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Bangladesh's revolution addiction

AFSAN CHOWDHURY

THE latest revolution was again a product of the previous "people's revolution" because it failed to provide systemic stability, and its worst manifestations were up for public view. The BNP and the AL supporters battled it out on the streets of Dhaka and created a situation which made law and order intervention impossible to avoid. Thus, all the forces combined to usher in the present civil-military alliance phase, the latest "revolution" in the history of the same.

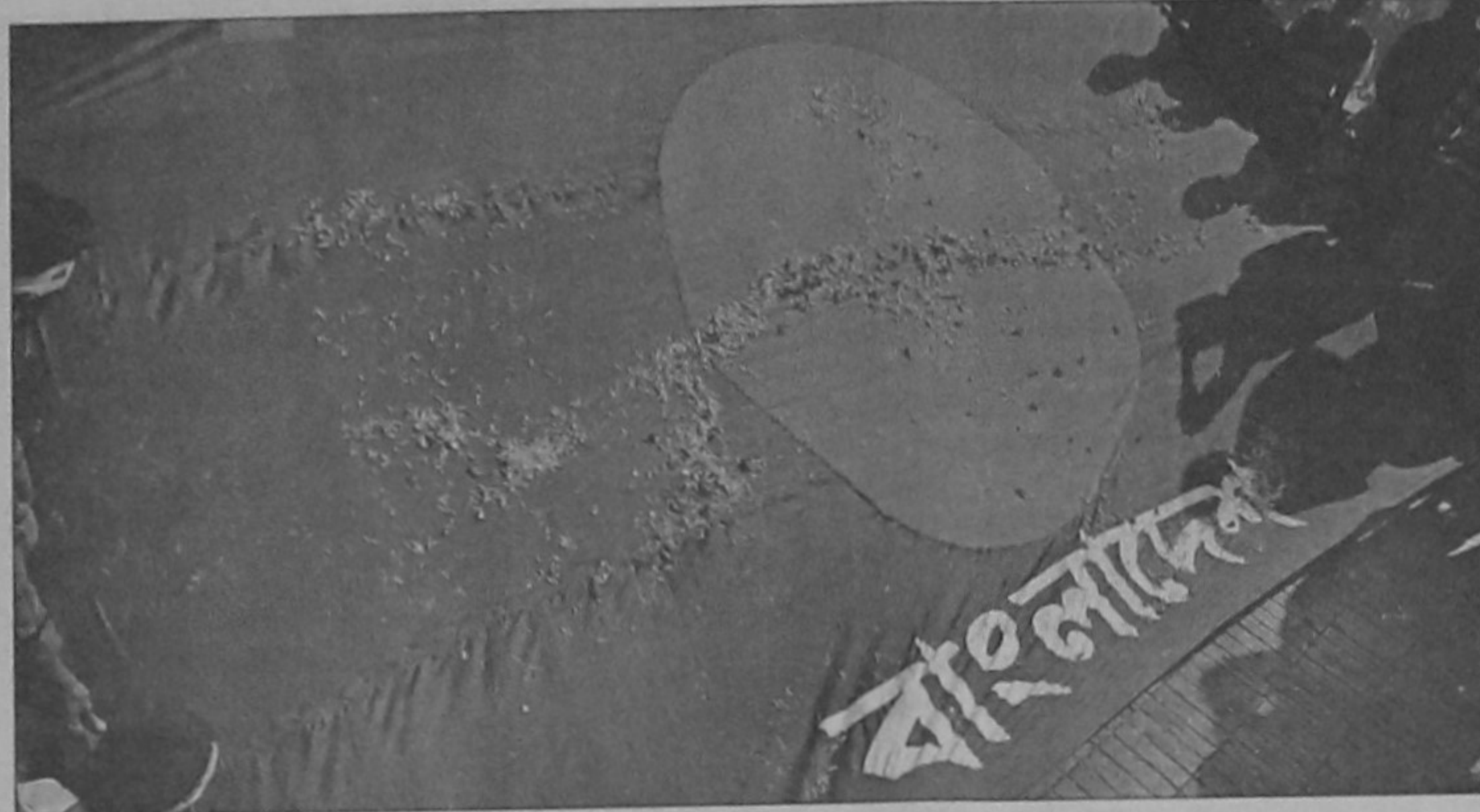
In some ways, the latest revolution promised most and its leadership represented the elite class across the board. Unlike Sheikh Mujib's revolution, it was not one of politicians or like Zia's, which was military in nature, or that of 1990, which was people-led and manipulated by the politicians.

