

The Daily Star Media Round Table on 'LDC to NIC: Prospects for Bangladesh'.

Continued

spindles. We were head and shoulder above these nations like - Thailand, Korea, Indonesia, in textiles. They owe their aggressive growth on textile and textile related goods. Even today if you take the statistics, textile is the biggest foreign exchange earner. Now we had a head start. We were exporting textile. And suddenly we have this policy, across the board - nationalisation. This has, you know, really took away the chance of the country, having tried with economic destiny. Today what Thailand is - Bangladesh could have been like Thailand, if our policy makers at that consciously looked into the pros and cons. Today how can the private sector operate, the environment is not there. I fully agree with you. But how did the environment get vitiated. There is a historical reference to this, let's not forget this. The historical reference.

Rehman Sobhan: Mr. Zahuruddin, may I put a question to you? This is ancient history. There was a complete reversal of these policies from 1976, this is now 1991. A particular set of policies have been put in nation. Do you think that the current policies - ?

Zahuruddin Khan: Let us be intellectually honest, that the ancient history is costing this nation two thousand three hundred and eighty crores Taka. This is not ancient history, because it is very much predominant in today's circumstances.

Rehman Sobhan: Just a minute, before I give you the floor Mr. Tofael Ahmed. Now, the figures you have here Mr. Minister relates to Power Development Board, cash food subsidy, the railways, post office, total autonomous bodies. Now the bulk of these come from Power Development Board, cash food subsidy, deficit of the railways. As for the figures you have given - two thousand, three hundred and eighty crores, only about one third of that relates to industrial losses. Are you in fact proposing that all this was also in the private sector?

Rehman Sobhan: Please let us invite others to speak on the subject.

A. H. Chowdhury: First I should thank 'The Daily Star' for inviting me for I have thought of staying this evening to absorb as much as possible, to hopefully be a slightly more effective member of Parliament in the forthcoming session. Now, there have been various strands of this discussion. If I may very quickly go back to the consensus issue, which is very vital and as we are, as Mr. Syeduzzaman very rightly said, that at least we have consensus on having consensus. And we have to identify the conditions present. I think the condition present for creating consensus is not that difficult - it is the unrest that is prevalent in the country today. Because the politicians have to respond and be very sensitive to the scenario in the country. Whilst we are discussing the economic issues, we cannot help to be distracted if there is a problem in the campus, we have to be distracted from the discussions of these issues. Now, coming to the honorable ministers assertion I, Sir happen to agree with what Prof. Sobhan pointed out, - that for more than a decade, there has been a reversal on the much talked about nationalisation policies which had accompanied the first few years of Bangladesh. Like today privatisation is in the air, in the early 70s it was a very different world. We also had to react to historical realities as it stood at that time. So now we want to take the debate forward. As a past banker of course, before coming into politics, I was very intrigued, that whilst that for last so many years we have been talking about privatisation, we have been talking about decentralising the banking sector, in effect what had happened was, that it was only in name because the Bangladesh Bank had almost a stifling control over the whole banking sector and it was only towards the very end of the 80s, that the private banks, or banks X, Y and Z banks, were given a little room for maneuver. So I know, and it would be absolutely silly to accuse the present government for many of the ills that they are burdened with, I am not going to do that. But the fact remains that the government is continuous and to that extent it is very difficult for the central bank - Bangladesh Bank, to say, that we were not on notice on what was going around in the country. Because every three months, even on certain times every week, as you will know Sir, being the planning minister, as a banker, the bankers have to give very comprehensive lists to the Bangladesh Bank about the various misdeeds, doings or undoings about X, Y, Z companies, so I have had the burden, the headache, of dealing with customers, whilst there is no way one can evade the responsibilities.

The central banks were very much in the knowledge. The government participated in this loot, there is no run-

