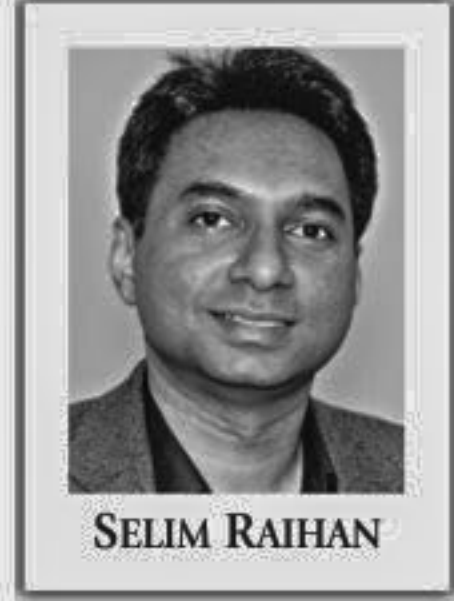


High tariff's impact on trade



SELIM RAIHAN

BANGLADESH has made a major transition in its trade policy from a protectionist stance to a freer trade regime since the early 1990s as is reflected by the reduction in the

average tariff rate from as high as 105 percent in 1990 to 13 percent in 2016. Despite that, in 2016, Bangladesh's average applied tariff rate was the highest in South Asia and much higher than those of the countries in Southeast Asia. Also, in 2016, the share of tariff lines with international peaks (rates that exceed 15 percent) in total tariff lines was as high as 39 percent, which was much higher than most of the South Asian (except Nepal and Pakistan) and Southeast Asian countries. Given this scenario, it is suggestive that there is scope for further tariff liberalisation in Bangladesh in terms of cutting down the average tariff rate as well as the tariff peaks.

Admitting the need for further tariff liberalisation in promoting export and economic growth, there are concerns that a mere tariff cut is not sufficient to achieve such targets. First, since 2000, reduction in the average tariff rates has hardly had any systematic association with both the import-GDP ratio and export-GDP ratio in Bangladesh. Second, the presented scatter-plot shows an interesting analysis for 171 countries, where it appears that Bangladesh is in a group of countries (Group A) with low per capita GDP but high tariff rate. The countries in Group D (quite large in number) are with larger per capita GDPs and much lower tariff rates. However, there is also a sizeable number of countries in Group C, where countries have both higher per capita GDP and high tariff rates. All these indicate an apparent inconclusive association between the cut in tariff rates and the promotion of both trade and national income. Unfortunately, the discussion over trade policy in Bangladesh is primarily focused on tariff rates, and

there are dominant conservative views against further tariff liberalisation with concerns over the loss in revenue and protection of domestic industries.

However, the emerging challenges and complexities in the global trading regime calls for an overhaul of conventional thinking in the trade policy regime in Bangladesh. Four critical issues need to be considered in this overhauling process.

First, the effort for further tariff liberalisation in Bangladesh, in terms of cutting down the average tariff rate as well as the tariff peaks, need to be

