

Faster growing variety of HYV rice

Hats off to scientists behind the development

THE agricultural scientists of the country have made a major breakthrough in developing two other types of High Yielding Variety (HYV) rice, which are especially suited to fight famine-like situation called monga in some northern districts of the country. These varieties of rice called BR-11 dhan-33 and BINA dhan-7 mature in less than four months, 115 days to be exact, and thus can be harvested one month ahead of the customary aman crop of the HYV group, namely the BR-11, which the framers have been growing since long.

This is certainly great news for the poor, landless and marginal farmers who had to remain idle for non-availability of on-farm jobs after mid-September when the aman plantation does usually end. For then usually begins the two gruelling months of monga forcing the farm labourers to eat up their food stock, sell their assets or get snared into the bondage of the loan sharks of the locality. Thus losing everything, many of them had to look for off-farm jobs in other districts.

Earlier, the government and the non-governmental Organisations (NGOs) would take various other measures to create short-term employment and launch feeding programmes to help out the people during these lean months. Against this backdrop, the newly developed HYV seed now show a more sustainable way to tackle the situation through introducing another rice cropping season before the next one begins.

Adding another crop to the existing ones will therefore not only come to the rescue of the monga-hit farm labourers, it would also go to augment the total volume of food grains produced in the country.

The scientists behind this advancement in the field of agricultural research have therefore achieved an admirable feat for which they deserve the laurels due to them. It has to be added here that through earlier discoveries in the field of rice research, the scientists had developed other HYV seeds that had gone a long way in reducing food deficit and strengthening the foundation of food security in the country.

While appreciating our scientists for their contribution to the nation in solving its overriding problems like increasing crop production and job creation, it is hoped that they would also put their talents into developing crops that can adapt themselves to the conditions of climate change now staring the nation in the face. At the same time, the government, too, should come in a big way to bolster agricultural research in all possible ways.

Recovering bank loans

ADR could be a good option

THE JS standing committee on law, justice and parliamentary affairs ministry and the committee on the finance ministry met on Tuesday last to evolve ways and means to recover staggering amounts of defaulted bank loans -- a major area of concern for the decision makers. It is a good thing that the two committees met together for the first time in our parliamentary history to address a crucially important economic issue. Such meetings will no doubt consolidate the committee system -- introduced to oversee activities of the ministries -- and will also help achieve a degree of coordination between the committees, and with that perhaps between ministries.

The goal set by the JS committee on the law ministry is effective and quick recovery of bank loans which still amount to over Tk 20,000 crore. This should be a priority area, given the fact that only Tk 10,000 crore has been recovered in the last 19 years. And the method the parliamentary committee wants to employ is Alternative Disputes Resolution (ADR) which is expected to accelerate the pace of loan recovery and take some pressure off the conventional judiciary. However, the final decision will be taken after the law committee holds discussion with that on the finance ministry to work out the modalities. Before that consultations will be held with the stakeholders such as the banks and the defaulters.

Overall it appears to be a pragmatic step that will give the defaulters an opportunity to pay back the loans without facing any legal proceedings.

The ADR method has been tried successfully in many countries and has the merit of quickly resolving cases that would otherwise have been stuck in a long drawn process when handled by conventional courts.

The default culture is quite widespread in our business arena and is something that successive governments have failed to handle efficiently. Weak and outdated banking practices coupled with archaic laws are responsible for disbursement and poor recovery of bad bank loans. Obviously, the integrity of bank loan defaulters, the willful ones, has also been questioned time and again. We believe the JS committee on law has taken the right initiative to recover the bank loans. If it succeeds in its mission, it will be a solid step forward in bringing back the much-needed economic discipline.

EDITORIAL

The Daily Star

A good step towards achieving food security

With the completion of these godowns/silos, the government's food grain storage capacity will increase to 2.2 million tonnes from the existing capacity of 1.5 million tonnes. This is a good step towards achieving food security in the country.