ning away from that. It was certainly all centralised, the Bangladesh Bank knew it, there was no deregulation. It was, to put very bluntly crony capitalism. Another point, I am leaping, from one point to another. That is, if I may very quickly give an example, you have also mentioned about land reform, related to that is the agricultural sector. We are still the victims of adhocism. Let me give here an example, some ten/twelve years ago, in my constituency Modhupur, the government felt that there was a large potential for pineapple plantation. Fantastic, 11,000 acres of land were put under pineapple plantation, and about 144 thousand tons of pineapple have been produced. What happened gradually, because the infrastructures are not there, the poor cultivators are finding it difficult to market it. In Mymensingh, a distance of 10-12 km, it sells for Tk 15. But the journey costs more than that. So now they are gradually getting back to feeding it to the cattle. There can be several hundred similar examples which can be cited. But what I am saying is that we have to get out of this adhocism mentality, if we don't do that, I don't think we can proceed to build consensus at any level. I fail to understand how we can proceed to have development, I, with great respect, agree with what Mr. Kibria has said, that 'beggar mentality' has been cultivated and nurtured for very devious purpose by the past regimes. But the fact remains that in order to develop we have to have recourse to international lending. International lending in the world context has had two very distinct affects - in the case of Tigers - the four South East Asian countries and in South Asia it had marginal impact on debt service ratio. But as we know so well that the pricing of this international lending is such, that (please, forgive the crude expression I want to use it deliberately) it has completely screwed up the Latin American continent. So it has also the East European countries and now it has, it is not for us to say, the historians will judge probably, decades from today, whether that was one of the major reasons for what had happened in the 1990s. What I am little afraid of, is that, I for one believe, there should be the exchange, there should be the joint ventures, there should be investments, and all for this bureaucratic steps must be brought down, reduced to a manageable level, certainly. But in the wild rush to do that, we should also bear in mind, that as we fall back, as we indeed must, to this, prime based loans, we have to be very careful that what sort of policies we are going to adopt. And of course, I am very happy to know, that most speakers here have indicated, that if we try to follow the Japanese model, I mean the Ministry of Finance in Japan, my goodness, the control they have, is almost the command economy countries. And at same time they have investment. So I think, if we seek a balance in the economic policies, and in order to get down and discuss and have consensus on these economic policies. There must be, and this is very attainable, the parliamentary committee sittings, there must be the conditions for creating which I don't think is beyond us. Thank you.

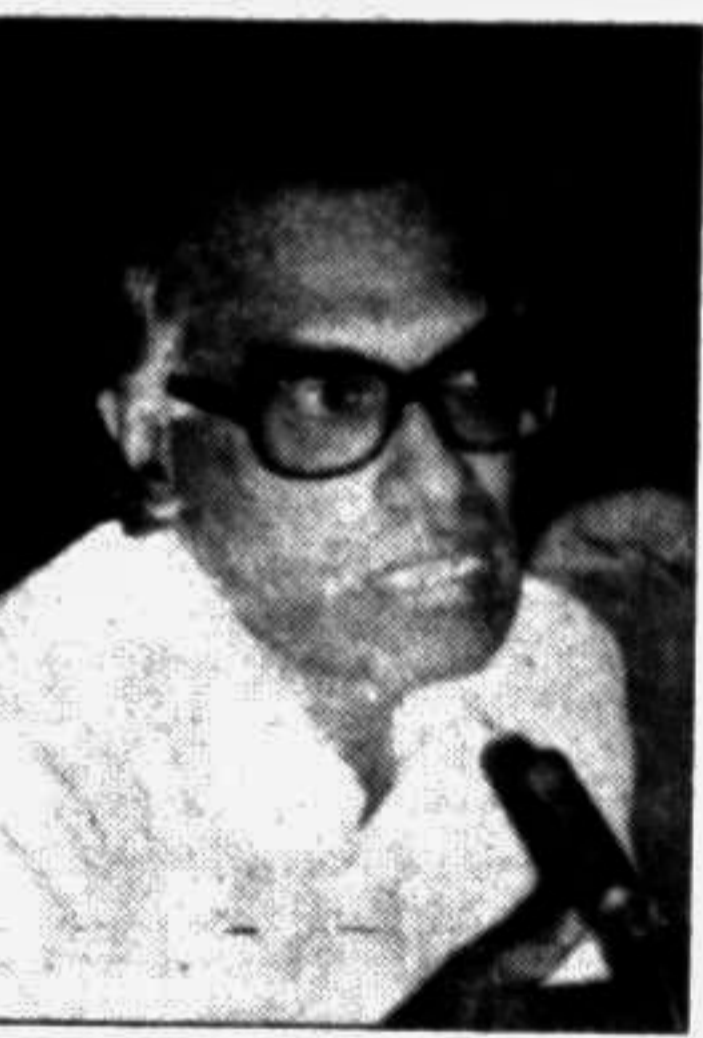
Rehman Sobhan: I think we will be drawing the discussion to a close in the next fifteen minutes. Now we may spend the last fifteen minutes talking about this whole issue of external dependence and how to reduce this. And the issues here are both related to substitution of aids by foreign investment if that is available and the issue of domestic resource mobilisation. As a form of self financing instead of financing your development budget 100 per cent by foreign aid. Would Mr. Lasimont perhaps like to say a few words on this, and there we will bring in some others?

