Four years ago, Mr. Advani's elevation to Mr. Vajpayee's level wasn't acceptable to several NDA constituents, including Telugu Desam, Trinamool Congress and even the Shiv Sena.

Today, the NDA allies are wrongly bowing before the BJP's internal choice. This is markedly different from their attitude towards the Vajpayee leadership, which was never determined by the BJP's organisational calculations, but shaped by his (misleading) image as "the right man in the wrong party."

Mr. Vajpayee has never been an Advani-style apparatchik. Mr. Advani is happiest controlling the party or going around in his rath whipping up base passions.

Mr. Advani temporarily lost the RSS's confidence -- and control over the BJP -- because of his remarks praising Jinnah. But he's back in favour, and in greater command of the BJP than its Uttar Pradesh-centric lightweight president, Rajnath Singh.

The BJP has reason to feel pleased at the Gujarat results. The NDA doesn't. After all, the Janata Dal (United), led by the NDA's best-performing chief minister -- Bihar's Nitish Kumar -- contested the Gujarat elections independently of the BJP.

The BJP retains its sullied image as an intolerant, sectarian

party, which uses communal violence for political mobilisation and cannot provide Constitutional governance. Bilkis Bano had to go out of Gujarat to get even a modicum of justice.

Compared to 2004, the NDA isn't better placed than the UPA in the overall balance of forces. It's making an overture to Ms. Jayalalitha through Mr. Narendra Modi, of all people.

But it has lost a major ally in the Telugu Desam and will lose the Trinamool if that party allies with the Congress in West Bengal.

India's political situation is less bipolar than it was in 2004. The regional parties have come together as a bloc. The Bahujan Samaj Party has emerged a major force in UP and is making inroads elsewhere.

Besides, there's a distinct possibility that the Samajwadi Party's hostile relationship with the Congress will change because both feel threatened by the BSP.

The NDA faces the burden of incumbency in Rajasthan, Madhya Pradesh and Chhattisgarh, where elections are due soon. It's unclear if the BJP can retain power there, and highly unlikely that it can recoup its big losses in UP.

In this uncertain situation, betting on Mr. Advani may prove a costly gamble for the NDA.

Praful Bidwai is an eminent Indian columnist.

A non-resident Bangladeshi (NRB) spends nine weeks in Bangladesh

LETTER FROM AMERICA

Although the writer did not go to Bangladesh to attend the NRB conference, at the request of the organisers he ended up giving two presentations in it. However, the organisers lacked the experience to run a conference professionally. Chaos and mismanagement reigned, and the well-meaning and well-mannered volunteers did not always have the correct answers to a participant's query. It was unusual to restrict the participants to only one seminar at a particular time slot. The effort to tap into the expertise of the NRBs in the cause of Bangladesh is laudable. Attendance-wise the conference was a success.

FAKHRUDDIN AHMED

DURING the writer's nine-week sojourn in Bangladesh that ended last week, one of the first questions he faced from relatives, friends and well-wishers was: why have you stopped writing for The Daily Star? As aficionados of conspiracy theories, several came up with their own explanations, which ran the gamut from the CIA placing a gag order on the writer for his anti-Bush rhetoric to the writer having lost all his marbles! The truth will disappoint many readers: there was really no reason! The writer simply needed a break.

Here are some of the writer's personal observations of the several significant events that

took place during his stay in Bangladesh.

The Non-resident Bangladeshi (NRB) conference at the Sheraton: Although the writer did not go to Bangladesh to attend the NRB conference, at the request of the organisers he ended up giving two presentations in it. However, the organisers lacked the experience to run a conference professionally. Chaos and mismanagement reigned, and the well-meaning and well-mannered volunteers did not always have the correct answers to a participant's query. It was unusual to restrict the participants to only one seminar at a particular time slot. The effort to tap into the expertise of the NRBs in the cause of Bangladesh is laudable. Attendance-wise the

conference was a success.

Several excellent papers were presented. NRBs and resident Bangladeshi (RBs) were justly recognised for their contributions. There was one glaring omission. Professor Abul Hussam of George Mason University, who had won a million dollar grant from the National Science Foundation in the US for his arsenic purification filter which is saving many lives in Bangladesh, and who was a presenter at the NRB conference, was not given an award. The writer gave two presentations: "How to improve Bangladesh's image and promote its interests abroad," and "The importance of an excellent English education in Bangladesh." Over twenty participants took the writer's contact

information afterwards, promising to get in touch. None did! Those presenters who could assist participants immigrate to the US were in heavy demand! Some criticisms have been levelled against the NRB conference at home and abroad. Several advisors, secretaries and generals attended the conference, giving it the appearance of a caretaker government-sponsored conference. The caretaker government is attempting to enlist the support of the NRBs, some complained. Others pointed out that the conference had a distinct Awami League flavour. These allegations may or may not be true. However, an overwhelming majority of the expatriate Bangladeshis feel the same way as the writer does (quoting from something the writer said in his first talk): "Not that I like Awami League or BNP less, but that I love Bangladesh more!"