M. ABDUL LATIF MONDAL

WHILE talking to reporters on October 22, the chairman of the standing committee on food and disaster management ministry (MOFDM), a ruling AL lawmaker, Muhammed Sayedul Hoque, said that the MOFDM had already undertaken steps to establish more 141 food godowns to increase food grain storage capacity of the government. Excepting one concrete silo of 50,000 tonnes with jetty facility at Mongla port, the rest of the food godowns would be established in the northern region, known as the granary of the country. With the completion of these godowns/silos, the government's food grain storage capacity will increase to 2.2 million tonnes from the existing capacity of 1.5 million tonnes. This is a good step towards achieving food security in the country.

Why is it necessary to increase the government's food grain storage capacity as well as maintain security stock of food grains at a comfortable level?

Food availability is considered as the most important component of food secu-

rity, the other two being access to food and utilisation of food. In Bangladesh, food availability is normally thought of in terms of food grains, that is rice and wheat, availability. Since rice and wheat provide respectively about 93% and 7% percent of the country's total cereal intake and together provide about 80% of calories in the Bangladeshi diet, this view is easily understandable.

Maintaining security stock of food grains is one of the components of food availability. The government builds up its food security stock from three sources: (i) procuring food grains from domestic production, (ii) importing food grains from abroad, and (iii) receiving food aid, which has almost dried up.

The procurement of food grains from domestic production is most important for building up the government food stock. The government provides incentives to the growers by arresting the fall of prices during the harvesting seasons, and builds up food stock in order to implement the targeted programs for food grain distribution under public food distribution system (PFDS).

The government-financed food programs can be classified into three major groups.

The first group includes Food for Work (FFW), Test Relief (TR), and Gratuitous Relief (GR), and is designed with the dual objectives of development and relief; the second one is grain price stabilisation program (OMS); and the third is for supplies for the priority groups in emergency jobs.

Leaving aside the urban population (30.5% according to population census report of 2001), who live on purchased food grains, even the marginal farmers in the rural areas turn into buyers of food grains a month or so after harvesting season. Adequate stock of food grains in the government godowns acts as a disincentive to the holding of food grains for long by the big farmers and food grain traders. This helps keep the price of food grains stable.

In his budget speech on June 11, Finance Minister A.M. A. Muhith admitted that the government's food storage capacity remained insufficient compared to requirement, and said that steps would be taken up to expand the capacity of the government food godowns. He said that the government targeted a stock of 1.4 million tonnes of food grains. But, some knowledgeable people suggest that food grain security stock should be maintained at 2.00 million tonnes. They refer to the situation in 2007-2008, when the government faced difficulty in importing rice due to the restrictions imposed by most of the rice exporting countries, which resulted from the worldwide shortage of food grains and very high prices in the international markets.

The goal of the National Food Policy, 2006

is to ensure a dependable food security system for all people of the country at all times. The food policy aims at ensuring adequate and stable supply of safe and nutritious food; enhancing the purchasing power of the people for increased food accessibility; and ensuring adequate nutrition for all (especially for women and children). The National Food Policy Plan of Action launched on May 28 this year contains detailed objectives to improve food availability, access to food, and nutrition. The plan lays special emphasis on improving public sector food stock management, enhancing storage facilities, and effective operation of open market sales.

It is a fact that food grain production has trebled since independence. But a comparison of annual domestic food grain production rate and annual population growth rate shows that the growth rate of population is higher than the growth rate of food grain production rate. According to various studies, the projections of Bangladesh's population growth are indeed worrisome. The population will double to 280 million at the current rate of growth by 2080 and reach 180 million as early as 2020. So, the challenge for this country in this area is obvious.

In view of what has been stated above, the need for constructing more government food godowns for increasing food grain storage capacity can hardly be over-emphasised. The earlier it is done, the better it will be for the food security of the country.

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Promotion of SMEs for sustainable development

The government has established SME Foundation, and a very qualified chairman, a prominent businessman, has been recruited from the private sector.

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SMALL and medium enterprise (SME), as defined by the European Union (EU), comprises industries having less than 250 workers. In Bangladesh, SMEs are organisations with less than 60 workers and investment of up to Tk 10 million. There are about 6 million SMEs in Bangladesh. This is the single largest industrial sector of the Bangladeshi economy.

