

Foreign Direct Investment for Bangladesh: A Regional Perspective

by Kazi Farhad Jalal

As a follow-up to The Daily Star Round Table, we are publishing this article on one of the major topics discussed in the meeting.

The key elements of a strategic approach to attract FDI can be sketched as follows:

(i) **Labour-intensive/domestic market:** Industries in this category use labour as their most important input and these should be chosen to meet domestic priorities. In this category, a good potential exists in developing industries that supply inputs to agriculture, such as pumps, pipes, irrigation tools, tillers and transport vehicles.

(ii) **Labour-intensive/export-oriented:** These industries also use labour as the most important input. Since they must cater to domestic needs, industries in this category can be chosen to meet domestic priorities. In this category, the

to set up, they often do not match the requirements of a country like Bangladesh. Bangladesh has good natural gas reserves, some oil reserves and substantial water resources which, with the infusion of appropriate technical, managerial and capital resources, can be exploited for the industrial development of the country through the participation of foreign and local investors.

(iii) **Technology-intensive/export-oriented:** These industries predominantly use capital and technology as major factor inputs. While expensive to set up, investment may be recovered by their potential to earn foreign exchange in future. Examples would include natural gas-based fertilizer production and cement for export. The technologies which will be particularly useful and relevant to Bangladesh during the next decade are those which will add value to its natural resources (e.g. downstream gas processing, furniture making); facilitate compliance with international standards by enterprises; offset local shortages of specific skills; facilitate joint production between offshore industries and those to be located in Bangladesh and develop and upgrade the skills of the work force. In acquiring technology, one or combination of three modes based on the dominant pattern of interaction between the source and the receiver, could be pursued. In Public Domain Mode, the desired technology is freely available. In Passive Mode, receiver needs are met by acceptance of standardized terms and conditions provided by the source. And in Cooperative Mode, mutual trust enables a working relationship between source and receiver.

The author is the Director of the Division for Industries and Human Settlement, ESCAP, Bangkok.

Restraint Need of the Hour

Yesterday was a specially calamitous day for Bangladesh. Angry jute and textile workers attempted stoppage of the national communication system as an ultimate weapon for getting their long standing demands accepted. Police tried to restrain and contain them — force against force. The result was, by any standard, unpleasant and avoidable. We strongly denounce the workers' action as wrong. But the government, on the other hand, has a hefty share of muddling the situation too.

The government Press Note of Sunday was the most unfortunate read of the year. It was unconvincing not only because it was all cliché a little besides but also because it was couched in all the warped approaches of all the governments of the past. If the government is in disagreement with certain public programmes announced or observed by sections of people, the situation only warrants a plain laying down before the nation what's wrong about those programmes and the premises they had been based on. It is more than counterproductive — indeed very injurious to the cause of democracy — to dub protesters as 'anti-national quarters' consisting 'elements out to disrupt national development work'. Worse still is scenting conspiracies in sectarian mass protests.

The Note is doubly unfortunate because it has, in a most uncalled for manner, married the situation arising out of the jute and textile workers' action yesterday aimed at disrupting national communication, to the just inaugurated canal digging programme. People are free to like or dislike this programme and there are, in fact, many tested patriots of superior knowledge of the subject — hydrology, hydrography, geomorphology, soil nutrition et al — who point to many gaps in the programme as it exists now. They cannot all be enemies of the nation. Why confuse issues even when one wants to call names? And why should one call names after all? People who you sit across with as peers — equal to equal — can not become vested interests involved in vicious conspiracies out to undo national development minutes after the talks have failed.

Our democratically elected government will be well-advised to eschew not only these foolish and futile jargons but also the attitudes they dress up. How very strongly the nation feels the present government to become a model of democratic practices and dispensation of power to work as a beacon for the successive ones.

We have earlier recorded our serious rejection of the jute and textile workers' attempt to halt national communication. This will help no one and will only escalate things. Their demands do not declare a revolution and there must be ways to do something about. Why should the workers burn their boats and lose sympathy of the general masses in the bargain. And why should government make all of the workers and their leader anti-state subversives. It is they who will turn the wheels, if not tomorrow but surely the day after and as long as there will be industry.

Restraint on both sides is the need of the hour, for the sake of the nation as a whole.

