

## Begum Zia's reform signals Good sign, hopefully sincerely meant

**B**NP chairperson Khaleda Zia's readiness to drop the bad elements from her party and go for a dialogue with Awami League president Sheikh Hasina are steps which we welcome. Such moves will help inaugurate a fresh new democratic spirit in the country, one that we as citizens have for years been advocating. In fact, it has always been the desire of the people of Bangladesh that a productive and genuine democratic order be set in motion as a precondition for the overall development of the country. Within such a programme of democratic reawakening must be included a democratisation of the inner party working process, the right of independent thinking within the parties, indeed the right of party leaders and workers to voice dissent over issues they cannot morally agree with. In other words, for democracy to work, it is for the parties to ensure that freedom of thought characterises their own functioning.

The nation's expectations from the political parties, particularly the major ones, are really very simple and uncomplicated. They basically centre around the need for the political classes to ensure that Parliament functions independently and thereby reassures the country that it is the centre of all political and administrative action. This can be done through giving space to the opposition, for pluralism demands the presence of a strong opposition that will play its due role. Additionally, democracy underscores a vibrant working of the political party system as well as a constant upholding of the rights and interests of citizens. In this context, it must be made clear that the nation will certainly not accept a return to the mass arrests and the deaths from 'crossfires' that became a hallmark of the last political government, some aspects of which continue even today. Democracy implies a strong sense of tolerance for the views of the other side. Indeed, it was such a spirit that worked back in the days of the anti-Ershad movement in the early 1990s, when the major parties and alliances united around a common charter of aspirations, popularly known as the 19-point agreement involving the 15-party alliance, the seven-party combine and the Jamaat. The agreement envisaged a restoration of parliamentary democracy through ensuring rule of law and the fundamental rights of the people. The unfortunate failure of the politicians to work on it and in fact negate it has brought us to this sorry pass today. Eighteen years on, though, we suggest that the old charter be revived, with the necessary changes attuned to present-day requirements, in the greater interest of the nation.

A new culture of political accommodation, based on the principles of tolerance and cooperation, is called for. We are happy at Begum Zia's attitude. And we hope that there will be similar echoes, on a bigger scale, from the Awami League. The last nineteen months will, we hope, have been a learning experience for the politicians. The lessons learnt ought to be put to constructive use.

## Student clashes

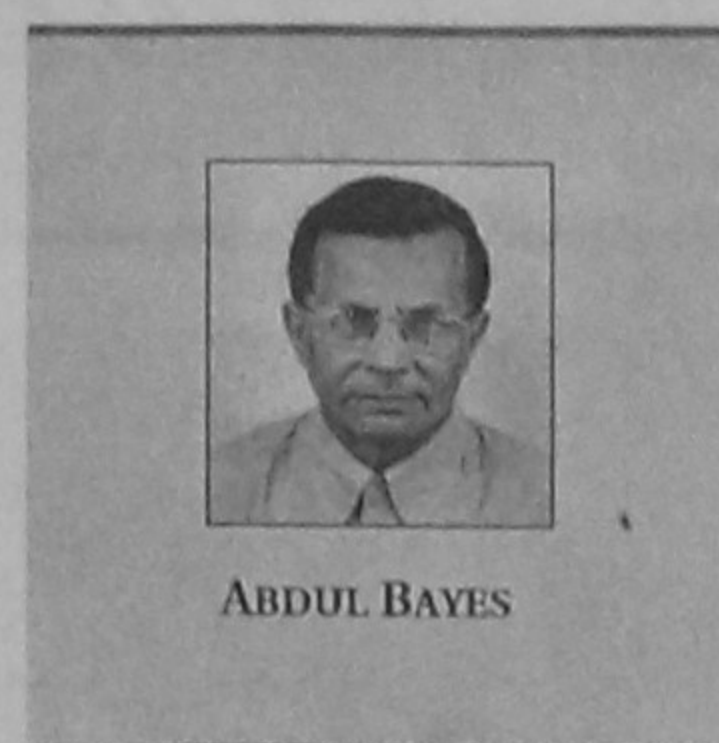
*Rein in the cadres now*

**A**t a time when the nation is looking forward to holding a peaceful election for transition of power to a political government, clashes between the activists of student wings of major political parties pose a threat to peace at educational institutions of the country. Violent clashes at Rajshahi Medical College between supporters of Bangladesh Chhatra League (BCL) and Jatayatbadi Chhatra Dal (JCD) over a seat at the dormitory a couple of days back have left many students gravely injured. As a measure to avoid backlashes the authorities have had to close down the college until October 10. Then on Friday, activists of JCD assaulted some students of the department of mass communication and journalism of Dhaka University including journalists on the issue of filming a TV serial in front of Teacher Student Centre (TSC). A number of university correspondents of local newspapers had to be taken to hospitals with injuries.