SMEs may become the main foreign currency-earning sector for the country if they get enough nursing with professionalism. The government has established SME Foundation, and a very qualified chairman, a prominent businessman, has been recruited from the private sector. But the government has to allow him freedom to execute his plans, and ensure financial assistance.

This sector can be a sustainable tool for alleviating poverty, increasing household earnings and boosting export earnings. For achieving them, we must first conduct a "Strength Weakness Opportunity and Threat" (SWOT) analysis for this sector.

Barriers to promoting the SME sector:

Lack of capital support: A majority of our small and cottage industry entrepreneurs belong to the lower class or lower middle class. They are hard workers, innovators, and challenge-takers, but cannot get funding from commercial banks due to their inability to provide collateral. The government can establish an SME bank to provide collateral-free bank loans to SME entrepreneurs.

Absence of policy for transfer of modern technology: The sector is suffering from lack of technological support for upgrading the product quality. The government may seek support for the purpose through multilateral trade negotiations under the umbrella of the World Trade Organisation (WTO). This can facilitate smooth growth of the sector.

The prime minister urged businessmen to invest in Bangladesh during her recent visit to the US. But the unavailability of appropriate infrastructure facilities such as water, electricity and gas hampers industrial activities. This situation has to be rectified, otherwise we will not be able to attract any FDI.

Lack of marketing opportunities: Our SME sector includes a wide range of small and cottage industries, but they do not have marketing knowledge and capability to promote their products. If the government takes initiatives to promote their products abroad or help establish cooperatives to conduct marketing in the same sector, then the sector can be facilitated to achieve sustainable growth.

Inadequate policy reforms: Till now, we do not have a uniform definition of SME.

The Bangladesh Bank, Bureau of Statistics, and SME Foundation have different definitions of SMEs. Government may take necessary initiatives to make it uniform. We can suggest another major policy reform, differentiating small and cottage industry sector from the SMEs. Because they are larger medium enterprises are enjoying credit allocation facilities while the small and cottage industries sector hardly gets

any loans. So, small and cottage industry sector should be separated from the SME sector.

Lack of exposure to international markets: Our SME sector is producing handicrafts and decorative and household items having high demand in the developed market, but the demand is now being met by other countries. The government can take initiative to market such products and play match-making role to facilitate the export of such products.

Law and order situation: The members of the business community, especially those involved in the SME sector, suffer because of the law and order situation. Rich businessmen may have access to police help but the small entrepreneurs do not have such access. Our political parties have to be committed not to let the law and order situation get out of control.

Illegal imports and non-tariff barriers: Both illegal import and non-tariff barriers are threats to our SME sector. If banned products are smuggled into the country domestic production will be harmed. Our SME products are facing many non-tariff barriers in different markets. Related government agencies can be more active to minimise both types of problems.

Despite the barriers noted above, our SME sector has some strategic advantages. This sector needs lower capital investment to start businesses and generate employment at lower cost. Risk involvement in SME sector is lower and start-up period is shorter.

Though most of our SME products are not exported, they are meeting our local demand. As a result, we are getting low cost products in domestic market. The prices of local fabrics are lower than those of countries due to the production of the same by the SME sector. SMEs are producing import-substitute products, thus saving foreign currency.

SMEs are linking production-chain by working as backward and forward linkage units for the industrial sector.

Though the global financial crisis is threatening the export sector, it may also open up opportunities for SMEs. Increase in labour wages in China, India and Brazil may offer an advantage for our SME products. If proper initiatives are taken, our SME units can explore the opportunities for new export markets. Government can strengthen the SME Foundation for accomplishing this.

Recently, Asian Development Bank (ADB) provided funds for SME sector development. The government can seek such funding from other international organisations. Government can initiate programmes for strengthening professional training facilities to help increase the efficiency of the workers in the SME sector through SME Foundation.

A research and development (R&D) wing can be set up in the SME Foundation to help diversify SME products and to facilitate access to new export markets. Information technology in both public and private sectors can be promoted to facilitate better communication facilities to the SME sector at affordable costs. Call centres can be a promising industry if an adequate number of English literate professionals can be supplied.

