Challe, Saturday, November 21, 1992

# Pray for the Best, Brace for the Worst

Just about the time we were heaving a sigh of relief that may be 1992 will have spared us the trauma of another natural disaster, comes the news of a severe cyclonic storm in the Bay of Bengal. As we write this editorial the nation is bracing itself to face up to another of those challenges to our progress. As we pray for the best and prepare for the worst, we cannot help but wonder how much more will the poor and the destitute of this severely resource scare country will have to suffer before Providence gives us the respite that we so desperately need to develop our land.

As we hope that we will be spared a repetition of April '91 experience, or for that matter, of November '70 we became once again aware of how vulnerable our coastal areas are to the ravages of nature. True, there is nothing much we can do when the cyclonic storm is on. However, there is a lot that we can, and have done, in the area of storm preparedness, warning people about the impending disaster, and in evacuating them from the coastal and outlying areas. We have also developed some sort of expertise in organising rescue and relief operation once a natural calamity hits.

There is, however, much that remains to be done. The most important lapse is the slow pace of our cyclone shelter construction work. Once the emergency passes, so also our awareness about the urgency of constructing shelters for the people of the coastal areas. Then there is the question of hundreds of rehabilitation projects that get initiated immediately following a cyclonic storm, but loses their momentum during the months that follow.

We would like to sound a note of warning, at this early stage to both the ruling party and the opposition, not to politicize the relief process. In fact using the relief process to gain popularity for the ruling party, or to use its shortcomings to discredit those in power have become a part of what can be called "politics of relief." We urge all concerned to rise above such despicable acts.

As nature's wrath hits our gentle people once again, let us gather strength from the fact that we have survived such disasters before and that the resilience and the spirit of our people to fight against all odds will certainly help us to overcome this one also.

### When Law is Let Down

Yet another life has been lost in the clashes between shopkeepers and students of Dhaka College. It is the second such incident between these two rival parties within months and there is every indication that the process of settling an old score with equal vengeance will continue unabated. Read against a peaceful co-existence for about a century by the shopkeepers and the students of the college, this brutality confounds anyfollowing the developments around New Market. Something has terribly— and perhaps irreparably- gone wrong and this has happened not so much with the shopkeepers as with the students of the college.

With an enviable record- both academic and humane - this one of the oldest of our educational institutions no more can claim to be keeping up with the tradition. Terrorism has been most effectively exported to this and other educational institutions with telling effects. Much as the political parties may protest, the fact remains that they are responsible for introducing terrorism in these institutions. The Frakenstein they have created refuses to yield and threatens to bring down whatever respectability and sanctity

remain of the institutions.

It has been proved beyond doubt that if the political organisations are determined to bring their militant cadres under control, they are likely to be successful. The arrest of Ilyas Ali is a point in case. It surely worked as a strong deterrent. Why the drive against the wayward student leaders was suddenly brought to an abrupt halt remains to be a mystery. When the students get into the fray in support of their mates without checking into the offence committed by them, it is sanity that becomes a casualty. But in the behavior of a mob. it is too much to expect rationality. The fact that general students get agitated by the wrong message fed to them by the wrong-doers themselves cannot be verified in time. But by the time truth comes out, the culprits have had their way and things have escalated beyond control. Now what are the offences the so-called stu-

dent leaders commit and yet can manage to drag unsuspecting students by their sides? The offences are many and of diverse nature. But in this case, reports have it, both extortion and misbehaviour with a woman customer were the issue. The way the situation exploded points to the fact that some bad elements in students were looking for a pretext to make the score even after the loss of one in their rank in the earlier incident. Not that the camaraderie is shown without any selfish motive. The contentious issue was the demand for one lakh Taka from a shop. The shopkeepers naturally refused to comply and the feud brought the warring parties face to face.

Now the question is: if the anti-terrorist law has been specially made to deal with such offences, what the police were doing when the chaos was brewing up? At least an hour, if not more, went by then. That it is a clear case of terrorist act needs no explanation. The next question naturally ought to be asked, why the police failed to stop the murder that took place in the procession the shopkeepers brought out. Surprisingly, even after the incident the police succeeded to catch only one student. The new law gives them enough power to exercise and yet they are as incapable as ever. If any law fails to protect the incumbent, however much harsh it may be its practicability defeats the purpose.