The manifest unruliness of the students at two different places is something that has an ominous ring about it and has to be looked into with due seriousness by the political parties. Extremely disturbed as we are, we wonder why students belonging to the highest seat of learning must resort to physical violence to settle any issue. We notice with disquiet that after several months of lull the party cadres have once again begun to flex their muscles.

The country is poised to enter a new phase on the political front. This demands showing utmost restraints by all and to say the least, rowdiness anywhere is something that has to be dealt with effectively. If the political parties fail to rein in the musclemen in their student wings well ahead of the election, we fear the whole purpose of fostering a congenial atmosphere for the polls might be defeated. The political parties, therefore, would do a great service to the nation if they sensitise student supporters to be positive and constructive in their activities.

## Credit where credit is due



ABDUL BAYES

**T**HE importance of financial intermediation in attacking rural poverty is recognised as well as being rigorously researched. Examples are in abundance that financial constraints -- rather than lack of skills, market opportunities, or supply bottlenecks -- are reported to prevent poor families from making a pie to escape poverty.

The fragile financial side also tends to undermine economic returns from pro-poor public investments e.g. irrigation, school. Because, in the absence of necessary working capital for buying fertiliser or pesticides, poor farmers may fail to reap a better harvest from modern technology.

Likewise, government efforts at enhancing school participation rates through raising buildings, may recoil in the face of a shortage of savings to meet children's school expenses. The punishing consequences of inadequate financial support for the health, well-being, and earning capacity

of the poor are, thus, established in available literature.

Generation of self-employment in non-farm activities may require investment in working capital and basic skills in reading, writing and arithmetic. Lack of both financial and human capital could constrain the poor from taking up productive pursuits. The amount of financial capital needed may be small but, at a very low level of income, accumulation of that "small" amount becomes a big task.

The situation speaks of the quotation from Adam Smith: "When you have got a little, it is often easy to get more. The great difficulty is to get that little." Obviously, development of human capital involves a long-term process but the shortage of working capital could be addressed in the short-run through making credit available to the poor.

Our policy makers and politicians often talk of the importance of rural credit for rural liveli-

hoods. More often than not, their perceptions are based on poor statistics, mostly derived from secondary sources of information. In this column today, we have used the household level survey data from 62 villages developed through repeated sample survey. The survey started in 1988 and ended in 2008, the most recent one being supported by Brac.

We can talk of two sources of credit in rural areas: institutional and non-institutional sources. Historically, the latter dominated the scenario till governments realised the importance of state participation in rural credit market through banks and, of late, through NGOs. It may be mentioned here that non-institutional sources mainly comprise money-lenders, land owners, friends, and relatives. This source is alleged to charge very exorbitant rate of interest from the clients. Possibly because of the absence of screening and monitoring costs (moral hazards and adverse selection as

well), non-institutional sources continue to still survive with some impunity in rural areas.

From the Brac-backed survey of 2,000 households in 62 villages between 1988 and 2008, we observe the following changes. Only one-tenth of rural households now borrow from non-institutional sources compared to about 30 per cent in earlier periods i.e. in 1980s. This means, access to highly usurious forms of credit (120 percent interest rate per annum) has been replaced by relatively cheap sources of credit (20-30 percent interest rate per annum).

That had positive impacts on all groups but especially on the poor. For example, less than one percent of the poor segment of borrowers (having homestead only) now borrow from non-institutional sources like money-lenders, traders, etc. But two decades back, one-third of these households used to depend on these sources. The change is almost the same for households

owning up to 0.2 hectares of land. The diminished role of non-institutional sources of credit and the rise of institutional sources should be construed as a positive development in rural areas. The landless households mostly benefited from this development through availing credit and creating assets for livelihood.

With the advent of NGOs and commercial and specialised credit institutions, the institutional sources became prominent over the same period of time. For example, 38 percent of rural households now borrow from NGOs and banks compared to roughly 12 percent in the 1980s. This source emerged as very important for the poor segment. For example, about 42 percent of households (with homestead only) now have access to institutional source compared to less than one-fifth in the past. Again, 44 percent of the households having lands up to 0.2 hectares now borrow from this source compared to roughly 5 percent in the past. For large land owning groups, however, the increased access to institutional source came mostly from banks rather than NGOs, while the poor were mostly served by NGOs. By and large, less than half of the rural households now have access to credit from both the sources.