It was a military intervention supported by the civil-military alliance in which various members of the ruling class participated. It could be read as anti-politician,

but, given the experience of the past decade, it wasn't an unpopular move. The regime seemed very concerned about the punishment of corrupt elements, which was very popular, and reforming political parties, which was less so.

It tried to "reform" political parties and even set up an economic crime confession board, expecting politicians, businessmen, and bureaucrats to declare their crimes and hand over the money. It banned politics for long while it allowed the emergence of at least two political parties, including one which was birthed as a king's party. It separated the executive from the judiciary, but granting or not granting of bail became a hugely controversial matter and put a large question mark on the senior courts and made the judiciary look amenable to pressure.

It did not win any medals as a follower of due process and many of the jail sentences passed were unconvincing to observers and lawyers. It tried to weaken the politicians but in the end ended up



retreating and releasing all the leaders against whom cases and charges were pending, proving that revolution makes leaders forget the realities of the situation that is greater than the strength of the powers that be.

The present regime had hinted at an enormous appetite for

change, but its lack of success in that pursuit and the stubborn and ultimately successful resistance of politicians has proven that in Bangladesh "revolution" simply doesn't work.

This government had seriously bad timing, too, as it came to power when the world was facing huge

economic disturbance and Bangladesh was hit by a series of natural disasters including Cyclone Sidr. Global economic turmoil may not have affected the stock market much here, but the squeezed ability of the western buyers is certain to hit the local economy. However, the poorly paid

workers have fared much worse than the owners, and their lot has not improved under this regime.

This government has not been embarrassed by its lack of connection with the poor. That perspective has been provided by the NGOs which are close to the chief adviser and certainly constitute the most successful segment of the anti-poverty initiative. However, in its drive to reform Bangladesh wholesale, the plight of the poor fell through the cracks of the revolutionary zeal. In the end, it was not much more than an interregnum in Bangladesh's sorry history, and a reminder that in its history of revolutions to change the situation this was simply another phase. As successful as the previous revolutions, and, one supposes, as all revolutions are destined to be, in the future too.

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Atlas Shrugged

HASAN IMAM

"Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world,
The blood-dimmed tide is loosed,
and everywhere
The ceremony of innocence is drowned."
- W.B. Yeats, The Second Coming.

WHEN the Irish poet W.B. Yeats composed his masterpiece, I cannot imagine he was thinking of Wall Street, much less sub-prime. Rather, he was describing a Biblical event possessing immense destructive power -- one originating from a localised centre and quickly spiraling out of control to engulf the world -- raining misery upon millions of innocents.

Fifty years later, however, it is hard to find words more appropriate

When you combine such emotion-filled information with the human instinct for self-preservation, and add to it an element of uncertainty, there is one natural outcome: panic. Panic is sometimes an appropriate reaction to danger, but it can also trigger irrational behaviour that is ultimately self-destructive.

On a mass scale, panic can lead to bank runs, stock market collapses and social unrest. And if you think this is far-fetched, consider the following: in our neighbouring India, a large and well-capitalised commercial bank was recently the target of rumours that it would collapse from the effect of the global financial crisis. While the rumours ultimately turned out to be false, it took extraordinary intervention from the central bank and political leaders to calm panicked depositors. From



ate than these of Yeats' to characterise the financial crisis the world is in the midst of today. While the US is at the focal point of this magnitude 9.0 financial earthquake, after-shocks are quickly engulfing capital markets and economies across the globe. And even Bangladesh, thousands of miles away and innocent of any responsibility for the original events, is nevertheless threatened with its consequences.