The intriguing point therefore is how to stop the group terrorism. Laws are meaningless if they cannot find their proper application against those intended. Students cannot be spared simply because they are students. A thorough probe into the matter is what can result in identifying the real culprits - who cannot be more than a handful bunch — and if they are meted out the punishment they deserve, the day may not be totally lost for the innocent students and society in genTRENDS OF JAPAN'S OVERSEAS INVESTMENT AND CASE OF BANGLADESH

# After USA, a Shift towards ASEAN

OWARDS the middle of the decade of 80s. worldwide direct investment expanded remarkably and by the end of 1988 foreign direct investment worldwide reached the US\$1.00 trillion. mark for the first time on an accumulated value basis. Growth of Japan's direct foreign investment over last 20 years was no less meteoric.

During this period, three booms in Japan's direct overseas investment can be discerned. The cumulative direct investment amounted to US\$ 8.3 billion during the first boom between fiscal 1969 and 1973; US\$ 49.2 billion during second boom between fiscal 1978 and 1984 and US \$170.2 billion during the third boom between 1986 and 1989. The last boom was primarily triggered off by 1985 Plaza Accord that heralded the sharp appreciation of Yen vis-a-vis US currency. Everything outside Japan turned cheaper and foreign investment became more profitable.

Four other contributing factors for the last boom were (1) Encouragement by the Japanese government to increase investment in industrialised market economies with the aim of avoiding trade friction arising out of Japan's growing trade surplus, (2) a quick response to overtake the moves towards an integrated European market; (3) an urge to restructure the pattern of global strategies by the Japanese corporations in the wake of changing world economic scenario and, lastly (4) acute shortage of labour and the rising cost of production, forcing the investors to look for cheaper production bases outside Japan to make their products competitive in the

local as well as global markets. Consequently, direct overseas investment began to rise and reached US\$ 67.54 billion on notification basis in fiscal 1989 alone, a 43.6% rise over the previous year. By this time, Japan also emerged as the world's largest investor in terms of direct investment outflow. It was followed by UK, USA, France and Germany. Another significant feature during the second half of the decade was the , emergence of

Taiwan, a non-IMF member as a major overseas investor with US\$ 6.9 billion foreign investments in 1989. Japanese investment during 1986-89 period surpassed its accumulated value of all overseas investments made between 1951 and 1985.

Regionwise, North America has been the largest recipient of Japanese investments which was influenced by investors confidence in the US market economy, consistency of US government's policy, the size of the US market and the Japanese government's encouragement to invest in the US to offset the growing trade imbalance. US alone received \$72 billion investment from abroad in 1989 which was double the amount of US investment overseas thus changing the country into a net receiver of investment.

by Ahmad Mahmudur Raza Chowdhury

Unlike the manufacturing of goods, these investments had taken place in the fields of movies, music and cultural assets which made US Congress and the Senate critical of Japan's 'Buy America' spree. Similar worries were shared by many bankers, brokers and international money market dealers who were influenced by the widely accepted notion that Japan often resorted to unfair business practices that had been irritating the Americans since long.

A tilt towards Asia became prominent with Japan's direct investment in Asia registering 47.9% rise in fiscal 1989 to US\$ 8.2 billion following a 14.4% increase in the preceding year. Significant features of Japanese investment in Asia in

the changing economic climate. This scenario is more prominent in cases of electric/electronic and automobile companies than the machinery and chemical firms. Products such as radio-cassette players, stereos and window-type airconditioners have now been almost completely transferred from Japan to other Asian countries. But while shifting mass production of products requiring a low level of processing at their overseas factories, Japanese investors are producing higher value-added products and high-tech materials locally which is, in fact, a deterrent to the fear of so called 'hollowization' of Japanese industry. Small and medium sized Japanese firms investing overseas do procure machineries and equipments

Singapore (700), Malaysia (500), Indonesia (400) and the Philippines (200). Flow of Japanese investment has been comparatively low in the Philippines because of political

instability and security reasons. The enthusiasm for ASEAN countries that began in mid 80s reached climax during 1988-89. Japan was followed by the NIEs in the investment race in the ASEAN region. In 1989 Japan was the largest investor in the ASEAN region (excluding Singapore and Brunei). In the first half of 1990, however, investment by the NIEs reached US\$ 3.73 billion, a 33.8% share, exceeding Japan's investment of US\$2.88 billion, 26.2% share. In 1990, Taiwan and Korea particularly increased investment in Indonesia. Due to political instability investment in the Philippines however, lev-

iar. Fourthly, with the growth of economy, domestic demand have risen outpacing supply resulting inflation.