However, as information tends to reveal, the average size of loan from institutional source accounts for Tk 17,590 (\$259) compared to

Tk 55,234 (\$690). That means, even though the role of non-institutional sources of credit declined over time, the size of the loan from this source speaks of the great demand being generated for credit. In other words, only one-fourth of the credit needs are being supplied by the institutional source and the rest comes from non-institutional side.

It is the responsibility of the government to cater to needs of the rural households through supplying credit to households and thus save them from the clutches of the village level informal lenders who, allegedly, charge an exorbitant rate of interest. Quite obviously, banks and NGOs could operate only when infrastructural facilities like roads and electricity are developed. It also needs security of the lenders institutions in rural areas.

If rural areas are to thrive and poverty to be reduced, there is very little option other than building a large credit network in rural areas. Rural people need the access to credit and evidence is abundant that their repayment capacity remains beyond any doubt. A pro-poor strategy of rural development should see expansion of bank branches and NGO operations in every nook and corner of the country.

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## Managing the market



KAZI ANWARUL MASUD

**A**T the height of popular discontent, when the French people were agitating for bread, Queen Marie Antoinette of France had haughtily suggested that if the people could not get bread then they should eat cake. Such indifference, among other causes, led Marie Antoinette, the daughter of Holy Roman Emperor and Maria Theresa of Austria, to the gallows.

One of the lessons of history is that leaders do not learn from history. It is, therefore, not surprising to read the statement of an adviser that the government does not have any role to play in controlling the abnormal profit extorted by the retailers from the captive public by charging a price that has little connection between the wholesale price and retail price of essentials.

Besides, the down-slide of international price of some commodities does not appear to have any significant impact on domestic price level. Despite daily coverage in the media of international, wholesale, and retail price of

essentials, the Marie Antoinettesque indifference shown by the honourable adviser, his reluctance to intervene in the "free market" mechanism, and his confidence in the inherent honesty of some of the traders is nothing but "impressive."

One wonders why Adam Smith and Karl Marx, being worlds apart in their economic philosophies, were unanimous in their belief that the principal objective of the capitalists was to maximise profit. It would be prudent to remind the readers that "for a capitalist system to evolve in an effective developmental sense through time, it must have two hands and not one: an invisible hand that is implicit in the pricing mechanism and a visible hand that is explicitly managed by the government through a legislature and a bureaucracy."

True, Adam Smith had advocated a minimalist role for the government because of his conviction that "little else is required to carry a state to its highest degree of opulence from the lowest barbarism but peace, easy

## GOING DEEPER

If the authorities fail to do so, then agitations like Kansat and Phulbari may not be far away. If an army marches on its belly, so do the people. One hopes that the continuing inequity between the halves and the have-nots will be done away with by timely governmental intervention.

taxes, and a tolerable administration of justice."

But Smith's assumptions lose validity if costs and benefits are not fully reflected in the market mechanism. Imperfections have to be regulated by a political authority i.e. government. To deny governmental role in providing legal and regularity framework on the basis of Adam Smith's assumption that little is needed except "peace, easy taxes, and tolerable administration of justice" takes away the logic of people electing their representatives.

The ultimate goal of any government is to provide comfortable living standard and the social goods to the people along with security in developing countries and national security as demanded by the voters in the upcoming presidential election in the US (and also in countries like Pakistan which is being continuously assaulted by Taliban to destabilise the country).

It is saddening that our policy-makers, for the sake of political expediency, have not only compromised with their popularly

supported campaign against corruption that has eaten away about three percent of our GDP, but have also disregarded World Bank's caution that an additional four million people have been pushed below the poverty line because of abnormal price hike, and the process of greater poverty looms large.

In this dismal scenario Bangladesh Rifles' opening of fair price shops to ameliorate the misery of the people must be commended. Unlike the Scandinavian countries, for example, our leaders rarely go to the shops (unless surrounded by cameras) and get market information either from their domestic help or those supplied by the Commerce Ministry.

Presumably they claim lack of security preventing their visits to the shops where ordinary people go. Little do they realise that Anna Lindt and Olaf Palme were killed when one went to a departmental store and the other went to a movie with his wife. Despite these tragedies, the Swedish leaders refused police protection lest they

lose touch with the people.

It is equally forgotten that when Tony Blair's son was hauled up by the British police for a minor infraction of the law, the then British prime minister and his wife had to go to the police station to get the son released after due process of law was observed.