The SME sector should get the priority over the foreign suppliers in public procurement. The setting of a SME bank may be considered to facilitate collateral-free loan for the units in the sector. A credit guarantee corporation may also be set up to guarantee loans to SMEs, along the lines of Export Credit Guarantee Corporation (ECGC) in India.

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The managed economy

In recent history, no state managed economy has succeeded in developing and modernising itself without making room for more forward-looking branches and techniques. Many primarily state-managed economies cut back state intervention and freed market forces.

HENRIQUE SCHNEIDER

CHINA has been hailed as the new motor for the worldwide economic recovery. We had good news on China's economic performance. GDP is bound to grow by 8% this year. Together with the good news coming from other countries in East Asia, especially Korea, Taiwan and Singapore, Asia seems to be one of the main drivers for global recovery. This seems great news -- and it is!

If the before-mentioned seems good, think of a different, unrelated annotation: The Shanghai Market Index has some 1800 listed stocks. Of those companies, only around 50 are private; that is an absolute number, not a percentage. In Korea, of the listed companies, some 80% are private.

What is the point of comparing China's growth and the completely privately owned listed companies? As East Asia thrives, many analysts proclaim the superiority of the "Asian" version of capitalism, state

capitalism and managed economy. By doing so, many commentators seem to believe that all economies in Asia work alike: Taiwan and Korea and Japan and Singapore and China. Can this be so?

The comparison made above points to Chinese state-capitalism at work. See this in its historical context. In 2008, state-financed investment contributed around 50% of the Chinese GDP growth; in 2009 it is supposed to climb to almost 55%. Taiwan, at the height of its state-capitalism, had not more than 30% GDF growth dependent on state intervention. Korea began with 50% but reduced the rates steadily and quickly to some 15-20%.

Kenneth Arrow, the Nobel Prize laureate, recently tried to rank the world's best state-managed economies and came up with three, China, Taiwan and South Korea. And there you have two mistakes: the one concerns the quality of growth the other concerns the countries on that list.

To put them in order: First, China is growing in the middle of the crisis, yes. But

it still is state-induced growth, which tends to be focussed on construction and not on technology. Therefore, it is not fond of modernisation.

Second, China is a managed economy, yes; but it is not comparable to what Taiwan or South Korea are. Both countries began their rapid ascension with state-capitalistic ventures, but as soon as the private sector began catching up these states decreased their intervention and -- most important -- de-regulated technology-bound sectors.

The results are clear. Private business is the most important motor of the economy in Taiwan and South Korea. In both countries, more than two-thirds of the listed companies are held privately, and both countries had the experience of business turnaround with moderate state management in the crisis of 1997.

Even more, both are trying to position themselves as technology-driven innovators in a completely free market: both countries are championing information-oriented industry, high-level high-end agriculture, research in societal models with more elderly people. All these incentives arise from the market, with government only standing by but never controlling.

The People's Republic of China lacks these fundamentals. It has been growing for 20 years. How come there is almost no technological development? The reason is that state-capitalism is profoundly in love with infrastructure and suspicious of all

other sectors. Infrastructure can be projected, seen and publicly inaugurated, computer-chips cannot.

Indeed, if China is trying to boost its inner demand as a response to the crisis (and it should do so), it is not doing enough to boost its supply of upgradeable goods. The four most heavily regulated areas are the ones, which could champion the further development of the economy -- computer applications, pharmaceuticals, chemistry and telecommunications.

Without innovation and technology, can China enjoy the fruits of modernisation? This is difficult to assess. In recent history, no state-managed economy has succeeded in developing and modernising itself without making room for more forward-looking branches and techniques.

Many primarily state-managed economies cut back state intervention and freed market forces. This recipe led many East Asian countries to their wealth and human security. The comparison of China with Korea can only be validly made if China treads on the same path -- as it does not, they cannot be compared.

As everyone was, and is, affected positively by Korean growth and modernisation, it is hoped that Chinese planners will follow suit. Until then, let the good news be good but do not overestimate the differences.

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