Throw the Book

The Rajdhan Unnayan Kartiripakha (Rajuk) seems set to go on yet another of its destructive sprees, following expiry of its deadline yesterday for owners of unauthorised buildings to get clearance from itself. This would not be the first time Rajuk bulldozers would go to work to clear metropolitan areas under its jurisdiction of constructions of any and every description and size that were built without meeting its requirements or even seeking its permission in the first place.

When one looks at the way the capital city has "developed" over the past two decades, one cannot but sympathise with the predicament of the authorities charged with the unenviable task of keeping the city's growth within a planned framework, or at least within the limits of manageability. The institution was set up to make Dhaka a city fit for human habitation, which naturally meant bringing some order out of the chaos of unplanned constructions that were often way off the mark as far as safety, hygiene, and other factors of citizen comfort and convenience were concerned. But the very fact it is about to launch another demolition drive, illustrates that its previous operations neither cleared the city of such illegal buildings nor did they deter anyone from going ahead with new, unauthorised constructions.

There is a lesson hidden in it, and it is this: some of our institutions are lacking in credibility and seriousness in the public perception. If Rajuk was taken as it should have been, being entrusted by the state to perform a specific public duty, then this problem would not have existed in the first place. For its part Rajuk, unable to make people take note of its rules and regulations, finds little alternative but to go on another round of demolition work, with all the wasteful use of public money it entails. On top of it, Rajuk's actions are likely to leave a lot of people aggrieved.

But those are private citizens, mostly with small streetside constructions being used for small-scale commercial enterprises. But what about the big boys? It is reliably learnt, as reported in this paper yesterday, that many of the government buildings constructed in recent years were done so without obtaining the required permission from Rajuk. In other words, government departments themselves felt it quite OK to ignore a major state institution. If government departments refuse to abide by rules and regulations drawn up by the government itself, then where does that leave the general population?

There is little doubt that Rajuk's bulldozers can be unstoppable when they face small restaurants or shops owned by powerless citizens who earn a living from those places and contribute in their own small measures to the general economic activity of the country. But what would Rajuk do to the bigger law-breakers, the real culprits, such as the huge new annex building of Bangladesh Bank, or the new block at the Police headquarters at Rajarbagh? It may not yet be too late for Rajuk to understand that only by throwing the book at the sharks — those with all the power but no sense of responsibility — that the minnows of this world would be taught to behave themselves and grow respect for the law and norms of modern, civilised behaviour. But that is not likely to happen so long as Rajuk or any other government body continue to treat powerful men and institutions as if they were above the law. In a democratic state, nobody is above the law and Rajuk should conduct its business according to its own book of rules, in fact.

The recent changes seen in the political and economic spheres of Bangladesh and events occurring elsewhere in the world have brightened its prospects for creating an internationally competitive man-manufacturing sector. In that regard, there is an increasing recognition in Bangladesh that global as well as regional flows of external resources, specially foreign direct investment (FDI), can be of special significance. The Industrial Policy 1991 (IP 1991) echoes that recognition. Many analysts believe that a "third wave" of FDI, the ripples of which can already be felt in many other parts of the Asian-Pacific region, can and should reach Bangladesh. The previous two "waves" occurring during last thirty years were firmly anchored on production cost differences and industrial relocation activities of the capital surplus countries. The "third wave" of FDI flows are likely to occur largely, but not entirely, in response to world wide trends in implementing liberalization and deregulation measures.

Some of the recent developments in the world economy are expected to gather momentum during the decade of 1990s, affecting external resource flows to Bangladesh and other LDCs. In particular, Soviet Union and East European countries are poised to become an important segment of the world economy, competing for scarce savings, external markets and technology transfer, and accepting a rising share of exports from other countries. As the reconstruction of Kuwait and Iraq may cause a major diversion of development resources, the social and infrastructure needs of unified Germany and other industrialized countries will add to strong global demand for savings. In order to overcome some of these uncertainties surrounding external resource flows, Bangladesh would have to reorient its de-

velopment priorities in using these resources. In particular, concessional official development assistance (ODA) would have to be used primarily to alleviate poverty, develop human resources, build infrastructure and set up basic industries. Other forms of external resources like FDI should be utilized to create an internationally competitive manufacturing sector with the support and participation of the domestic private sector.