Compared to NIEs, however, the situation in ASEAN countries is still favourable in terms of production cost, fairly stable exchange rate, growing intra-regional trade and purchasing power of the people in the region. About 30% of the NIEs' export go to US market whereas ASEAN's reliance on the US is only 20%. Hence the adverse impact of recent economic slowdown in the industrialised countries, particularly in the US has been much less pronounced in the ASEAN countries than in the NIEs.

Even at the fear of repeata-

tions, it may be noted that

Japanese overseas investment in 1990 declined 15.7% from the previous year. This was primarily due to collapse, since early 1990 of "soap bubble" style economic boom involving heavy losses in toospeculative stocks, bonds and real estate investments. Banks and other financial institutions as well as relators suffered heavy losses since beginning of 1990 which coupled with Japan's sustained tight money supply policy have put a brake on overseas investment spree in the non-manufacturing sectors. During fiscal 1990 direct overseas investment by manufacturing enterprises, however, declined only 4.9% from the previous year to US\$15.48 billion which indicates that there remains basically still strong enthusiasm for investments in manufacturing sector. These desperate manufacturers must find an alternate haven to fall back as investment climate in ASEAN countries become increasingly severe particularly in view of the superheated economy of Thailand. It is somewhat repeatation of the phenomenon that compelled foreign investors to shift their production bases from NIEs to ASEAN countries couple of years ago.

To be continued tomorrow.

Bangladesh, Tokyo.

of these protections and in-

the second half of eighties

Regionwise, North America has been the largest recipient of Japanese investments which was influenced by investors' confidence in the US market economy, consistency of US government's policy, the size of the US market and the Japanese government's encouragement to invest in the US to offset the growing trade imbalance.

The enormous size of Japanese idle funds vis-a-vis low returns from domestic investment and hyper-valued real estate assets made the investment prospects within Japan limited. The value of the land upon which 220 acre imperial place is located in central Tokyo, for instance, was commonly estimated in 1989 to be equal to the price of all the lands in the State of California. The logical result was the investors looked abroad for more promising opportunities, and the US with its potential stability and unmatched economic opportunities, was by far the most preferred market for the Japanese investors. In the US, real estate industry yields about 7% compared with 2% in Japan. But Japanese investment bonanza in the US, particularly in real estate became too conspicuous. Mitsubishi's acquisition of the Rockfeller centre, Matsushita's purchase of US movie and entertainment giant MCA Inc. and Sony's reported takeover of Columbia Pictures created great stir in the US

media and political circles.

were: (a) increased investment in the processing and assembly sectors of manufacturing industries, (b) rapid increase in investment of finance, insurance and real estate and (c) more than half of Japanese overseas investors being small

and medium-sized firms. Investments in Europe and the US were aimed at supplying the local market while investment in South East Asia were primarily aimed at export. At the same time, it was expected that as Japanese cooperation expand foreign production, Japan's export would decline and imports from foreign bases would increase thereby improving Japan's ex ternal imbalance over the medium and long term period. The small and medium sized manufacturers were encouraged to shift their production bases to Asia to combat rising cost of production coupled with growing shortage of labour in the manufacturing sectors in Japan.

The Japanese firms have adopted global strategies of promoting an 'international division of labour' to cope with mainly from Japan (72%) and raw materials locally (50%).

With the rapid rise of investment in the expanding NIEs, the labour shortage and consequent rise in wages emerged as an acute problem which, in turn, reduced the ability of Japanese investments to compete in the NIEs. Exports from NIEs into the US market, hitherto ensured, also lost price competitiveness for currency realignment and abolition of GSP tariff treatment by the US. Consequently, small and medium size manufacturers began to look for an alternate production base. The close proximity, historical links, political preferences, size of the market and vigorous policy measurers adopted by ASEAN governments to lure foreign investments caused a shift in the Japanese investors' interest from NIEs to ASEAN countries in mid 80s. By the end of 1990, Japanese investment in ASEAN countries reached \$ 25.21 billion with

highest number of firms going

to Thailand (750) followed by

elled of.

### ASEAN Scenario

The precipitous growth of foreign direct investment in the ASEAN since 1987 has given rise to some bottlenecks which in turn has slackened the flow of investment that became conspicuous in later half of 1990. A number of factors have contributed to this slowdown. First, a slowdown in overall growth of world economy and the disruption caused by the Gulf War impaired the export of the newly installed industries. Secondly, the growth of industrial complexes has outpaced the growth of infra-structural facilities causing congestion in ports and in the construction sectors. Shortage of industrial parks became acute and land prices, particularly in Thailand, began to soar. Thirdly, growing demand for technicians, mid-level managers and skilled labours has caused wages to rise. Frequency of workers' changing jobs and companies have assumed a menacing dimension with which Japanese entrepreneurs were least famil-

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# HE leaders of Mexico, Canada and the United States have recently signed the North American

Free Trade Agreement (NAFTA), and all of them reassirmed the wonders that free trade will bring. Trouble is, they are in the same league as the old frontier peddlers waxing eloquent about the wonders of snake oil to cure whatever ails you.