The most creative name of an eatery: Yan Tun Khai Zan. With the eatery's name painted in seemingly authentic Chinese calligraphy on the van, this vendor, selling fares from a van in front of the Sangshad Bhaban thoroughfare, could not fool those of us who originate from the Feni/Noakhali region. Translated from Noakhali into

Bengali and English, the sign simply says (in proper Bengali, "Ekhaney Kheyae Jaan," or "Please eat from here!"). I would have made it more rhythmic: "Bhaijaan, Yan Tun Khai Jaan!"

Arrests and release of Dhaka University teachers and students: The writer's non-relative professor friends at Dhaka University clearly told him that the army did not want a confrontation with the students and did everything in its power to avoid one. The teachers and students had spent enough time in jail and it was the correct decision to pardon, acquit and release them. One has to ask the Dhaka University teachers though: Is it too much to ask the teachers to concentrate solely on educating their students, rather than attempting to advance the non-academic aspirations of the teachers themselves? Before everybody jumps all over me let me say that as a former student, and teacher of Dhaka University Chemistry Department, I have a right to voice my opinion.

Caretaker government and elections: The caretaker government has a distinctly NRB flavour, people told the writer. Many in the government, such as new advisors former attorney general AF Hassan Ariff, Dr. Hossain

Zillur Rahman and Ms. Rasheda K. Choudhury, are persons of impeccable and stellar credentials and integrity. Recently, the caretaker government celebrated one year in office. However, a caretaker government is not supposed to be in office for more than 90 days and is not supposed to formulate policies. Elections must be held as soon as possible; definitely before the end of the year. The popular wisdom is that if free elections are held, the same two leaders and their parties will vie for the honour of forming the next government.

Saddest loss: The passing away of fellow Feni-an, playwright Professor Saleem Al Deen of Jahangirnagar University. I have been assured by those who know that the late Professor Selim Al Deen was one of the very best playwrights in the history of the Bengali language.

Best and worst things about Bangladesh: The writer traveled to Faujdharhat and Chittagong, his ancestral home at Fazligerhat near Feni, Kolatia in Keraniganj, Savar and Rajendrapur. Pollution is creeping back into Dhaka. The mid-day sun is hazy Chittagong, if anything, is even more polluted. There are horrendous traffic jams at Dhaka. No one seems to know or care about traffic rules. Asked

whether he understood what the lane dividers were for, a driver replied: "Of course, sir, these are to beautify the road!" On December 17, it took me almost 2 hours to travel from Naya Paltan to Dhanmandi; I could have covered the distance in half an hour on foot! My two trips on the Dhaka-Chittagong highway were scary to say the least. Bus and truck drivers are willing to kill or be killed just to save a few minutes! The country is exceedingly crowded; noise pollution (vehicular and human) is as much of a threat as air pollution. To fight off rampant crime, every house and apartment building has become a mini-fortress!

People are becoming health-conscious in Bangladesh. I saw many people -- male and female, young and old, religious and secular -- walk/run around Dhanmandi lake and Ramna park during my morning jogs. Bangladeshi cuisine is exquisite! Beautiful apartments are sprouting everywhere in Dhaka and major cities. Because of its booming population, Bangladesh may soon turn into a nation of apartments! Serious efforts must be expended to recover land from the Bay of Bengal and effectively double the size of the country! Bangladeshis are bursting with entrepreneurial energy. They will

use the smallest plot of land, grow fruits and vegetables and sell them for a profit. The government should get out of the way of these entrepreneurs. We need to educate and train our working class in vocational institutions to make them high-value workers for home and abroad. And, of course, we need to reintroduce excellent English education in Bangladesh and catch up with the rest of the world.

Few differences between the US and Bangladesh: During their US visits, many of our relatives jokingly complain that they cannot sleep at our suburban house because it is so quiet! After nine weeks in Bangladesh, I now see what they mean! As my eldest son was driving me from JFK Airport to our New Jersey home on a Sunday morning, I felt that the air I was breathing was so much cleaner, that there was NO ONE walking anywhere and that the cars were sparse and following traffic rules! Earlier, as I entered the immigration booth, the officer looked at my completed customs declaration form and wondered aloud: "Coming from Bangladesh and not bringing food?" I took that as a compliment to our world-renowned culinary excellence.

Dr. Fakhruddin Ahmed writes from Princeton.