Asian-Pacific Region

In the Asian-Pacific region, FDI has become an important source of external resource bringing a wide range of benefits to the host countries, including access to markets,

technology and management skills. There have been several factors behind the surge in FDI flows in the region. In particular, the debt crisis of early 1980s and domestic policies pursued by many countries were responsible for the increase in FDI flows. It was realized that export-oriented industrialization strategies adopted by the NIEs first and then by the ASEAN-4, could be made more effective through the promotion of FDI. As a consequence, the Asian-Pacific region has seen the fastest growth in FDI during the last two decades, averaging between 13 per cent to 16 per cent, most of which flowed to East and South East Asia.

During 1981 to 1987, Asian economies received FDI flows totaling US\$ 18 billion, some 93 per cent of which went to China, Hong Kong, Indonesia, Malaysia, Republic of Korea, Singapore, Taiwan Province of China and Thailand. The bulk

of the FDI from outside the region went to the ASEAN-4 NIEs and China with South Asia receiving a declining relative share of FDI flows in Asia-Pacific.

Intra-Asian Flows

In Intra-Asian flows of FDI, Japan and NIEs emerged as the major sources of Intra-Asian FDI with Japan's FDI growing by 73 per cent in

1987 and 45 per cent in 1988. The NIEs as a group have emerged as the second most important source of Intra-Asian FDI flows, investing primarily in Malaysia, Indonesia, Thailand and the Philippines. Despite a very favorable government policy towards FDI, available evidence suggests that foreign direct investment in Bangladesh has remained quite insignificant, amounting to only US\$ 7.7m in 1977 and an average of US\$6.39 for 1985-88 period. The reinvested profit part of FDI amounted to more than 50 per cent of total FDI inflow and it reached 92 per cent in 1988. FDI is not well diversified and until recently, was confined to only a few manufacturing activities like pharmaceutical and chemicals. The contribution of foreign enterprises to employment generation, export earnings and technology flows has also been limited. In 1986, foreign en-

trepreneurs found it difficult to enter the industries dominated by foreign investors, principally due to lack of capital, marketing links and other expertise. In recent years local entrepreneurs have begun to participate in these industries, specially in pharmaceuticals and activities not requiring high technology.

