

'The future of Bangladesh is very hopeful'

Renata Lok Dessallien, the UN Resident Coordinator and UNDP Resident Representative in Bangladesh, leaves office tomorrow after an eventful stint that included the creation of a flawless voter roll and a visit from the UN Secretary General. What follows is an interview of Ms. Dessallien by *The Daily Star* Diplomatic Correspondent **Rezaul Karim**.

How do you see the future of Bangladesh?
The future of Bangladesh is very hopeful. This country has tremendous strengths, talents, resources, opportunities, and creativity. Its courageous and hard-working people have proven their worth time and again. It occupies a geographical position that presents many advantages.

Bangladesh has repeatedly demonstrated its remarkable capacity to overcome crises. Today, despite the world's financial and economic crisis, while the country's economic growth has declined somewhat, it still remains substantial and will allow important social progress to continue. With Bangladesh's inherent assets and its track record in overcoming difficulties, I feel the country has everything it needs to surmount the challenges of today and tomorrow.

It was an epoch-making initiative to register over 81 million voters electronically, creating a voters database and providing citizens with provisional photo-IDs. UNDP, the EC and members of armed forces worked together in making the project a success. Tell us how it happened so smoothly.

The preparation of the photo voter list was a major success for Bangladesh. No other country has been able to register so many voters electronically, in such a short time period, with such a high degree of accuracy, and under-budget!

There were several pre-requisites that needed to be met for this to happen. First was the reconstitution of the Election Commission so that the institution could

regain general public confidence. The second pre-requisite had to do with electoral reforms.

The EC consulted with various stakeholders on these reforms before submitting them to the president who enacted them through ordinances. This established the legal basis for the photo voter list and other needed electoral reforms.

The army contributed immeasurably through the unreserved provision of its technical knowledge, managerial skills, and immense organisational capacity. Many civil society groups helped the process in a variety of ways.

In the end the photo voter list initiative was a huge success for Bangladesh. Once again, the country proved that it could achieve what many people thought was impossible. How? I believe that it can be attributed to a number of factors.

First, all actors were united behind a common sense of urgency to prepare a high quality voter list, and motivation was high. Second, leadership at the top and at critical junctures underneath were highly competent, experienced, sincere and not afraid of pulling out all the stops to get the job done. Third, all actors involved in the effort agreed to, and complied with, a clear division of labour, with the EC in the lead, the army playing a strong and vital supportive role, the development partners filling in the gaps when and where needed, and civil society groups focusing on information dissemination to mobilising citizens. Finally, all actors tried to be flexible, responsive and accommodative.

Thanks to this model co-operation,

Bangladesh's photo voter list has become an international best practice. Not only have the people of Bangladesh benefited immensely for their new voter list and the provisional National ID Cards, but the EC has received many delegations from countries near and far wanting to learn about how the operation was successful. Bangladeshis can feel very proud of this.

How do you assess progress of our social sector?

From a longer-term perspective, Bangladesh's overall socio-economic progress has shown steady progress. Growth has been stable at 5 to 6 percent for the last 10 years, and poverty rates have been declining.

In some areas, progress has been remarkable, such as the reduction of child mortality, the decline in population growth during the 1990s, rising school enrolment rates especially girls enrolment, etc.

In fact, Bangladesh is the only south Asian country that has achieved gender parity in primary and secondary level education. Progress is also being made with respect to women's political participation.

In other areas of development, progress has lagged, such as child nutrition and school retention rates due to poor quality education. Income inequality is growing. Regional disparities are of concern, with pockets of extreme poverty in coastal belts, marshy lands, slums, CHT and *monga* areas in the northern districts. Early marriages, maternal mortality and violence against women are still of great concern. And stagnation in the reduction of population growth threatens all other sectors.

Being a victim of natural disasters as well as being particularly vulnerable to climate change and environmental degradation, much effort is needed here. Millions of people, mostly poor, suffer great hardship annually from floods, droughts, cyclone and tidal bores. And millions more will find their homes and fields under water when sea levels rise.

While Bangladesh has become expert in disaster preparedness and response, the



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increasing population pressure combined with other persistent problems like water salination in coast areas, river bank erosion, arsenic poisoning in ground water, will require ever bolder strategic action.

Similarly bold efforts are required to tackle the many problems associated with overcrowding in urban centres, which has currently stretched the capacities of both the natural environment and public infrastructure to precarious levels.

Could you discuss the role of the UN during the 1/11 changeover?