Beware of the following sales pitches, all of which were offered within hours of the announcement that the NAFTA negotiation had been completed.

"It means that if you want to get a cantaloupe a couple of months later than you can get one down at your safeway this morning, that will be an opportunity afforded to you." -Carla Hills, US Trade Representative.

Geography and weather do extend the Mexican fruitgrowing season beyond ours. But, taking advantage of wages a tenth of ours, fruit and vegetable producers in Mexico will use the trade agreement's lowering of duties at the US border to underprice tens of thousands of US farmers and farmworkers (many of Mexican origin). The free trade agreement offers nothing to the devastated rural communities of the US south that will bear the brunt of Carla Hills' cantaloupe cravings in the dog

# Doubtful Claims of Nafta's Wonders by John Cavanagh and Robin Broad

The so-claimed wonders of the North American Free Trade Agreement will not benefit ordinary Americans of Mexicans, argue the writers. It will only give US firms unlimited freedom to move goods and factories anywhere on the continent. In the process, the Mexican environment will be destroyed.

days of December. "Gene Grossman and Alan

Krueger, two economists at Princeton, reckon that countries turn the environmental corner when they reach roungly \$4,000 in per-capita income. Free trade could help bring Mexico there in half a decade." - Wall Street Journal editorial

Grossman and Krueger's study is a trenchant reminder of why you shouldn't try to predict real life behaviour from narrow academic economic models. These two offer the observation that when countries reach \$5,000 in per capita income (nor \$4,000), emissions of three specific air pollutants tend to decrease. What has this got to do with the overall environmental fu-

ture of Mexico? Not much. Mexico's free trade development strategy centres on attracting yet more foreignowned factories of the sort that already overpopulate the US-Mexico border. These

2,000 factories are an environmental nightmare, and the untreated wastes that flow from many of them have been blamed for everything from a hepatitis outbreak in Kentucky (from lettuce packed in contaminated ice) to an alarming incidence of brainless babies in the Brownsville/Matamoros region. Just as South Korea and Taiwan destroyed their environment through this kind of development, Mexico is on a course to do the same.

"The Cold War is over. The principal challenge now facing the United States is to compete in a rapidly changing, expanding global markplace. This agreement will level the North American playing field, allowing American companies to increase sales from Alaska to the Yucatan." — President George

The increased freedom for US firms to move goods and factories anywhere on the continent is what this agree-

ment is all about. Unfortunately, what is good for General Motors is no longer too hot for the US. Indeed, GM seems more intent on moving jobs to Mexico than cars as it shuts down plants left and right in the US and Canada and opens new ones in Mexico. US furniture, textile, electronic and other firms have been doing the same.

Since there are as many estimates on job loss from the agreement as there are economists, it would be prudent not to get too specific here. But it doesnot take too much number crunching to predict what happens when you free investment between two neighbouring countries where wages in one are 10 times lower than in the other.

Bush also involked the name of Christopher Columbus as he announced the completion of the trade negotiations. Perhaps this was well chosen: border enterprises were about profit for the few based on exploitation of the many. "...This week's signing of

free trade agreement with Mexico puts America very much on the offensive in this global competitive game and leaves fumble-prone European and Asian opponents on the defensive." - Karren Elliott House, VP, Dow Jones

To the contrary, Europe is an example of how to do economic integration better. Aware that lower wages and labour and environmental standards in Portugal, Spain and the other poorer countries could pull down standards in the richer countries, the **European Community invested** tens of billions of dollars into Europe's poorer periphery. And Europeans have deliberately integrated labour ad environment standards into their pact, steering the benefits of increased trade and investment to a broader public.

The newly negotiated North American pact includes none

stead sets just on a global race to the bottom in terms of wages and working conditions. In the name of competing better on global markets, we will continue to bargain down US wages and standards toward Mexican levels.

The fate of this agreement rests with the new US Congress that will be elected in November. The challenge that faces the public and our elected officials on Capitol Hill is how to steer the benefits of expanded investment and trade in a globalised economy toward a healthy environment. viable communities and dignified jobs north and south of the Rio Grande. This can only be done by conditioning freer trade and investment on companies' respect for basic labour and environmental standards.