Strategic Approach

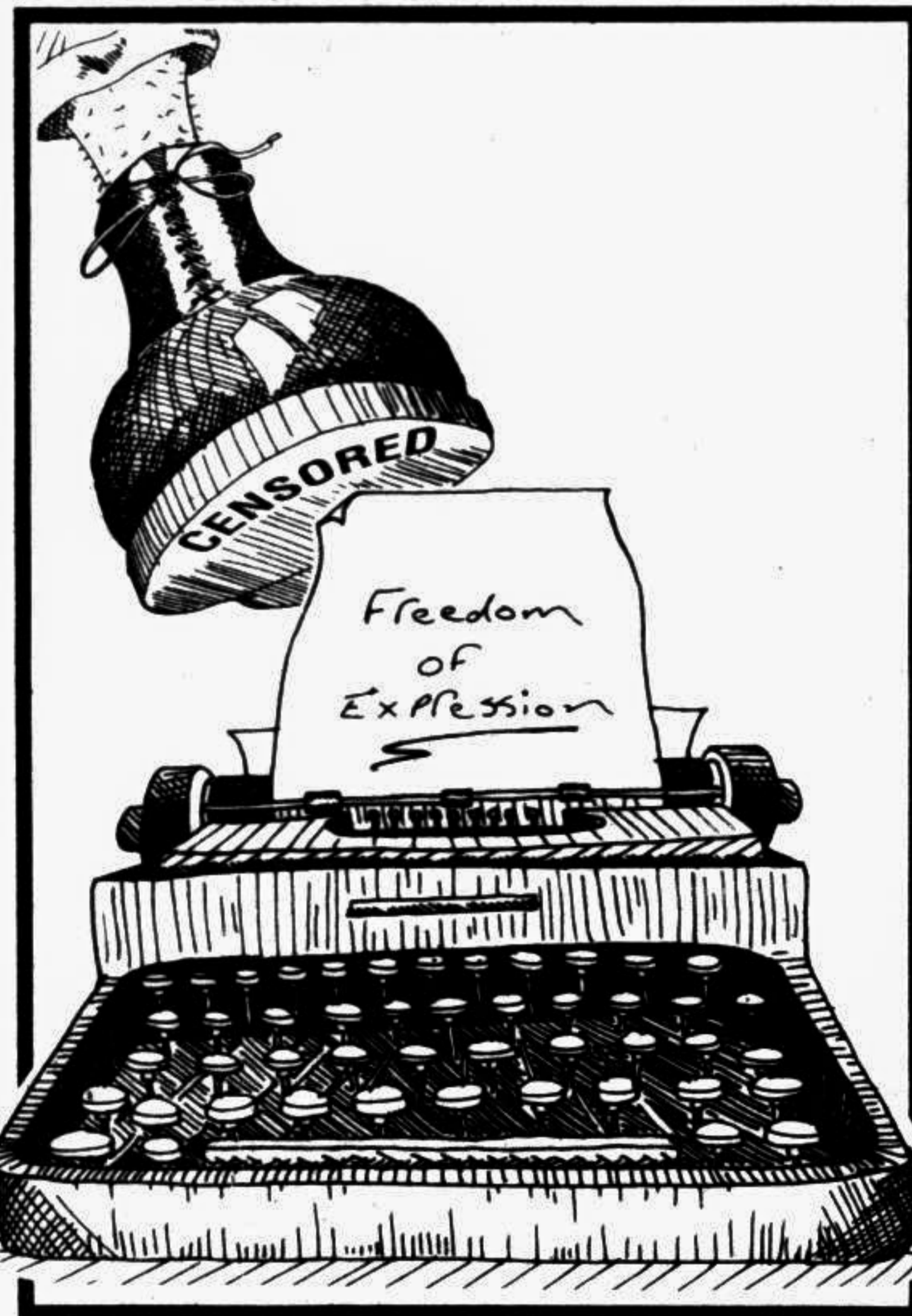
In view of this disappointing performance of FDI in Bangladesh, the country must adopt a strategic approach in attracting FDI on any significant scale. In that regard, Bangladesh will need to focus on two broad aspects in order to attract FDI on a sustained basis: (i) Identify particular enterprises where Bangladesh has a dynamic comparative advantage; and (ii) overcome the structural weaknesses of the economy which hinder growth and therefore discourage flow of FDI into the country.

Press Laws Will Muzzle Us, Journalists Say

David Musoke and Herald Tegama write from Kampala and Dar es Salaam, respectively.

Journalists in Uganda and Tanzania are bracing for tough new government proposals which they say will give authorities too much power over their profession. Both East African countries plan to set up press councils with sweeping powers, a move that runs counter to the continent-wide trend towards multipartyism. But journalists in both countries refuse to keep quiet about the assaults on their freedoms.

Media clampdown



the intent of disturbing peace between Uganda and another nation. One could even be found guilty of defaming a dead person — something which is not the case under present law.

The hefty, 54-page bill has caused an uproar. The Uganda Journalists Association, a voluntary group to which most Ugandan journalists belong, intends to ask the government to scrap the proposed law.

Ugandans have enjoyed a relatively free press since Museveni assumed power five years ago following almost two decades of civil wars, military dictatorships and political turmoil. Indeed, on several occasions the Ugandan president has claimed publicly to support freedom of expression.

Nonetheless, elements of the Ugandan government have shown intolerance towards those journalists who zealously exercise the freedoms they lacked under previous regimes.

One such occasion arose last year, when four journalists at a news conference in Entebbe asked then Zambian president Kenneth Kaunda why he had not allowed young leaders to take over the leadership of his country, and why he had granted political asylum to former Ugandan president Milton Obote.

For almost one year after the news conference, the government tried to have the journalists punished. To its annoyance, no laws were on the books at the time providing for such punishment.

The government says it wants its proposed press law enacted now so that its "very important guests" are not asked embarrassing questions which could "disturb peace and friendship" between

Ugandan and other nations.

In Tanzania, meanwhile, few observers had expected sudden press control in a country debating multipartyism. But a few days after Planning Minister Kigoma Malima accused some local newspapers of "sedition", Information and Broadcasting Minister Benjamin Mkapa announced steps to control the media.

"Some of the newspapers are slowly violating journalistic ethics," reasoned Mkapa, himself a former newspaper editor. "Incidents like scandals, insults and sometimes agitation, are threatening to sow seeds of discord and divide our society into sects which may spoil our unity and betray our humanity and culture."

