

Historic March

March 24, 1971



The Lull before the Storm Descends We Cannot Wait for an Indefinite Period,

Tajuddin Warns

THE GENERAL Secretary of the East Pakistan Awami League, Tajuddin Ahmed issued a warning last night that unless the president gave his replies to AL demands, the situation may deteriorate because the AL could not prolong the discussions any longer.

Statement on behalf of Awami League is already given. Now the President should give out his declaration, for discussion cannot continue any longer. Awami League is not ready to prolong the discussion any more.

Last Wednesday, after the final discussion between the advisers of the President and the Awami League leaders, General Secretary of East Pakistan Awami League, Tajuddin Ahmed made the comment to journalists.

Mr. Tajuddin said, "The party Chief, Sheikh Mujibur Rahman, in his discussion with the President, referred to his demands and the President accepted the fundamental principles of those demands. Then a discussion was held between the advisers of the president and Awami League leaders about the materialization of the demands."

Mr. Tajuddin further said, "We have put forward our demands and now we expect that the President will give a declaration, for we cannot wait for indefinite period. If it is delayed further, the present situation may aggravate."

When he was asked whether Awami League made it clear that they would no more sit at discussion, he replied, "We have informed the President that we have spoken out our decisions, but even after this, if they need explanation of some point, we can again sit for that."

When asked whether there would be any more meeting with Sheikh Mujib, he said that it was not yet determined.

The Awami League leaders who took part in the discussion with the advisers of the President, were Syed Nazrul

Islam, Tajuddin Ahmed and Dr. Kamal Hossain. On the other hand the advisers of the President were; Justice Cornelius, Lt. General Pirzada and Lt. Colonel Hasan.

—Sangbad March 25, 1971

Peace is Disturbed

"CURFEW has been imposed on Rangpur and countless number of people have been injured by firing, says a report in Dacca."

General Secretary of East Pakistan Awami League, Tajuddin Ahmed gave the above-mentioned news in a press statement last night. He expressed deep concern over the military action at Rangpur, Chittagong and other places.

He said, "Agitation is also up in Mirpur. These activities are giving rise to abnormal situations."

He added, "It is regrettable that while efforts are being made to find a political solution to the present problems, in the Yahya-meeting, then the peace of the environment is marred by these unpleasant incidents."

He further said, "We once again strongly assert that attempts to thwart our plans will be considered treacherous. Conscious people of Bangladesh will not bear with it."

He again said, "We urge those quarters who are antagonistic to peaceful solution, to desist from subversive activities. I call upon people to root out the anti-patriotic forces."

—Sangbad Thursday, March 25

Struggle Will Continue

THE PROVINCIAL National Awami Party (NAP) chief Professor Mozaffar Ahmed yesterday (Wednesday) declared his firm determination that struggle will go on for the establishment of an exploitation-free independent Bangla-

desh. He said this while delivering a speech at the public meeting organised by Lalbagh Union NAP at the Bhatti Masjid Mahallah. NAP leader Mottuddin Ahmed and Azizur Rahman also spoke at the meeting.

In his speech Professor Mozaffar Ahmed said, "The movement which has started in Bangladesh shall continue till the rights of people are fully met." He said that the people of Bangladesh could only achieve their freedom if they can totally annihilate imperialism, feudalism, capitalism and the aggression of the ruling class from this land. Professor Ahmed also confessed that negotiations for indefinite period shall not solve the political crisis of the country. Only short and fruitful conversation may solve the current political crisis.

—Sangbad, March 25, 1971

Mujib

AWAMI LEAGUE CHIEF Sheikh Mujibur Rahman uttered words of threat against any arbitrary decision imposed upon the people of Bangladesh and said, "We won't tolerate such acts," last Wednesday.

He said, "Our demands are just and clear and hence, they must be accepted."

Addressing a public gathering before his own residence, he said, "Now people are roused and they are rigidly united. There is no power on earth that can suppress people's demands. We must not put up with those who threaten to deprive people of their rights."

"We" he continued, "want peaceful solution, but even if one does not want it, our demands cannot be overruled. We shall expect that none dares to do so. The movement will be continued until the goal is reached, until the freedom of

our people is attained."

Sheikh Mujibur Rahman urged people to maintain discipline in the movement. He said in his address, "a group of people is trying to frustrate the movement and create communal disturbance in order to gain their own ends." He mentioned with regret that such an attempt was made at Sayadpur.

He anticipated that he attempts made by such people would end in smoke as the people are now united. Awami chief complained, "We are threatened that force will be used to spoil the movement. Some are making conspiracy, but no conspiracy will come out successful now."