Just as the United States' founders attached a Bill of Rights to the nation's Constitution in order to guarantee certain human rights, trade agreements need social and economic 'bills of rights' to protect basic rights today. -

Third World Network Features

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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.

### Philanthropic organisation

Sir, Recently I had the opportunity to learn about the various humanitarian and social welfare activities of Al-Markazul Islami, a philanthropic organization. This organization is providing free social services, especially to the poor people, which include medical and funeral services. This organization had rendered voluntary services in the help of the distressed people during the last devastating cyclone and also to the Rohingya Muslims who are staying in the refugee camps in Bangladesh.

While talking to certain Markazul Islami officials came to know that this organisation has decided to set-up a 300-bed hospital particularly for the poor patient, who cannot afford good treatment. They are, however, yet to get a piece of land in or around

Dhaka city to commission the hospital. At one stage of talk, I was told that a kind-hearted businessman from Jeddah having pleased with the philanthropic works of Al-Markazul Islami donated a modern ambulance for strengthening the organisation's free medical services. But most unfortunately, the ambulance is still lying with the Chittagong Port Custom authority because of the organization's inability to pay huge taxes imposed under the country's rule. The Markazul officials have the opinion that whenever a foreigner could donate an ambulance for the humanitarian service, then why should not the democratic govt exempt certain taxes which are usually charged on commercial consignments. One of the officials informed me that the organisation is running with about Tk 3 lakh debt still it is continuing with its noble mission of helping the suffering people.

May I draw the attention of our esteemed Prime Minister to the matter of the ambulance as stated above and request her to direct relevant authority to do the needful for easy and early release of the ambulance. It is sincerely expected that the govt and others will extend their total cooperation to all the philanthropic organizations which are offering free social services for the betterment of our poor people.

M Zahidul Hague Assistant Professor, Bangladesh Agricultural Institute, Dhaka

# The UN and Veto

Sir, I refer to the NAM demands for abolition of the Big Five's Veto rights in the Security Council of the United Nations, as declared in its conference last held in Jakarta.

United Nations is an organisation of world nations based on the following basic principles: 1) Respect for independence and sovereignty of States; 2) Equality of States; and 3) Non-interference in internal affairs of States.

Unfortunately, what is actually happening through exercise of the Veto powers by the Big Five is hampering the smooth functioning of the United Nations through fulfillment of the above principles thereby lowering the prestige and status of the world body.

To keep the goodwill, prestige and reputation of the United Nations intact, the socalled Veto powers should be abolished so that all member nations may find due redress of their grievances on equal

Let us not make a mockery of the great world body, the United Nations.

K K Das B K Das Road, Dhaka

# Uncle Sam's advice

Sir, Seven basic requirements of democracy suggested for Bangladesh by American ambassador in Dhaka recently worked wonders for American democracy over the centuries and may become the secrets of success for Bangladeshi democracy as well.

Compared to the World's second largest democracy that elects her chief executive (President) with the electoral votes representing a population of over 90% literacy Bangladesh with about 25% literacy has been trying different systems ever since her liberation and returned to parliamentary rule through a national referendum a year ago.

The prescription of American diplomat for healthy growth of democracy in LDC Bangladesh include controlling government decisions by elected officials, electing officials frequently and fairly, election by adult franchise, adult's right to be candidate, citizen's right to freedom of expression, alternative source of information, and right to form independent associations or organizations.

In a ripple effect under the recent 'wave of democracy' in the world, (almost all) communist or dictatorial governments have democratized their governance that have substantially contributed toward the new world order, and obviously human rights had been the key issues in this democratic transformation entitling the citizens to freedoms .

Democracy has been functioning progressively for centuries in the developed countries that are especially rich with high percentage of educated citizens. As has been proven already, the success of democracy depends considerably on the right practice of the rights entrusted in the system that ought to yield benefits for all citizens. M Rahman

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# Sex education

Sir, Sex is an essential part

of hygiene. So problems of sex should not be neglected under the pressure of conservatism or social taboo. Since, there is no scientific sex education in our country, most of the adolescents learn the do's and don'ts of sexual behaviour from various unreliable sources while absence magazines and 'blue films' mislead them. So, in order to make our people conscious about sex, an educative system is to be introduced. Text books may by devised as to provide the students sufficient information about sex vis-a-vis the age of the students. Of course, this ought to be such, as cannot encourage premarital sex and create new problems. If it is properly done, then,

I do hope that it would reduce veneral diseases, fear of AIDS and also divorces arising out of sexual misunderstanding.

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