Charles Lasimont: Before we go on to the subject, may I say a few words, on what I see on the subject - 'from LDC to NIC' is an overwhelming imperative which perhaps, we have not discussed quite enough. I think it has to do with the kind of growth that it has to the generated for massive productive employment to all this people, to reduce the widespread issue of poverty whether it is one and a half million on two and a half million, the figures are terrible, and not improving very much, and I think this overwhelming imperative must claim immediate attention. Perhaps it would be an appropriate item, on which if it does not exist, a consensus can certainly be built. I think that is extremely important and urgent. And here I think, increases in agricultural outputs, rural incomes, farm and non-farm employment are essential. We must invest in land but share croppers don't do this very well. They all talk about land reform. It is not only the matter of ceiling, it is the matter of the relationship, the worker

and I think it will go by two track strategy, practical agenda - which must deal with the overwhelming imperative which I already mentioned. And then the strategic reason which we should not lose track of, which will be made of formation of manpower, infrastructure, institutions and so on. And on any event training manpower might be required. I was anxious to refer to employment generation, poverty alleviation which I have not perhaps mentioned, which I felt was necessary. Thank you.

to the land, the productivity increase and the investment that would go with it. Now this, I know, means diversifying agriculture, in place of the mono rice culture. It needs poultry, fishery, livestock, lets not go into this. And it means co-related industries.

Unfortunately this type of industry, is not very much export oriented and is not very well-fitting with the model of the NIC term. Yet growth of rural economy is quite vital, for expansion of rural demand and therefore rural markets and major requirements for domestic capital mobilisation. Of course, if at the same time we are fortunate for a while, may be for a long time, for a long period of low-cost labour, comparative advantage, for example the garment industry, well and good, will be used for the development of the necessary human base, boost for resource mobilisation for the investment that they know, in the face of NIC might require. But I don't think Bangladesh industrial growth can be postulated purely on labour intensive, low value manufacturing. And I think that one is asking for much more detailed analysis, than I think what we have heard today, and a commitment and consensus to this resolution. Now, the transformation you think has to happen from LDC to NIC, therefore I think probably it would be a long drawn-out process,



'We must first build import substitution industries and then go for export oriented ones.'

Wahiduddin Mahmood

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'Bangladesh Bank knew all about the mess in the banking sector.'

A. H. Chowdhury

investment. I would like to say a few words. First I believe, that the honourable minister here, the industries minister, has put his finger on exactly the point which we should discuss. And that is, to take advantage of the wage differential. This is historically what Hong Kong had done, Korea did, all these countries have taken advantage of the wage differential that gives special benefit to industrial development. Bangladesh has one of the lowest wage rates in the world, much lower than the South East Asian countries, and certainly the East Asian countries. How can we take advantage of this historical situation? If we do develop after ten years, the wage differential advantage may disappear. Then we have to depend more and more on our skills and inventiveness and innovativeness. But right now, we need not. We can depend on the wage differential and achieve quite spectacular growth, as some other countries had done in the very early stages of development. Perhaps, when we were in the university, Hong Kong was simply a textile processing place. It had very little else in there. The wages were very low, but from there they moved very rapidly. Now, in the Asia Pacific Region, Mr. Sobhan I am sure you know very well there is a wave of dynamism. The foreign investments and relocation of industries have become merged. It is very difficult to say today, whether an investment decision in Indonesia is, simple relocation of an industry by

Japan, or Korea, or barely a foreign investment in the traditional line. Both seems quite blurred now. But the fact remains that these industries are moving. Moving to take advantage of cheap labour. You see, there is no other explanation for it, and they themselves are moving into more sophisticated, more complicated, more technologically difficult processes. Bangladesh to my mind is an ideal place for this. The rapid growth of the garment industry, that the distinguished professor did not think it to be very important - I would think it is very important. It is symptomatic, that given the objective conditions, the relocation of industries will take place here. These industries, I know, from Bangkok, some of these garment industries and other smaller manufacturing industries had started to go to Sri Lanka. But Sri Lanka started having the civil war and it somehow slowed down. Bangladesh is in her ideal position if we can create the other objective conditions. The objectives conditions are, for example, stable framework for economic policies. We have talked a lot about it. There must be stability of economic policies. Then there must be industrial peace. The unrest is a kind of very frightening proposition for any kind of for-

don't feel confident that they will get a fair return or that their investments are safe in this country. So, this is the thing, the sense of confidence is very vital, very crucial for investors whether they are domestic or foreign. I believe that if we are determined, and if we ourselves convince that we can do it, this sense of confidence will gradually spread.

About Vietnam, honourable minister, I can tell you, that Vietnam has had other difficulties. They had to dismantle some of their earlier regimentation and earlier control. But as regards industrial peace, as regards stability of policies, they are all right now. And as a result, in the last six months to a year, Vietnam's prospects are looking up so much of course they have found offshore oil, and the investment level in this is increasing. But Vietnam is definitely poised for very rapid growth now, and it is largely due to the influx of foreign capital.