—Sangbad, March 25, 1971



A munajat before the battle: (from right) Capt. Mansur Ali, Syed Nazrul Islam, Tajuddin Ahmed, Bangabandhu Sheikh Mujibur Rahman, Kamruzzaman and others pray at an Awami League working committee meeting in late March, 1971.

Media Flashback
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Student Leaders Congratulate People for Observing Resistance Day

FOUR MEMBERS of the Independent Bangladesh Student Action Committee Nnur-e-Alam Siddiqi, Shahjahan Straj, A S M Abdur Rab and Abdul Quddus Mahan greeted people at the 'Resistance Day' on March 23.

In a Press statement they said, "After the declaration of independent Bangladesh on March 01, we called on people from all walks of life to support the cause of freedom and also to terminate any kind of conspiracy against the movement of the people."

"We declared March 23 as the 'Resistance Day' to mark our protest against the

Pakistan aggression on our soil and asked people to extend their all out support and solidarity in observance of the day.

"We are proud to confess that every Bengalee people responded to our appeal and made the day a memorable in the history of our liberation. The most inspiring incidents of the day was that no where in Bangladesh, the flag of Pakistan was hoisted. On the contrary the flag of independent Bangladesh was seen to be flying even on tops of the Secretariat and High Court Building."

"We, on behalf of the cartel Student Action Committee we congratulate the people of the country for making the 'Resistance' possible" concluded the statement.

—Sangbad March 25, 1971

TV Employees Observe Ten-Hour Strike

THE EMPLOYEES of Dacca TV centre observed token strike on Wednesday in protest against the harassment of the television employees and interference in their normal work by the force on duty, says a Press release of the TV employees union.

The employees also demanded, in an emergency general meeting held on Wednesday, the immediate withdrawal of the army personnel on duty at the TV premises.

The Press release said that earlier the employees declared that if the armed forces were not withdrawn from the TV premises and there were any interference by the army in normal work the employees would not work.

The employees of the television centre regretted the inconvenience caused to the people, the Press release said.

—The Pakistan Observer, March 25, 1971.

2 Threat Alleged

THE residents at the Governor House quarters on Tuesday hoisted the flag of

Bangladesh despite threats by some non-local officials of the Government Houses, reports PPI.

One of these officers who had been serving as "dignified bodyguard" of the Governor for over a decade asked the residents at the Govt. House staff quarters not to hoist the flag of Bangladesh. He also threatened to call troops within three minutes if his order was disobeyed.

However, some of the employees hoisted the Bangladesh flag disregarding the order of this officer. This officer reported to be guided by another sub-ordinate officer whose business is to look after the Government's kitchen also forced some Bengalee residents their to pull down the black flags a few days back.

These officers are also learnt to be indulging in various nefarious activities to demoralise the employees from the current movement. Some anti-social elements have been given shelter at the Government House by those two officers only to arouse fear among the Bengalee residents there, some residents alleged.

—The Pakistan Observer, March 25, 1971

West Pakistani Leaders Leave Dacca

NATIONAL Assembly members of small parliamentary parties from West Pakistan, who came to Dacca as an effort to solve the current political crisis in East Pakistan have left Dacca for Karachi yesterday (Wednesday).

In a press conference prior to his departure Council League chief Mian Mottaj Daulatana yesterday said, he is returning to Pakistan content. He assured the journalists that "every thing will be alright."

When the journalists in waiting inquired if Khan Abdul Quyyoom Khan too were satisfied with the proceedings here, he declined to comment.

—Sangbad March 25, 1971

Feature Banking and Finance

Laissez-faire Key to Economic Recovery

by Zain Mahmood

RIght after gaining independence in 1971, the new government of Bangladesh declared itself socialist and assumed responsibility for 92 per cent of the economy. This was hasty act launched without any discernible long-term strategy. All industries were swallowed in a gulp. There was no coherent policy to determine proper roles and functions allowing the public and private sectors to work in unison.

It soon became evident to even the most casual observer that the economy was not moving. The public sector was not performing up to expectations. Almost all umbrella corporations were losing money. The level of public subsidy was staggering yet apparently ineffective. Savings indicators were actually negative. Inflation was rising.

By 1975, the economy was in a total shambles and later that year, the government was removed from power in a bloody assassination of the President himself.

The change of government brought somewhat of a shift in economic policy and planning. Two successive military-turned-democratic governments, attempted to privatize the industrial sector and promote more of a mixed economy model.