It may be helpful to recall some of the key destabilising factors at that time. Confidence in the EC and in the 2006 caretaker government, the two most vital institutions for successful elections in Bangladesh, was not shared by both major political alliances and their followers. The High Court had declared the voter list

illegal in 2006. An updated version consisting of 90 million voters exceeded demographic estimates and was found to contain 12 million errors including "ghost voters." Violence and turmoil in the streets had persisted since October 2006. And on January 3, 2007, the AL declared its decision to boycott the elections.

It was the opinion of all international electoral specialists and many people in the country at that time that it was not possible for elections to be free, fair, credible and peaceful under these circumstances.

A large portion of the international community was therefore deeply concerned about prospect of widespread electoral and post-electoral violence. Many expressed their concerns publicly. The UN was as concerned as everyone else about the deteriorating state of affairs in Bangladesh during the last quarter of 2006

and early 2007.

The UN secretary general expressed his concern on several occasions, starting at the time of the harrowing street violence in October 2006 and subsequently. Several missions of high level UN electoral specialists visited Bangladesh during 2006 to urge the EC to take the actions needed to raise public confidence in the electoral process. The UNSG appointed a personal envoy to Bangladesh who visited Dhaka in December 2006.

Numerous public statements were made urging for accommodation and for cessation of the violence, by the SG, his envoy, UN electoral specialists, and the UNRC. All were made in an effort to appeal for political accommodation and for the establishment of the conditions required to make the planned elections free, fair, credible, and peaceful.

BCL: Hard facts



BCL remains the government's Achilles heel. It boggles one's mind as to what has got into their heads. They are doing harm to the image of the government by being the subject of negative reports in the newspapers almost everyday.

KAZI S.M. KHASRUL ALAM QUDDUSI

FOLLOWING ushering in of the current government led by Bangladesh Awami League (AL) chief Sheikh Hasina, the objective media of the country constantly implored the government to discipline Bangladesh Chhatra League (BCL). As a stern reaction to BCL activities, Sheikh Hasina even disowned that student outfit last year. Unfortunately, however, people claiming to be BCL leaders and workers are still engaged in criminal activities, sparing no thought whatsoever for the damage being done to the image of the government.

The government has achieved a few things in the more than one year it has been in power. It has been learnt from a *Daily Star* survey that though some ministers' performance has not been up to the mark, a good number of them, including Education Minister Nurul Islam Nahid, Agriculture Minister Motia Chowdhury, Finance Minister A.M.A. Muhith, Food Minister Dr. Abdur Razzak and State Minister for Environment Dr. Hasan Mahmud, have just excelled in their

performance.

The government's handling of the BDR massacre as well as execution of the killers of Father of the Nation Bangabandhu Sheikh Mujibur Rahman were commended at home and abroad. The government's steps for attaining food autarky, solving our long-standing power shortage, and using ICT for materialising its professed Digital Bangladesh agenda, have really exceeded people's expectations. Though the government has not been fully successful in controlling the price spiral, things have not gone totally out of control.

Unfortunately, however, BCL remains the government's Achilles heel. It boggles one's mind as to what has got into their heads. They are doing harm to the image of the government by being the subject of negative reports in the newspapers almost everyday. BCL could not wage any meaningful protest even during the two-year long military-backed caretaker government's rule, during which Sheikh Hasina was kept behind bars for a long time.

Insofar as building resistance against reactionary forces on the campuses is concerned, BCL has consis-

tently been found wanting. In the recent past, they have even been battered by the reactionary forces on the Rajshahi University campus, in which Islami Chatra Shibir (ICS) revived their tendon-cutting specialty. In fact, most of the dominant student organisations of the country are tarred with the same brush, with ICS shining in brutality.

Regarding BCL's actions, even reactionary forces have mocked them in the recent past, which only pains the people who harbour progressive mindsets and are politically compassionate towards them. BCL is supposed to dominate the campuses by persuading the students to rally round them on the strength of their ideological orientations as well dedication to just causes of the students, which would indeed be a great service to themselves, to the country and, more so, to the party in power.

However, their constant wrongdoings are a disservice to the party in power. More importantly, political rivals of AL will no doubt pinpoint each of BCL's acts to capitalise on them. Thus, the prime minister has no option but to heal the long-standing Achilles' heel by reining them in. I dare say, BCL's misdeeds are looming large to undo all achievements of the government. Hopefully, those concerned will act rather than react before it is too late.

