

Indian Army Chief's remarks

Insensitive and irresponsible

THE remarks of the Indian Army Chief regarding "planned migration" from Bangladesh and "proxy war" are not only irresponsible but also insensitive. He ascribes very dubious motives, that the "planned migration" of Bangladeshis into the Indian Northeast, particularly into Assam, is being done with the intention of changing the demographic character of the region, likening it to "Lebensraum". He further accuses Bangladesh of being in cahoots with India's two archrivals, Pakistan and China.

Regrettably, General Rawat sounds like a politician, not a soldier. We wonder what provoked the Indian Army Chief to make such outlandish remarks, particularly at this point in time when Bangladesh is itself engaged in addressing a critical situation which impinges on its security, the Rohingya problem.

The recent comments, come as they do from the highest ranking officer of the Indian Army, are very disturbing, since those have serious ramifications on the current state of Bangladesh-India relations, which have never been better. It is more disturbing when taken in the context of actions Bangladesh has taken in the last ten years to assuage India's security concerns regarding its northeast. And to patently insinuate malintent on the part of Bangladesh in collusion with other countries, when our prime minister has repeatedly committed her firm resolve not to allow our territory to be used against any unfriendly activity against India, and has lived up to her words, is not only injudicious but also unwarranted.

Bangladesh is committed to peaceful and harmonious coexistence with its neighbours, and its policies, both regional and extra-regional, have amply demonstrated that. Whoever suggests otherwise is either ignorant or not in sync with reality.

Unacceptable police action

Where is the political space for the opposition?

DESPITE repeated assurances from the government that political space will be afforded to all, the way the police cracked down on BNP activists on February 24 seems to indicate otherwise. The home minister said that the government never obstructs any peaceful programmes, yet there are scores of incidents that show differently, including BNP's latest protest which, reportedly, was peaceful on the part of its activists, but not so on the part of police.

The activists were simply protesting the refusal of police to allow BNP permission to hold a rally by waving black flags—exercising their fundamental right to free expression—when the police descended on them. What this does is make the claim of the ruling party about the government's willingness to give space to dissenting voices look increasingly hollow. And it also makes one wonder whether it is the order of the day that no political activities can be carried out, except only by the ruling party.

The home minister also said that the area needed to be cleared to ease people's sufferings. Police, echoing his views, said that BNP did not take permission to hold any rally. Yet, BNP activists weren't even allowed to leave the area in front of its own central office space, as police swarmed on them immediately as they sat down on the adjacent pavements, going as far as to use coloured water from water cannons.

What we want to ask is, was all that necessary? After all, the activists were strictly restricted to the immediate vicinity of BNP's office. Did the police really need to get so overzealous?

We have, in the past, strongly condemned BNP's violence. However, peaceful protests, political rallies, etc., are fundamental rights and *sine qua non* for any democracy worth the name.

LETTERS
TO THE EDITOR

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Save our earth

American President Donald Trump has blamed India and China for his decision to withdraw from the Paris Climate Accord. Trump's outburst over this issue is unfortunate and should be dealt with in a sensible manner.

Some time ago, a school of whales had been stranded and died on the Tiruchendur beach in Tutticorin in Tamil Nadu, India. And this incident has demonstrated how threatened the marine life is. Various reasons including climate change have been blamed for this unfortunate incident. So it is important to find out the actual reason behind the event.

For sure, the fact that the natural habitats of the aquatic life and environment must be protected at all costs has been proved through this incident. Also, the monsoon vagaries are not only a cause for concern but also a chance to think over some strategies. The natural phenomena like El Nino and La Nina are nothing but the results of global warming.

It is also to be noted that the present global economic slowdown (coupled with climate change) is a big threat to the interests of all nations. The world should come forward to resolve the issue of gas emission that is playing havoc with the aspects of monsoon.

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Consequences of wrong economics

How Sanchaypatra rates are having far-reaching effects



OPEN SKY

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MARTIN Luther King once said that injustice anywhere is a threat to justice everywhere. This is more so when it comes to economic policy in a market economy. A wrong, non-market interest rate on Sanchaypatra or National Savings Certificates (NSCs) has been a threat to all other interest rates in the banking sector.

The repercussions have begun to surface in three ways: i) NSCs are soaking up a major share of the nation's deposit, creating liquidity crisis in banks; ii) Commercial banks have been forced to raise deposit rates to attract more deposits; and iii) Rising deposit rates have pushed lending rates higher, making investment more expensive. An increase in saving and deceleration in investment will lower future growth by making the regime's aspirational goals simply impossible. All these stemmed from one injustice: the wrong rate on Sanchaypatra—a fatty cash cow to please the rich in the name of helping the poor.