At times, this shift towards private enterprise has been almost quixotic, with leaps and jumps, and at other times creeping along in a very slow pace. Bangladesh has divested a total of 1,076 public enterprises since 1977. This stupendous record prompted Elliot Berg to rhapsodically refer to Bangladesh as a "champion performer in the world of privatization or divestiture."

Even with these dramatic effects to privatize, the change in the public/private mix of industry has been rather cosmetic. Efforts to promote industrial growth has been ineffective due to the myriad of complex regulations and restrictions acting in opposite directions. This is easily observable in the various import policies, custom duties, sales tax, import permit fee, development surcharge, duty concessions, production subsidies, etc that are still in place.

A R Khan and Mahabub Hossain in their book *The Strategy of Development in Bangladesh*, in analyzing the changes in economic planning and policy in the country,

concludes that the state power in Bangladesh has been widely used to create a mechanism for private enrichment. This, the authors conclude, is true both for the early period of nationalization and the latter period of denationalization.

However, the state has failed to induce the accumulated riches to be channelled into productive industrial investment. The reasons cited are: the absence of a political framework that can enforce the right rules of the game and ensure stability; the divorce between production and accumulation, with the process of accumulation itself reducing the incentive to invest; and the inadequacy of the infrastructure.

From their analysis, it can be concluded that Bangladesh, with all its attempts at policy changes, still holds a restrictive industrial and trade environment. It is also apparent that the governmental bureaucracy intervenes in a heavy handed manner.

The policy of governmental intervention has discouraged the growth of entrepreneurs in Bangladesh. This is obvious from the fact that in the last 20 years, industrial growth in Bangladesh has been almost insignificant. The indecisiveness of governments, heavy protection for selective industries, high taxes, bureaucratic entanglements, import restrictions, all have acted as major obstacles for ineffective capital accumulation in the country, and also failed to attract overseas investors.

As many, if not most, economists agree, industrial growth is the only way Bangladesh can provide productive income to its people. Failure to do so, means more and more families go hungry every day. The faulty policies of its governments and bureaucrats, thus, makes Bangladesh lag behind as one of the poorest countries in the world, unable to provide the basic necessities to its people and unsure of its immediate future.

There are shining examples among developing countries that have taken the free-trade/market economy route, and the ones opted for more of a centrally controlled one. Several Latin American Nations experimented with socialism

in the sixties and seventies; at the same time, countries like Taiwan, Singapore, South Korea were installing market economies in place.

The comparative situation now, is obvious: imperative planning has led to inefficiency in the industrial sector thereby bringing economic downturns.

Another great example is India: a nation with huge natural and scientific resources but totally bogged down economi-

If laissez-faire was the rule of the game, the arena would be open to all interested individuals to play the game without restrictions. This would encourage competition and lead to a market mechanism that could thrive with competition.

cally, largely due to the stifling intervention of governmental bureaucracies.

Even in the developed world, the shrinkage of big government has led to substantial growth in the national economy and resulting benefit for the common people; e.g. in 1982 Ronald Reagan cut income taxes and the US had an economic boom; similarly, Canada and Britain experienced substantial growth in their economies due to large scale of government deregulation and contraction.

Increase in restrictive economic policies Least Developed Countries or LDCs, including restricted operations and ownership, exchange controls and limits or taxes on repatriations has been sighted by many economists as one of the first reasons for the shift away from Foreign Development Investment (FDI) by developed nations.

As an example, we can look at the Association of South East Asian Nations (ASEAN) and observe the growth of FDI in these nations. Most of these countries started with similar economic conditions during early stages of development. Of them Singapore has the least amount of natural resources. But it turns out that Singapore experienced the highest FDI growth in the region.

It should also be noted that the growth of FDI amongst these nations follow a particular pattern: The less the governmental intervention, the more FDI the country has attracted. In order to attract FDI, thus, Bangladesh has to

liberalise its trade and investment regulations, FDI will create the much needed jobs for the unemployed or under-employed people and make efficient use of its natural resources.

With a 115 million population Bangladesh provides an opportunity for a large market, but the low income level of the population doesn't make it very attractive.

The government needs to build roadways, port facilities, airports, telecommunication systems. In addition, Bangladesh is classified as a high disaster area. Only last April 1991, a coastal cyclone killed at least 140,000 people and destroyed the facilities at the major sea port of Chittagong.

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is obvious from the different Industrial Acts promulgated in 1976 and 1984. These acts have brought about no significant impact in growth of the industrial sector.

As discussed earlier, the governments' quixotic policies and implementation procedures are the prime reason for this situation. It would obviously be better if the government just did nothing. The sporadic heavy handed inter-

vention by the government leads to investor insecurity. This instability leads to huge flight of capital overseas and operation of an underground economy, both of which have been observed in the Bangladesh situation.