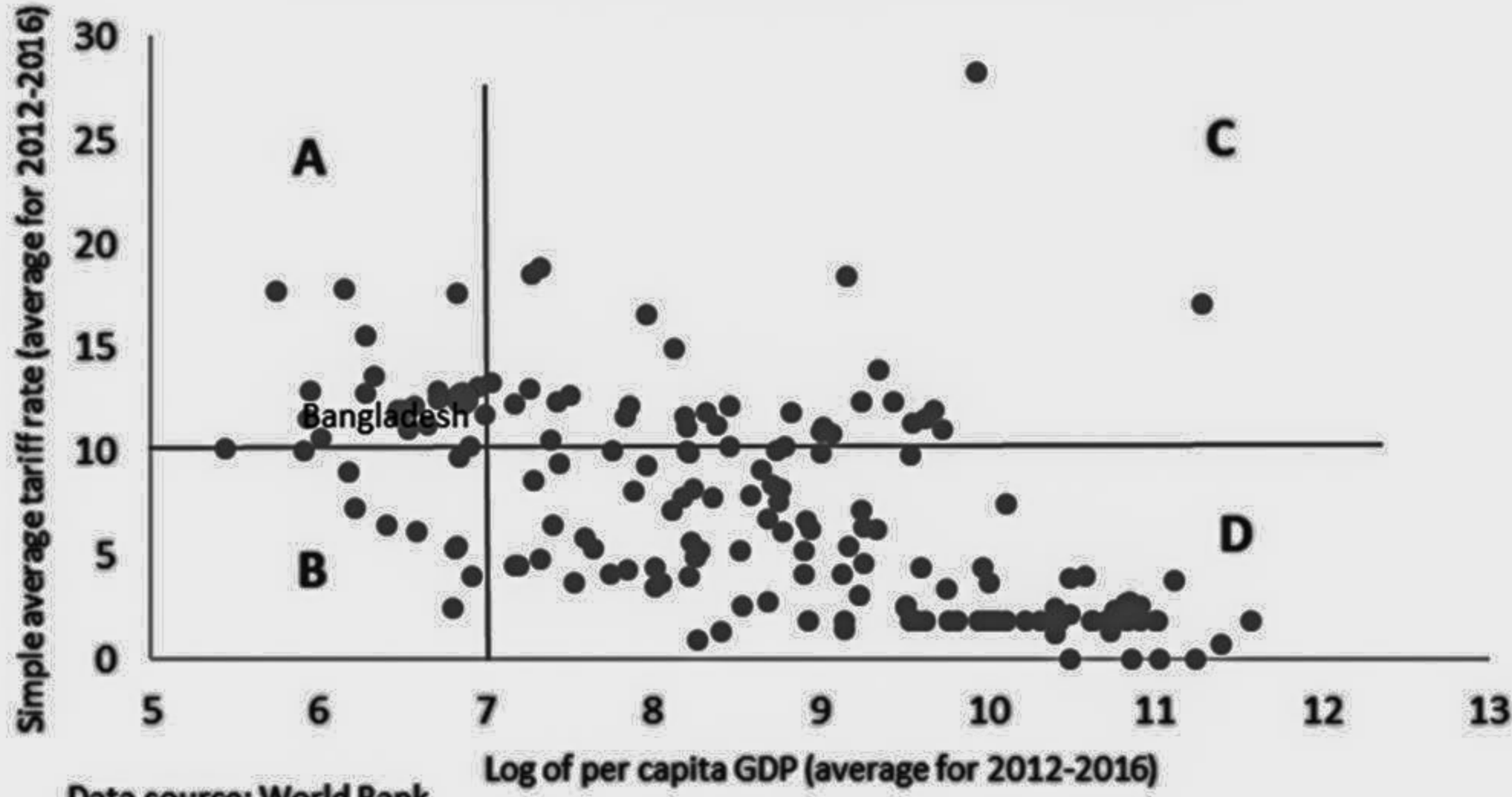
important than the MFN (most favoured nation) tariff rates. Therefore, the simple average tariff rate would not reflect the true picture of the status of tariff protection in future.

Second, the trade policy needs to be pro-active to effectively engage with multilateral, regional and bilateral trading arrangements, and to take initiative for participation in the prospective mega-trading blocs. Bangladesh, being an LDC and thus receiving trade preferences in major export destination markets, has so far been very passive in such trading

there is a dire need to diversify the export basket. Providing export subsidies for export diversification has turned out to be an easy but ineffective tool. More fundamental problems are associated with policy-induced and supply-side constraints. In this context, the trade policy needs to be synchronised with other policies and programmes in the economy.

And finally, the trade policy needs to present an action plan to deal with the NTMs or non-tariff barriers (NTBs), which are increasingly getting more prominence in international trade.

Tariff rate and per capita GDP for 171 countries



continued as it creates a necessary condition for further diversification of the export basket. The use of para-tariffs for the protection of domestic industries needs to be transparent and consistent with the WTO framework, and timely phase-out of such para-tariffs is warranted. However, it should be kept in mind that with the escalation of the preferential trading arrangements (PTAs), and assuming Bangladesh's engagement in PTAs will increase in future, the preferential tariff rates will become more

arrangements. However, with the bright prospect of getting out of LDC status in the near future, such trade preferences will turn out to be redundant and the country has to bank on its comparative advantage and competitive strengths in future.

Third, the trade policy needs to facilitate Bangladesh's effective integration with the global and regional value chains. Currently, the country's successful integration in the GVC is only through the readymade garments, and

However, much of the alleged problems of NTMs/NTBs originate at home rather than in the export destination countries due to weak infrastructure, lack of human resources and various procedural obstacles. The action plan should help build the country's capacity in this endeavour.

Dr Selim Raihan is Professor, Department of Economics, University of Dhaka, Bangladesh, and Executive Director, South Asian Network on Economic Modelling (SANEM). Email: selim.raihan@econdu.ac.bd

A violent brand of politics

How long will the ruling party remain silent?

To say that the clash between supporters of Narayanganj city Mayor Selina Hayat Ivy and those of local Awami League lawmaker Shamim Osman on Tuesday afternoon in Narayanganj city's Chashara is condemnable, would be an understatement. It was nothing less than a shameless display of a violent brand of politics that the ruling party has repeatedly failed to keep in check.

What we understand from our report is that it was the brandishing of a firearm by a Jubo League leader and Osman supporter that escalated the clash which ultimately led to brickbats hitting the Narayanganj mayor. How much longer are we going to stand by and watch ruling party men wield muscle power and issue such physical threats with impunity?