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Forrest Cookson is an Economist.

Bangladesh, I have already received phone calls from friends and relatives asking which Bangladeshi banks are safe and which are at risk of a failure "like the banks on TV."

Arm yourself with information

The only real weapon against panic attacks, besides taking sedatives, is to educate oneself of the issues. Once you understand what is going on, and how it impacts you, it is easier to make rational decisions to protect yourself from financial harm. And toward this end, I hope this article will help, by: (1) enhancing your understanding of the root causes of the current financial crisis, (2) mapping out how the events are unfolding, (3) predicting what can happen next, and (3) analysing the consequences for Bangladesh.

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Fallout



FORREST COOKSON

THE temptress at the gate is the call for more regulation, tighter capital controls, and reduced flexibility in the financial

sector. All over the world, the cry is heard that there was insufficient regulation and it was this that led to the disastrous collapse of such a large part of the world's financial sector. The United States and

Europe seem determined now to take control of the financial sector -- what we used to call the "commanding heights" and to insure a better economic performance.

With Barack Obama odds on

favorite to become the next president of the United States and a strong-willed Democratic-controlled House of Representatives, one should expect a determined drive to increase the regulation of the financial sector in the United States. This will be a serious error but inevitable. What about Bangladesh? Will Bangladesh Bank and the next elected government be tempted to interfere even more in the banking sector?

Already Bangladesh Bank exercises far too much control over the private commercial banks. Dictating terms of the boards, controlling salaries of managing directors, limiting transport expenses -- these are all symbols of excess interference. Interest rates although uncontrolled in principle move remarkably little. The non-performing loan level of the banks remains precarious but it is not clear what additional supervision would be able to do about this. (Note: official data does not fairly represent the conditions.)

Here are some calls for change

that we are likely to hear:

1. Consolidate the number of banks and make them larger. This would be a serious error indeed. There is no evidence in Bangladesh that large banks are more effective.
2. Promote government owned banks! The four NCBs are insolvent. The government specialised banks are insolvent. Nothing could be worse.
3. Increase regulations over what banks can do; for example distinguishing between loans to "productive" and "non-productive" sectors. Bangladesh could use more retail consumer banking and diversified types of financial institutions.
4. Increase government ownership of key sectors of the economy. Exactly the wrong way to do but this was on the cards even without the financial crisis.

Each of these would be a disaster for the economy.

Overcoming temptation
The greatest threat to Bangladesh

arises from fear that that the government will come up with increased regulatory actions, interfering even more in the operation of the economy. Much of such intervention started under the CTG, although they claimed it was the other way around, so the world crisis simply adds weight to the argument for more regulation.

The nation will have a rough time with a slowdown in investment and exports, resulting in slower economic growth. However, the inflation rate will slow down. The financial system is unlikely to face any threats of loss of confidence. But the greatest problem will be the keen interest that the bureaucracy and the leftist economists will have in moving towards government ownership and intrusive regulation.

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Money on the table

MAMUN RASHID

WORKERS remittance can be considered a substitute for the external development borrowings/grants. Post 9/11 to date, when developed countries are not in a position to increase their grants/development flows to the developing nations, worker remittance has actually met up the deficit to a certain degree. Private capital flows to South-East Asia declined after the 1997-1998 Asian financial crisis, however worker remittance continued to flow.

For Bangladesh, worker remittance is working as a protection against increased international oil prices and is contributing to the development finance. The economic effects of remittance are significant. In Bangladesh, inflows

from remittance are either invested or consumed. In either case, it is good for the economy. If the remittance is invested it contributes to the GDP growth, if it is consumed it favours multiplier effect in the economy through spending.