Mkapa said a powerful press council would be formed to discipline "misbehaving" journalists. No date has been set for its implementation.

Until recently, Tanzania had only state-run media which support government policies. Mkapa's remarks represent growing intolerance of an independent news media by a government unaccustomed to the private press.

Stanley Kamana, editor of the vocal Family Mirror, says the government should equip journalists rather than undermine them. "It's undemocratic," he says of the latest initiative, contending that the proposed press council would violate Article 19 of the Universal Declaration of Human Rights to which Tanzania is a signatory. "Let them take us to court if we are wrong somewhere," he argues.

Richard Mariki, principal secretary of the Information and Broadcasting Ministry, hints that the council will be independent, saying the

formation of the council, saying she hopes it will help her to tame some newspapers. But many journalists in Tanzania see the council as government watchdog that will stifle opposing views.

"Whatever the attempt to gag us," says one newspaper editor, "we will find a way of expressing our opinions."

— GEMINI NEWS

Uganda, a bill now before the national legislature would require every practising journalist to possess a certificate issued by a government-appointed media council. The license would be valid for a year and renewable every year thereafter. The council would keep a register of all practising journalists and exercise disciplinary powers over them.

The council could strike the name of a journalist found guilty of "unprofessional conduct" off the register, or order

contrary to the public interest and block entry into Uganda of future publications by offending authors.

The bill also makes it an offence to degrade, revile or expose to hatred or contempt any foreign ruler, ambassador or other foreign dignitary with

centred, environmentally sustainable development as a strategy and objective to pave the way of socio-economic development based on innovative grass-roots level activities with people's participation.

The philosophy of "extended self-interest" for involvement of all types of communities — especially disadvantaged groups of people, landless tribals and aboriginals, should be given emphasis and development activities undertaken with creation of employment opportunities for a vast number of educated, as well as uneducated youths in particular.

The sooner we realize the problem and magnitude of unemployment and find sources of income for all — ru-

ral and urban people alike — the better we would be able to march ahead towards our national progress.

M. A. Rub
Dakshin Khan, Uttara, Dhaka

Autonomy to BAI

Sir, With a view to solve the long standing academic and administrative problems of the country's three agricultural colleges, including Bangladesh Agricultural Institute (BAI), Dhaka, the government decided to provide autonomy to all these educational institutions. The issues relating to providing autonomy are now under process. The authority had earlier announced its commitment to settle all the issues by December 31, 1991.

Credit societies

Sir, The concept of credit society in our country is new and it is based on co-operative system. But due to some reasons, the movement was not consolidated. However, now through professional dexterity, efficiency, honesty and integrity, it is growing.

Co-operative system is one of the economic activities endorsed by our constitution. So

to uphold our constitutional legacy, we should streamline the movement of credit society. In many countries, concepts of credit societies are very consolidated in their corporate disciplines, because they are playing positive role to achieve corporate emancipation.

In Bangladesh, besides the commercial banks, life insurance, companies etc., the emerging credit societies are instruments of mobilizing small private savings for national corporate progress. So the snow-balling development of credit societies in Bangladesh is obviously welcomed in our corporate culture.

Rathan M. Chowdhury
Union Credit Ltd., Dhaka.

To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

Media Round Table

Sir, The Daily Star 'Media Round Table' open conference is an illuminating and interesting source of information for the people towards their welfare. The views of the participants from a broad-based group of thinkers drawn from all walks of life, rank and file, really reflect the hopes and aspirations of the common

people.

It is right time to think for the people, by the people and of the people to make our democratic values and rule of law practised and established firmly together by all of us towards building a happy and prosperous Bangladesh.

We must take people into confidence, irrespective of caste, creed, religion and location, and promote people-

to uphold our constitutional legacy, we should streamline the movement of credit society. In many countries, concepts of credit societies are very consolidated in their corporate disciplines, because they are playing positive role to achieve corporate emancipation.

In Bangladesh, besides the commercial banks, life insurance, companies etc., the emerging credit societies are instruments of mobilizing small private savings for national corporate progress. So the snow-balling development of credit societies in Bangladesh is obviously welcomed in our corporate culture.

Rathan M. Chowdhury
Union Credit Ltd., Dhaka.