The point of contention has to do with the eviction of hawkers from footpaths. On Monday, MP Shamim Osman said that the hawkers could not be evicted until they were rehabilitated while Mayor Selina Hayat Ivy said that she would not allow hawkers to occupy the footpath at all.

First, the threats issued by the lawmaker at the demonstration organised by Hawkers Sangram Parishad on Monday are unacceptable. They defied the basic norms of civility which sadly seem to be missing altogether from our political landscape. Second, the timeline of the eviction of hawkers shows that the Narayanganj City Corporation had already designated places where hawkers could set up shop until February 27, which is why the lawmaker's demands for rehabilitation are not only illogical but also cannot be interpreted as anything other than provocation. Third, the authority lies with the City Corporation alone to decide where hawkers can set up shop and where they cannot.

We urge the government to take note of this episode and intervene in order to delineate clearly that the eviction of hawkers from footpaths is an issue that only the City Corporation can deal with and that it is not the jurisdiction of a local lawmaker. Moreover, an example needs to be made by bringing to book the Jubo League leader who had the audacity to brandish a gun in a public space.

Forget about good financial governance!

The amendment sets a bad precedence

THE national parliament passed the controversial Banking Companies (Amendment) Act 2017 despite protests from a section of law makers. The amendment will allow for family members to become proprietorial in the banks they are directors of—hardly a healthy situation for any bank. It allows for four members of a family (in place of two) to be included in the board of a bank. We have now officially driven a nail into the coffin of financial discipline and accountability through this amendment despite warnings from banking experts, economists and now lawmakers.

This is a sad day for good governance and financial discipline. We are in agreement with the statement of some opposition MPs who opposed the bill that the government has effectively bowed to the long standing demand of private bank owners. We have always voiced support for reason to prevail when the financial scams were rocking the state owned banking sector and now it appears that the rot that has practically consumed nationalised commercial banks is going to have a repeat performance in private banks.

Our concerns reflect that of depositors, now that the provision for allowing so many members of the same family on the board has been enacted into law. How will accountability be maintained where the majority stake in a bank can legally be controlled by one family? With our experience of a scam-ridden banking sector, and a reticent central bank, there is serious apprehension about this amendment and how it may actually precipitate corruption as opposed to checking it.



HELMUT K ANHEIER

FEW people outside Germany are familiar with the caricature of themselves that many Germans hold in their minds. Far from the aggressive bully of twentieth-century war

propaganda, the perfectionist engineer of Madison Avenue car advertisements, or the rule-following know-it-all of the silver screen, the German many picture today is a sleepy-headed character clad in nightgown and cap. Sometimes clutching a candle, this German cuts a naïve, forlorn figure, bewildered by the surrounding world.

This figure is not new. On the contrary, referred to as "Der deutsche Michel" or "the German Michel," it was popularised in the nineteenth century as a character whose limited perspective causes him to shun great ideas, eschew change, and aspire only to a decent, quiet, and comfortable life.

But Michel has now made a comeback. And who can blame him? Germany now boasts a booming economy, near full employment, rising wages, and content unions. The financial crisis is long forgotten, public budgets are under control; and the 2015 influx of migrants has been relatively well managed.

What bad news there is—industrial scandals (like that at Volkswagen), airline bankruptcies, endlessly delayed infrastructure projects—does little to dampen the general sense of safety and wellbeing enjoyed by Germany's Michels. The only real threat, it seems, is the world outside Germany's borders.

In this sense, last autumn's election campaign was perfectly suited to Germany's Michels. "A land where we live well and happily," the campaign slogan of Chancellor Angela Merkel's Christian Democratic Union (CDU), resonated with them, as did the rather provincial and mostly empty messages of rival parties. With the exception of the right-wing populist *Alternative für Deutschland* (AfD), the parties displayed a rote civility and drowsy acceptance of consensus that pacified the electorate.

After the election, the real politicking began, but even then, pains were taken to obscure those activities from Germany's Michels. Indeed, though party officials had been in place for some time, they waited until the votes were cast before putting their cards on the table, and even then did so behind closed doors. Even the leaks from these closed-door coalition talks were so well managed that they

created the illusion that the "Sondierungsgespräche"—that is, the preparatory talks among party officials—were politically rather harmless.

But Germany's political class, like its ordinary Michels, are in denial. The soporific federal elections, the breakdown of coalition talks among the CDU, its Bavarian sister party the Christian Social Union (CSU), the Greens, and the Free Democrats (FDP), and the timid dance between the CDU and the Social Democratic Party (SPD) since then all point to a serious deficit in German politics.

The truth is that the various party platforms, meant to inform the electorate and provide a basis for coalition talks, reveal a shocking lack of imagination and paucity of new ideas. Second-order issues are presented as red lines, with largely

country whose parliament has already been diminished, after these three parties, during their eight years forming a coalition government, marginalised the opposition and failed to build up new leadership cadres.