In a developing economy like ours, remittance can increase both savings and investment. Remittances can be used for investment purposes in Bangladesh. As a unique solution, securitisation of future flows of remittance would generate bulk proceeds of foreign exchange to be invested in major projects in Bangladesh.

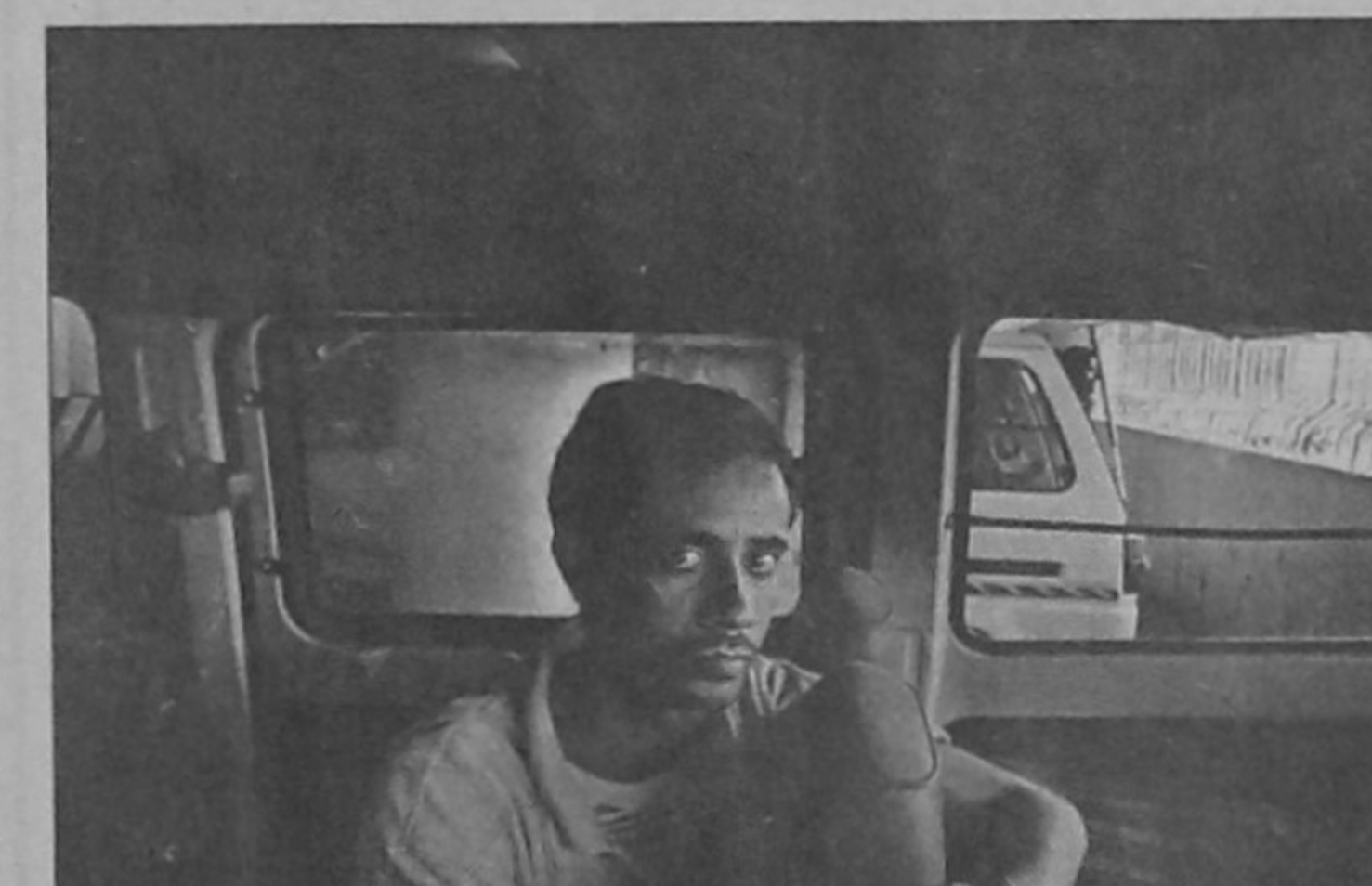
In the social sector, education and health get benefited because of schools and hospitals being constructed from remittance inflows. Also, the foreign currency received through worker remittance is spent to import basic inputs of produc-

tion that are not available in Bangladesh.