In 2015, the then BB governor Dr Rahman drew my attention to a financial column written by no less than a Dhaka University economics professor who justified the super high rates of NSCs. The professor argued that the non-market NSC rates worked within limited savers and they didn't disturb the normal growth of the capital market. How can that be? Who would be foolish enough to go to the capital market if the risk-free NSC rate is much higher than the return from the stock market? Say, the NSC rate is 12 percent and the return on the stock market is 15 percent. People will still prefer buying NSCs because they are entirely risk-free. Only three percent risk premium is not enough to stimulate the stock market. That is why we have seen the stock market index make an upward jump in any country following a cut in the risk-free rate by the central bank.

The weakness in the stock market (for years) is substantially attributable to abnormal NSC rates. The recent liquidity crisis is heavily attributable to non-bank NSC rates. The reason why we couldn't build a healthy bond market and national pension fund is strongly attributable to nonsensical NSC rates. The nation's investment fatigue and saving craze, which are undesirable at this growing stage of the economy, are attributable to super-high NSC rates.

NSCs work as the second largest charity programme for the affluent while the single largest charity fundraising for the super-rich is the default culture. The reason why doing business in Bangladesh is unattractive to young entrepreneurs is because of these artificially high NSC rates.

One injustice is causing multiple macro imbalances in the economy by harming the banking sector, investment, growth, and eventually employment. The only way to address this injustice is to dismantle the National Saving Directorate and give the task of mobilising savings entirely to the banking sector led by BB. Then the government's borrowing from the banking sector will help to keep the interest rates market-determined and thus reasonable. Maintaining two



ILLUSTRATION: BARRY MAGUIRE/NEWSART

deposit rates in a single national market in a Lord Clive's dual-rule style is disturbing and disruptive for the natural growth of the banking sector. In the latest monetary policy statement, the central bank has explicitly stated its resentment regarding the ridiculously high NSC rates. The central bank should be the sole authority to play with the nation's interest rates of any kind. The government's intervention through the Saving Directorate is counterproductive and detrimental to building fiscal capacity as well. Our politics and politicians should understand the grave consequences of wrong economics.

It was almost decided for sure before the last budget that VAT would be implemented. Suddenly the government succumbed to the pressure of the business lobby and scrapped VAT, keeping the weak fiscal capacity the same as before. Ours is the most privileged business lobby in the world, which enjoys the lowest tax-GDP ratio among all comparable peer nations on earth. The lobby has enough influence on the government to have all the rules in their favour—both political and economic. Why else did the government not go for VAT and progressive taxes on the rich?

The indulgence came from the cavity of injustice: Sanchaypatra. The government knew well that the loss of Tk 30,000 crore because of not implementing VAT will be more than compensated by the desperate cash cow of Sanchaypatra, which will produce almost Tk 60,000 crore in 2018. This is the bad economics of expensive borrowing. The government is recklessly

increasing the future burden of interest liability by eventually eroding its development budget and thus growth potentials. Our growth acceleration is doomed to fail because of indulging the injustice by temporarily making a group of people happy and in the process ruining the future of people at large. The price of paying for this injustice will be high if we can't stop it soon enough.

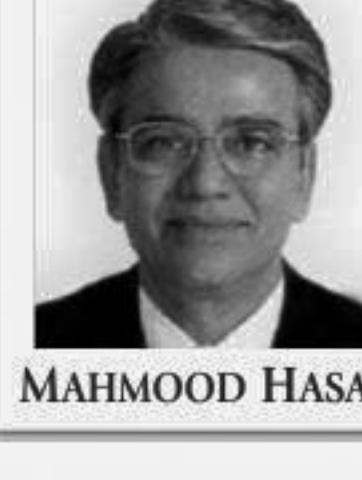
In the last four years, everyone who attempted to justify NSC rates by manufacturing weak theories is actually a direct beneficiary of this non-market scheme. It is strange when someone attempts to justify the instrument as a welfare tool without understanding whose welfare it is serving the most. One writer recently tried to say that the government would have to borrow at a higher rate if there hadn't been NSCs. That is wrong. Even the private companies are borrowing from overseas at almost half the NSC rates. The rate would certainly be lower for the government.

NSCs weakened the fiscal capacity by over-pampering the government. Trade deficits warrant our currency depreciation. But how would that happen in the face of rising interest rates which aren't inflation-driven? Current account imbalances will be aggravated if NSC rates are not rationalised with the market. One injustice is fuelling other macro imbalances just like a bad policy drives all the fruits of other good policies away.

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Will Zuma's exit deter corruption in South Africa?

FROM A BYSTANDER



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WAS it a controversial indictment of corruption that led to the resignation of South African President Jacob Zuma on February 14, 2018? Zuma has all along denied any wrongdoing.