Another way the government intervenes is through the complicated network of rules, forms, government regulations that it says it controls industries with. Not only have these regulations failed to achieve the desired objectives, they have led to scaring small investors away from investing in Bangladesh. The complicated regulations have also been sighted for Bangladesh's failure in drawing any major foreign investment.

Bangladesh's economic woes, like cycles of poverty elsewhere, is not purely a resource factor constraint. It is a poverty, imbedded in the minds of the people and governments, from two centuries of colonial past when people stopped taking responsibilities for themselves.

Government after government, and generation after generation have survived on hand-outs from overseas. Local leadership has failed to develop the psychological mindset required to stand on one's own feet.

Laissez-faire opens golden opportunities for people to think; it will encourage local entrepreneurs to mobilise their own resources and be creative in their endeavours just as it has in any open and free democratic society. The Australian Ambassador to

educational development, especially in the area of technical education. If there is going to be industrial growth in Bangladesh, an educated and technically competent workforce at all levels is going to be absolutely necessary.

If the government gets out of the business of controlling and dictating the business world, it will definitely have more resources to concentrate on the above mentioned point.

Over and again Bangladesh has experimented with different forms and levels of governmental intervention. At first it was the imperative control policy of early 70s which led to a disastrous economic situation. Next in the 80s it has experienced selective, and often heavy, intervention by successive governments. This

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Bangladesh commented in 1988, "Bangladesh is a nation that really cannot live, but Bangladesh is a nation that will not die."

In essence that highlights the fact that Bangladesh has to take some drastic steps to change its viewpoint on internal economic development, else it will keep living the substantial life for times to come.

The socio-economic condition in Bangladesh has concentrated the major resources and powers are in the hands of a few individuals. With every successive change of government, these handful of people tend to re-appear in the political and economic scene, and dominate. This so called 'elite' have so far exploited the ends and means of the country. For the right price paid to the governments, law enforcing and military authorities, these individuals have had a 'free for all' situation.

An example of this is the disbursement of industrial loans to government cronies with no financial standing. This has resulted in the default of industrial loan payment in the amount of \$2.5 billion. In addition it has helped create a huge underground (black-market) economy and monopolies in certain industries resulting in imperfect market conditions.

If laissez-faire was the rule of the game, the arena would be open to all interested individuals to play the game without restrictions. This would encourage competition and lead to a market mechanism that could thrive with competition.

Bangladesh has tried the other alternatives. In the '70s it was the socialist model, in the '80s it was the mixed economy model. The leading economic indicators show that both experiments have failed. The common people of the country have seen a constant deterioration of their living standards; the population has exploded beyond the control of the government. The government has been largely ineffective in trying to give the nation political or economic direction. The only practical alternative for Bangladesh is to adopt laissez-faire and let the markets give direction to the

people. The market mechanism has successfully worked in other countries, and it is the only thing that will work in Bangladesh.

Michael Porter, in his article "The Competitive Advantage of Nations" published in the Harvard Business Review of Mar-Apr 1990, said, "National prosperity is created, not inherited. It does not grow out of country's natural endowments, its labour pool, its interest rates, or its currency's value". Based on this statement, it is conceivable for a country like Bangladesh, with no natural advantage, to develop and grow. But how?

It is the inadequacies of the policies of the past governments that have brought Bangladesh to where it is today — a declining, poverty-ridden, malnourished, "basket case". Every day it is becoming more and more difficult for this nation to survive. So, the obvious question is, what should the government's role be in the development of an LDC? The answer: off-hands laissez-faire.

Adam Smith, in 1776, stated the role of a government in a free-market economy: provide defense, justice and infrastructure. Interpretations of Smith's works abound.

For Bangladesh, there appears to be no other alternative. It has experimented with different models of development with no results. It can thus be concluded that, Bangladesh should adopt a totally free-market economy.

It is a bold and drastic measure, and politically dangerous. And it will not be easy to undertake. There will have to be a fundamental shift in behavior by all the stakeholders of the country: the private sector, the public sector, organised labour, political parties, the educated elite, and of course the consumers.

In the beginning, the changes could mean instability for everyone. But once the system matures, things will stabilise with everyone reaping the benefits. The results of the Laissez-Faire policy in Bangladesh could be emulated by other poor countries by adopting such policies.

In a world where the hope for change and economic development looks next to impossible, Laissez-Faire could prove to be the turning point. Not only would it help the people of the country develop economically, it will open their minds to newer efforts in economic prosperity.