To hedge against the episodic nature of FDI and portfolio investment, which increase during economic growth but decrease with economic downturn, the government should focus on remittances, which are less volatile and would hopefully continue to increase.

While we do encourage FDI and portfolio investment by foreign investors in the real sector and capital markets respectively, we need facilitation of portfolio investment in Bangladesh by wage earners abroad as this would also be important in channeling of remittances into uses promoting development.

In Bangladesh, inward remittance is the second biggest source of foreign exchange after exports. On the other hand, if we consider "net



receipts," remittance will be higher than export receipts. Remittances are the source of savings and investment for a household and a mode of wealth accumulation, all of which serve to build a "safety net" for a

household.

Bangladesh, to a great extent, was able to sustain the global shock of oil and food price hike mostly because of robust inflow of remittances. Remittances will continue to

be the driving force of the economy.

In short, to achieve a \$30 billion share from the world remittance market Bangladesh should explore new destinations, upgrade worker skill set, search for more hassle-free and faster distribution channels, come up with new savings instruments, channel and facilitate wage-earners investments into the productive sector of the economy, encourage participation of women in the migration pool, take active measures to ensure worker safety, build up a well-framed manpower industry, and, lastly, but most importantly, promote Brand Bangladesh to the rest of the world.

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The dire straits of student politics: Which way is the shore?



RUBAYAT KHAN

ONE of this -- functioning student unions, political non-interference, a solid education policy, and elimination of weapons on campus -- will come by automatically. We have waited long

for governments to do this for us, but only in vain. Even the current caretaker government, with little (apparent) stake in student politics, is not tackling the right issues in the right manner, and therefore not making much meaningful progress.

Progress is not being made because the debate is happening between the caretaker government and the political parties, not where the issue truly belongs: within the student community. It is time that those ordinary students who have thus far quietly suffered come out

unite and raise their voices against this utterly dysfunctional system. Reforms will only happen when the demands for it will come from within, vigorously and persuasively.

It is not as if students have never protested this system. However, these movements have tended to be catalysed by and masked under other causes, like the July 2002 anti-administration movement following a police raid of Shamsunnahar Hall, and died down when the primary demands were met. While July 2002 was an inspiring saga of ordinary students rising up to protest gross injustice, and ultimately succeeding to oust the VC, most of the seven-point demands, including restructuring of university regulations to eliminate hall-occupation and armed terrorists on campus, never reached fruition.

Nevertheless, the lesson to be learned from the 2002 movement and the long list of others that have

happened before and since is that ordinary students not belonging to any political party can unite and strongly challenge the status quo. And that is what is once again necessary. Leadership and organisation of this movement must come from all individuals and groups from various corners of the student community who are disenchanted and marginalised by the system -- the left groups, the cultural associations, the study circles, and so on.

Indeed, they are the only entities that still have a degree of acceptability within the general student community (this is evident in the fact that most post-91 student movements -- including the nineties movements against rapists in Jahangirnagar, the July 2002 movement, the 2003 movement protesting the attack on Prof. Humayun Azad, the 2006 movements on Fulbari and

Kansat, etc.) have spontaneously organised themselves under leadership of these groups and actively kept out the mainstream entities like Chhatro Dol and Chhatro League.

If we look back at our history of student politics, the most glorious phases have been those where students have treaded over ideological boundaries and united under common cause. The time has come again when the youth must unite to stop their destiny from being determined by ill-willed conspiracies. Let us unite again to finally make student politics "of the students, for the students, and by the students."

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A monthly publication of The Daily Star
NOVEMBER 2008

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