Coalition agreements in Germany have always been elaborate documents of a quasi-contractual nature. But there is a growing tendency to plan out four years of governing, with leaders then using legislative periods not to debate laws, but rather to enact previously agreed policies.

Moreover, no major reform has been successfully implemented in Germany since the 2000s, when Chancellor Gerhard Schröder pushed through labour-market reforms. No forward-looking reforms of the calibre of Schröder's Agenda 2010 were even attempted under Merkel in over a decade.

PROJECT SYNDICATE

While Germany Slept



German Chancellor Angela Merkel leaves Bellevue Castle in Berlin, where she met the German president on November 20, 2017, after coalition talks failed overnight.

technical questions—for example, about refugee family reunions, a new health insurance scheme no one asked for (*Bürgerversicherung*), or the role of the federal government in funding education—taking centre stage.

Considering the state of Europe and the world—and the hopes many outsiders are pinning on German leadership—these issues seem rather marginal. But the real problem is that they are distracting from larger issues relating to, say, the euro, security and defence, migration, infrastructure, and taxation.

Lacking any forward-looking political visions, German politics has degenerated to tactical plays being carried out by established players. The CDU, in a War of the Roses with the CSU, can live neither with or without Merkel, while the SPD is unsure of itself and fears further political decline. None of this bodes well for a

The CDU/CSU and the SPD are now pursuing a grand coalition that would keep Germany roughly on the same path it has taken during the last eight years. The 28-page agreement that will allow formal coalition talks to proceed is overly detailed, technocratic, unambitious, and lacks vision.

It is thus unsurprising that, though CDU/CSU and SPD negotiators have touted the deal as a breakthrough, many, especially in the SPD, are unhappy with the outcome, with some calling for renegotiation. The SPD now faces a choice: at its special party congress this weekend, its leaders must decide whether to join yet another grand coalition government that promises more of the same, or move into opposition, probably triggering new elections.

But there is another option, which many have ignored: a CDU-led minority

No major reform has been successfully implemented in Germany since the 2000s, when Chancellor Gerhard Schröder pushed through labour-market reforms.

government, with Merkel as chancellor. Freed of stifling coalition agreements with a reluctant SPD or a coldly calculating FDP, Merkel could choose her cabinet based on competence and vision, rather than party politics. She could even appoint ministers from other parties.

Most important, Merkel could finally tackle the important issues that have fallen by the wayside in recent years, to which the current coalition agreement pays only lip service. This means cooperating with French President Emmanuel Macron to move the European project forward; modernising Germany's public administration system; preparing the labour force for digitisation; and tackling immigration issues.

Parliament is integral to success on any of these fronts. Mainstream parties must embrace the kind of open and constructive debate that nurtured parliamentary democracy in the Federal Republic's early years, rather than remaining focused on political tactics.

Michel may prefer the modest policy initiatives and incrementalism that have characterised Merkel's chancellorships. But a minority government forced to muster coalitions of the willing to address the critical issues confronting Germany and Europe could escape the constraints of Michel's expectations, freeing German politics from party tacticians and enabling real and much-needed reform. In other words, the modicum of political insecurity Germany faces today may well be just what the country needs to give rise to new ideas and voices, and a better future.

Helmut K Anheier is President and Professor of Sociology at the Hertie School of Governance in Berlin.

Copyright: Project Syndicate, 2018. www.project-syndicate.org (Exclusive to The Daily Star)

LETTERS TO THE EDITOR

letters@thedailystar.net

Stop poaching migratory birds

Every winter hundreds of migratory bird species come to Bangladesh. As I live in a village, I'm fortunate to watch those birds flying and frolicking in the water. At the same time, to my great disappointment, I often witness that some people kill these birds and sell in the market.

There is a law that prohibits killing wild animals and birds. As the law is not used effectively, this heinous practice of poaching continues and does not seem to cease in near future. The authorities must take steps so that this illegal poaching comes to an end.

Md. Sefatullah Saarijil, Copalganj

Women employment in South Asia

A World Bank report published in April 2017 indicates that both India and Pakistan have been outperformed by Bangladesh in terms of the women's employment. The report mentioned the lack of gender parity among various employment sectors. There is a vast difference between the employment rates of men to women.

Indian women with 27% participation in employment performed slightly better than Pakistan that secured 24.6%. On the other hand, Bangladesh outshined many of its South Asian counterparts with 57.4% women participating in employment. Nepal secured the top slot in the list.

India and Pakistan should learn lessons from their neighbours. Increasing women's involvement in the workforce will not only bring gender parity in terms of employment but also boost the respective country's GDP.

Siraj Ahmad, By e-mail