Nearer home, the chief minister of West Bengal reportedly lives in a modest apartment and not in a palace as our leaders are used to live in. Unfortunately, both the leading political parties found bipartisan support in the allocation and fixing a ridiculously low rent for the Nam apartments and in the purchase of duty free vehicles that some of the members of parliament promptly sold off at a profit. The reason behind the recapitulation of these known facts is to demonstrate how our leaders stray away from the people once they get elected on false promises.

Since a debate appears to be simmering about the efficacy of governmental intervention in the functioning of the market, one could recall the Office of Price Administration (OPA) instituted during the Second World War (John Kenneth Galbraith was chosen to administer OPA till 1943) to ration automobiles, sugar, typewriters, gasoline, coffee, shoes, meat, processed food, etc.

Two renowned economists reviewed Asian experiences in food grain price stabilisation in

Bangladesh, Indonesia, the Philippines, Pakistan, and Thailand. They found buffer stock, price band, and export and import of food grains being commonly used as price stabilisation measures.

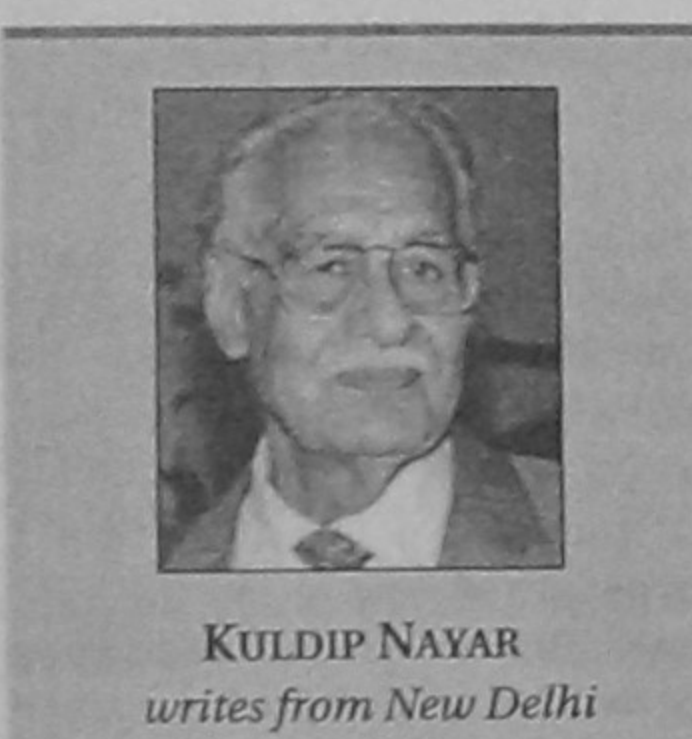
For Bangladesh, widely accepted to be one of the worst affected countries by climate change leading to decrease in cultivable land and increase in "environmental refugees," Wordsworth's poetic lines of "life is short and time is fleeting" would be most appropriate.

Undeniably with the demise of the Soviet Union and China's economic transformation, capitalism is the order of the day. Since laissez-faire economic system has fallen into disuse, capitalism designed to promote productive use of societal resources in order to meet the consumers' demand in the short term and to raise the living standard in the long run must have a regulatory framework to keep the greed of the businessmen in check.

If the authorities fail to do so, then agitations like Kansat and Phulbari may not be far away. If an army marches on its belly, so do the people. One hopes that the continuing inequity between the halves and the have-nots will be done away with by timely governmental intervention.

Kazi Anwarul Masud is a former Secretary and Ambassador.

## A victory of sorts



KULDIP NAYAR  
writes from New Delhi

**I**F one was not opposed to the nuclear device on the point of principle, as I am, one would applaud India for having forced its way through the 34-year-old nuclear isolation. From being a nuclear pariah, it has become a nuclear power, an official member of the exclusive club.

In other words, New Delhi can get nuclear technology, reactors, and fuel from anywhere in the world. The 45-member Nuclear Suppliers Group (NSG) has not only lifted the ban but has also allowed India to retain nuclear weapons without signing the non-proliferation treaty -- a right granted only to a five-member club, the US, the UK, Russia, France, and China.

## BETWEEN THE LINES

In fact, Washington's eyes are fixed on the strategic alliance with New Delhi. America's ambassador to India, David Mulford, has said even before the approval of the waiver that India and the US had already come close to each other in many strategic fields. Defence Minister A.K. Anthony's visit to America, timed after the waiver, is more than a visit.

Yet it has been a victory of sorts. But for Washington's full support all the way, New Delhi could not have obtained the waiver to test. Unfortunately, India's enunciations were not trusted by Uncle Sam's word was. This makes still clearer that America holds the key. In fact, Washington is the founder of the NSG.