Jacob Zuma, one of the colourful compatriots of Nelson Mandela, was elected as the fourth president in May 2009—that is, since the end of apartheid in 1994. Earlier, Zuma became the president of the African National Congress (ANC) in 2007, which paved the path for him to be the president of South Africa. However, the allegations of

Nkandla. The court ruled that Zuma has to pay back a large amount to the government. While these cases were quashed, they kept coming back to the court. As Zuma battled these cases, his hold over the ANC was firm and in 2012 he was re-elected president of ANC. And in May 2014, he was re-elected as president of South Africa for the second term. The latest allegation against Zuma was rather most unusual. He was accused of having a corrupt relationship with the Indian-born Gupta family. The Guptas apparently interfered in ministerial appointments and obtained lucrative government contracts. Both the Guptas and Zuma have denied these charges.

What is most extraordinary is the struggle for leadership within the ANC that has defined the post-apartheid governments of South Africa. The party continues to ride on the towering

consolidation has in turn led to failure to promote accountability.

A little investigation into the leadership of ANC reveals that every vice-president had conspired to oust the president. Whoever got to be president of the party ended up as president of South Africa. The reason being the party charter, which requires the party members in parliament to endorse the party leader to the post of president.

Every time a corruption charge came up, Zuma was threatened with no-confidence motion, engineered by his deputies in the party. But somehow he survived those threats by manipulating the party members in parliament. On February 13, 2018, Cyril Ramaphosa, who became president of ANC in December 2017, asked Jacob Zuma to resign. At first, he refused but when the parliament was

the presidency. In 2011, the GDP was the highest at USD 416 billion. But then, there has been steady shrinkage over the past years and in 2016 it stood at USD 294.84 billion. Unemployment also rose over the years and currently stands over 26.7 percent. Rating agencies have downgraded the country's bond to junk status. Government debt also rose to 51.6 percent of the GDP in 2016. The Rand (SA currency) also progressively lost its value during Zuma's presidency. Analysts say that about USD 10 billion of tax payers' money have been stolen since Zuma became president.

President Cyril Ramaphosa (65), one of the richest businessmen of South Africa, will have two clear problems to address. First, to turn around the economy from doldrums. Secondly, to get rid of corruption from ANC and the government, particularly those entrenched vested quarters that were close to Jacob Zuma. The other challenge that Ramaphosa will have to face is to rebuild trust with the labour organisations that will help him gain votes at the next presidential election. He will also have to keep the current ANC Deputy President David Dabede Mabuza under control and in good humour not to rock the presidential boat.

Leaders in tribe-dominated Africa have a particular psychic trait. Once they get to the top post they tend to become tribal chieftains. They shun the constitution and start ruling for personal gains. Jacob Zuma is an isizulu. He built his support base in KwaZulu-Natal, ANC's region with the largest membership, and got support from his ethnic community. It is sad that Zuma, who had served jail term with Nelson Mandela in Robben Island, did not live up to the ideals of Mandela. Mandela's "Rainbow Nation" is still largely divided between the whites and the blacks although apartheid is defeated.

Corruption at the highest level in most countries has spawned because of lack of true democratic institutions. Be it in the ruling party or in the government, when democracy is forsaken, a culture of authoritarianism emerges without any accountability. That spells disasters. Can Cyril Ramaphosa deter corruption in South Africa or succumb to tribalism?



PHOTO: CARL COURT/AFP

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corruption and scandals kept haunting Zuma long before he became the leader of ANC and kept chasing him even when he became the president.

Among the allegations was one involving the USD 5 billion weapons acquisition deal of 1999, when he was the deputy president. That led the then President Thabo Mbeki to dismiss Zuma in June 2005. Again, in December 2005, he was charged with raping an HIV-positive family friend. In 2013, new allegations came up that Zuma had spent USD 20.5 million of tax payers' money to upgrade his private residence in rural

reputation of Nelson Mandela. Unfortunately, the party has always put petty politics ahead of the people. The political landscape is characterised by multiparty parliamentary democracy. But the exclusive dominance of the ANC and the lack of credible opposition have impinged upon the depth and quality of democracy in the country. ANC has refused to reform the current Proportional Representation system that allows the party to dominate the numbers in the 400-seat parliament. In the lower house, the ANC currently has 249 seats. Lack of democratic

about to move the ninth no-confidence motion, Zuma resigned. Clearly, the struggle for leadership was in full swing. Besides, with presidential election scheduled in 2019, ANC was getting jittery about Zuma's unpopularity. To maintain its hold on power, ANC finally decided to oust him despite the risks of a backlash from the ousted leader.

Apart from scandals, the economic recession was responsible for "peoples' president" Zuma's undoing. Actually, Zuma oversaw a steady decline of the economy with high unemployment and poor economic growth since assuming the presidency.

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