'Industrial growth here cannot be based purely on labour intensive, low value manufacturing.'

Charles Lasimont

when a foreign investor visits China, the Chinese government receive them as state guest and honour them - for the investment and all that. But whenever the people coming from abroad, goes to our different ministries and wants to do business - why are they dissatisfied and what are the reasons? So my submission, I want to know as the Industries Minister and the Planning Minister are here, as they are planning the whole thing, after the changeover of 1975, as you have mentioned, we thought that people started talking about industrialisation. But it is as it was, nothing has been improving. But we can criticise the past government, as 'the autocratic regime', as they all said; but we shall have to prove and prove to the nation, people shall have to understand that the present government is better than the previous one. Otherwise the previous government will be popular than the present government. So, as the two cabinet ministers are here and they are mentioning, so I would like to ask a question - when our Chamber members return from their foreign trips and mention that our image is very bad internationally for doing business over here. And the Japanese businessmen and entrepreneurs are talking that there are a lot of problems in Bangladesh, they are not interested to come. And the Industries Minister is also trying to influence the foreign investors to come over here, but they don't find anything. Why? What are the reasons?

That is my question.

Shamsul Islam Khan: There may be some internal dissatisfaction; because for our government it is the transition period. After nine years of autocratic rule, the administrative and management set up was different. It takes time to take some actions. But I would like to mention that we have declared our industrial policy in June, that is last June. Within this three four months, we have already sanctioned 21 foreign investment joint ventures. Many have opened letters of credit, and some have relocated and their machines have already arrived in Bangladesh. This is number one. And number two is - including these 21, we have sanctioned 1,576 industry within this six months time. And out of that 1,062 from small industry sector BSCIC, and the others, around five to six hundred for other sectors, example - Sonali Bank, Shilpa Bank, others. About 693 crore taka projects we have already sanctioned. We expect that 70% of the project will come. And in the pipeline, another 1,000 applications are with us. And we are still searching for foreign investment. And as Mr. Kibria said, I am now very relieved to hear that. We have a diamond cutting factory in Bangladesh. We have said that we have expert labour in our country. Diamond cutting has started for the last six months.

Tofael Ahmed: As the Industries Minister has mentioned quite clearly that there is a scope for foreign investment and all that. And after a change and an establishment of a democratic government in this country, when we are interested to prove that there is

'Only country in Asia where foreign investment declined last year.'

Kazi Farhad Jalal

congenial atmosphere for industrialisation, our honourable members of the Chambers, they are totally dissatisfied, and from their version what we could gather that during last eight months nothing has happened in the economic sector. Actually, I would like to ask a question to the Industry Minister, that when you were in Singapore you had a meeting with the industries ministers there. I saw it in the paper that you said that conditions in Bangladesh are stable and it is an ideal place for foreign investments. Now, what is the difference? When all the people of the multi-nationals come to us and say that there are a lot of bottlenecks in the administration. Even we know

A Belgium firm came in with their diamonds for cutting and took them back to their country for marketing. Another one or two are coming here. We had a discussion with them, we told them we would extend all possible facilities, to bring more firms here, to market here. One or two diamond cutting units cannot create market. So they went to Vietnam, but they did not return. I was very much concerned, whether Vietnam was giving more facilities to these diamond firms. That is why I asked questions to our ESCAP chief, who is an expert on this East Asian Region, especially on the economic affairs. The last nine years were for the benefit of some fortunate peo-

ple - the interest, capital, from loan they created a lot. For genuine unfortunate people the opportunity was absent.

That is why, you know Mr. Tofael, you have been struggling for the last nine years and we are trying to bring back discipline in the economy, but there may be some mistake. Our intention is very clear to serve the people and we will remain with the people. And this government, during this transition period, you can not judge a government and we think if we can have the support of Mr. Tofael Ahmed, to keep the country in a peaceful condition, I assure you that this is the best place where the Siberian ducks are coming and finding water-ways where there are small fish. I tell you, that this is the place for the foreign investors. Any good foreign businessman who finds that a labour cost per day is something around one dollar - they are bound to come rushing - as the Siberian ducks. But we have to know how to keep these foreign investors. If we can keep them, I assure you that within ten years the whole economy and economic situation will totally change for the better.



Tofael Ahmed: I just have one more question. Now, when we talk to the foreign investors, or even donors the law and order situation in the country. This also prevails in my mind that until and unless we improve the law and order situation things will become and are becoming very diffi-



Rehman Sobhan: Well I think this brings us to the conclusion.