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The US won't fire its label gun

The US Treasury will not label China a currency manipulator in its upcoming report. Why? The simplest way for the US Treasury to force China to reevaluate its yuan is to sufficiently lower the interests paid on the Treasury bonds or to simply stop selling the bonds to China; the fact that it has yet to do so shows that it doesn't want a revaluation.

YANG YAO, China Daily

YUAN'S peg to the dollar helps the US currency from freefalling, and a gradual appreciation could be a long-term option. China still feels the pressure to reevaluate the yuan although the United States has postponed the April 15 deadline for the Treasury Department to submit an annual report to the Congress.

Congressmen and women have signed a letter calling for the department to label China a currency manipulator. Nobel Prize laureate Paul Krugman has written in two of his *New York Times* columns that the US government must take the case to the World Trade Organization and, if China does not succumb, to wage a trade war with it. Other critics are advocating other countries to join the US in putting the heat on China.

Relax, everyone. The US Treasury will not label China a currency manipulator in its upcoming report. Why? The simplest way for the US Treasury to force China to reevaluate its yuan is to sufficiently lower the interests paid on the Treasury bonds or to simply stop selling the bonds to China; the fact that it has yet to do so shows that it doesn't want a revaluation.

Let's see how this works. In order to peg the yuan to the dollar, the Chinese central bank has to buy large amounts of dollars. This, however, will release equally large amounts of yuan in China that will inevitably lead to inflation if left unimpeded by the central bank. In reality, the central bank issues interest-bearing bonds to offset the excessive money supply.

Now, if the US Treasury cuts the interest rate of its bonds below the rate paid on the Chinese central bank's offsetting bonds, the Chinese central bank will run a loss and may be forced to stop buying dollars. Once the sale of US Treasury bonds to China is halted, it will serve the same purpose and its effects will be more direct.

In fact, if the US stops selling its treasury bonds, a number of benefits could open up. First, as Krugman claimed, it prevents Chinese savings from depressing demand in the US. Second, it disciplines the US government in putting a clamp on its debt. Third, it does avoid a trade war that Krugman wanted. The inconvenient truth, however, is that the US Treasury needs cheap Chinese savings to finance a number of very urgent projects, such as its new healthcare plan.

It seems that some in the US want to have two good things simultaneously; an

appreciation of the yuan and China's continuous supply of cheap money. This sounds like a deal too sweet to ask China to deliver.

But a more serious question is: Will revaluation help the US economy even if China is willing to do so? Probably not, at



Who decides the face value?

least not in terms of moderate appreciation. Between July 2005 and June 2008, the yuan appreciated against the dollar by 21 percent on nominal terms, but China's exports to the US still increased and trade surplus surged from \$100 billion in 2005 to \$300 billion in 2008.

A more drastic appreciation, say 20 percent as some would suggest, will likely have a strong effect, but that will also kill China's economic growth because exports were a strong growth factor between 2001 and 2008.

One fact that people often neglect is that the yuan is pegged only to the US dollar, so its under-valuation against other currencies, if it exists, is an automatic result of the US dollar's devaluation. That is, if the United States really wants to help other countries, it should not devalue its currency. The yuan's peg to the dollar, in a way, affects the whole world; it prevents a freefall of the dollar.

Depreciation of the dollar is a natural choice for the United States to adjust its economy, just like it did in the 1970s and 1980s, but it is at the expense of other countries. Therefore, other countries are not likely to join the US against China. In particular,

the EU is engaged in a bitter fight over its own financial issues. While Germany runs large amounts of current account surpluses, other countries are deep in debt. The recent debates on Greece's bailout highlight the agony within the EU.

Krugman called for the US government to square up to China in a trade war because he believed that China would back down "precisely because the United States can get what it wants." He might be overly confident about his knowledge (or ignorance) of China by underestimating China's resolve when faced with a confrontation. From a purely academic point of view, Krugman has also failed one basic principle of a social scientist; looking at both sides when he thinks about a conflicting issue.

The exchange rate is ultimately a domes-

tic issue. There is a trade-off between long-term economic growth and short-term macroeconomic stability. There are theories and empirical evidence showing that pegging to a major world currency provides an anchor for a developing country and accelerates its structural transformation. However, the peg also causes major macroeconomic problems. The central bank's offsetting policy is accumulating debts and can be a time-bomb of inflation if things go wrong in the future.

Balancing between long-term growth and short-term stability, a sensible approach is to adopt a manageable floating policy that allows the yuan to appreciate gradually, based on the gap of unit product costs between China and the US. Defending a completely fixed exchange rate is costly and corners China into dealing with other countries. Gradual appreciation is not a sign of weakness, but is in China's best interest.

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