However, the manner in which India went about getting the waiver made one feel small. Foreign Minister Pranab Mukherjee went on issuing one clarification after another and Indian top officials talking to the NSG members till early hours for three days at Vienna, assuring them India's old declaration of "no first use" amounted to the

guarantee required.

New Delhi did not have to do all this. It amounted to cringing before even a chit of a country like New Zealand, China's pawn. India should have stood its ground and told the NSG that the unblemished record of non-proliferation was there for all to see. India's izzat (respect) was hawked when the draft was revised and re-revised half a dozen times to "accommodate" a petty member's petty objection. On the other hand, the big ones did not want a hick to sit at the same table.

The waiver was rewarded to say "In the event that one or more Participating Governments (PGs) consider that circumstances have

arisen which require consultations, (PGs) will meet, and then act" to see whether the NSG guidelines had been followed. This change was made at the urging of the club members, which did not want to acknowledge India as a "partner" of the NSG.

It is not yet known what quid pro quo for the US support is. India's statement after getting the waiver was that it would wait till the US Congress ratified the Indo-US nuclear deal so that Washington was there in the field when the orders for reactors were placed.

It is strange that New Delhi should emphasise the immediate production of nuclear energy and,

at the same time, Mukherjee should be assuring US Secretary of State Condoleezza Rice that India would wait till the US Congress cleared the deal. Suppose there is a delay, what happens to the reported offer by Russia to supply four reactors with 1000 KW capacity each even tomorrow?

In fact, America has made its position clear in a letter leaked by Howard L. Berman, chairman of House Foreign Affairs Committee. The deal would not mean transfer of any sensitive technology to India or uninterrupted fuel supply -- a contradiction of Prime Minister Manmohan Singh's assurances to parliament which could encourage the NSG countries. The letter also states: "The US government will not assist India in the design, construction or operation of sensitive nuclear technologies." By insisting that the letter contains "nothing new," New Delhi has implied that it concurs with the damaging US interpretations.

Australia's post-waiver statement that it will not supply fuel to India indicates that America has many arrows in its quiver. If it is

annoyed in any way with India, not necessarily over the nuclear deal, all facilities would come to an end. In fact, Washington's eyes are fixed on the strategic alliance with New Delhi. America's ambassador to India, David Mulford, has said even before the approval of the waiver that India and the US had already come close to each other in many strategic fields. Defence Minister A.K. Anthony's visit to America, timed after the waiver, is more than a visit. This is ominous because it tells upon India's non-alignment and the faith of many nations in New Delhi's independent policy.

China's second thoughts were a surprise because it had assured Manmohan Singh during his visit to Beijing that it had no objection to India getting the waiver. It was President Bush who rang up the Chinese president to withdraw the objection. America is not doing all this for selling reactors because after the NSG clearance India can purchase from any country it wishes. The reactors offered by Russia or France may prove to be better than the 10-year-old reactors which American businessmen have in their basement.

True, America wants to use India to counter China. But if Beijing continues to play a double game as it did at Vienna, New Delhi, by dint of circumstances, would be pushed to America's side. What does the refrain of Hindi-Chini-Bhai-Bhai mean when Beijing strikes against New Delhi whenever an opportunity arises?

It was natural for Beijing to encourage Islamabad to have a parallel treaty like the Indo-US deal. Therefore, President Asif Ali Zardari's statement that he is visiting China to have a nuclear deal does not come as a surprise. What one wishes is that New Delhi and Islamabad should be talking to each other on such and other problems because the two are natural allies.

The negotiations at Vienna should make India clear that China can never be a friend, much less an ally. Prime Minister Jawaharlal Nehru warned the country through a letter he wrote to chief ministers after China's attack on India in 1962: "We do not desire to dominate any country, and we are content to live peacefully with other countries

provided they do not interfere with us or commit aggression. China, on the other hand, clearly did not like the idea of such peaceful existence and wants to have a dominating position in Asia. We do not want communism to come here and yet the essential conflict is more political and geographical than that of communism, although communism is an important factor in the background."

The BJP's criticism that the Manmohan Singh government has given a secret understanding not to hold the test at any time is not convincing. As former President Abdul Kalam has said, India will not honour any commitment if it goes against national interest. Presuming there is some understanding, I cannot imagine any government honouring any commitment if testing is required for the country's security. Not to be the first user, a welcome unilateral statement, was made by Prime Minister Atal Behari Vajpayee after exploding the device. New Delhi should stick to it in letter and spirit.

Kuldip Nayar is an eminent Indian columnist.