Shamsul Islam Khan: I just want to say one thing - I fully agree about productivity. We have declared 1992, as the year of productivity.

Kazi F. Jalal: Thank you Mr. Rehman Sobhan. I will be very brief in putting the last word. The only reason that I am putting the last word is because I didn't get a chance before. Prof. Sobhan, I would like to refer to the honourable Industries Minister's statement when he started the speech - saying that Bangladesh has now a clear and well defined industrial policy, greatly acclaimed by the national elites, thinkers and also by people abroad. And his hope that if foreign direct investment will float vigorously in Bangladesh in the near future, with consensus on the economic issues. All of us would like to believe that and wish to see that happen. But I wanted to put some facts, that will take only a couple of minutes. The available evidence of foreign direct investment flow, as Mr. Syeduzzaman has pointed out, does not show any improvement, on the contrary, and we have figures here from the IMF, not going into details I will just mention that the only country, that is only Asian country, where foreign investment has gone down between the period 1985 to 1990 is Bangladesh; Indonesia has shown some ups and down. And this is going down from one figure in million dollars, single digit figure for Bangladesh whereas in the case of Malaysia and Thailand

from three digit million dollar figures to four digit million dollar figures - this is from 1985 to 1990. And the industrial policy of 1991, as we just heard, and we have also studied it, the same industrial policy of this present government, some of the situation are as follows: (I am quoting it) 'Foreign investments has been quite sluggish, despite numerous policy pronouncements earlier. There have been some liberal policies to encourage some foreign joint venture firms, including tax holidays, repatriation of profits etc., but the foreign investors have not responded to these, because the overall environment was not conducive and they had no confidence in the policy pronouncements.'

And, therefore, I think it has to be very seriously considered that what are those conditions which are to be met. And I just want to mention or briefly point out that, even if you and I believe this, even if there is a consensus on economic issues, there is political stability, there is law and order, there is better infrastructure and communication system, perhaps by the utilisation of ODA flow into the country and therefore, I want to bring out the point that perhaps Bangladesh should be a little more active in participating in the mainstream activities in the region with our Executive Secretary's effort to promote regional co-operation on this matter and particularly inter-regional flow of trade and investment in which Bangladesh should participate. I want to mention that ESCAP is now organising a very important event in early March next year. It is a meeting of Industry and Technology Ministers and it will be held in Iran. It will also attract foreign investors, private sector representatives, government officials and media. On behalf of ESCAP, I ask the Industries Minister to participate in the meeting where promotion of regional co-operation on industrial development would be the issue and where the private sector should also participate.

Rehman Sobhan: I think some important lessons have come out both about methodology of discussion and also of the implications of the discussion. Now I think methodologically obviously when you put Bangladesh together in a room if you obviously than budget 3 hours it would be safer to allow 9 hours. If everyone had their say and I think the lesson of the issue is we are not going to change our cultural habits. So that what you now need is ongoing process of dialogue in which rather than merely taking up broad factors, subjects of this nature which are useful as a starter, you take issues by issues and have extended dialogue on these so that a detailed exchange on particular aspects of a problem can take place. I think this is going to be a very useful beginning where such an interchange of such a diverse group has taken place and now we should really be in a position to take up specific sector issues. We have some thoughts on these, in fact the Task Force reports are about to be launched tomorrow and they will in fact be providing the scope for discussion on 29 major development policy issues and if we are receptive to ideas and we want to inject debating to this, this may be a useful point of departure for future discussion in which all such groups can effectively participate. Now with regard to the issues which have been raised over here obviously the issues could not be discussed in a very comprehensive manner and the discussion tended to be a bit episodic, and we were pretty undemocratic in the actual distribution of time available to different people sitting around the table. So that here I must blame myself for not being able to exercise enough democratic opportunity here and perhaps we can all learn a bit more from this particular experience. Now, I think the issues which have emerged out of the discussion suggest that in fact actually there is consensus at least round this table on some of the key issues. If in fact there seems to be definite differences of opinions on the relevant interpretations and the relevance of history about particular matter. I think for a country in the 1990s it would do itself a great disservice if it conducted its debate on its affairs of the 60s and the early 70s. This is a sure sign of bankruptcy and deception if we are not in a position to look into 21st century and we conduct our debate on the basis of the past. I think this is a universal proposition in our politics and the sooner we look to the future, the more we can seriously address what lies ahead of us.

Now, the future is pretty bleak under the present circumstances. Now, I think the industrial minister may perhaps be a bit cautious when he has given figures for his ministry about industrial sanctions. Because herein lies one of the problems. The last survey

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