

# Courting Investment from Newly Industrializing Nations

Often dubbed as 'Asian Tigers'— Singapore, Hong Kong, Taiwan and also South Korea — these newly industrialising economies (NIEs) are not far behind some of the world's leading industrial nations.

**D**URING the days of confrontational posturing in the 1970s between the rich North and poor South, the developing countries had called for a new international economic order. They had demanded restructuring of global economic relations, guided by the principle of equal rights and opportunities, and a new approach to the problems of development. Third-world countries had asked the industrial nations not just for aid but also for trade.

Parallely, developing countries had tried to forge greater economic cooperation among themselves. They also had drawn up a programme for Economic Cooperation between Developing Countries (ECDC) at their ministerial meeting held in Arusha, Tanzania, in 1979. Collective self-reliance was the centre-piece of the ECDC programme. Through it, developing countries had sought to exploit the unrealized mutuality of interest among themselves arising from their growing interdependence. The main thrust had been towards expansion of trade among the developing nations.

By and large, the third world has gained some success over these years in claiming a larger share in global export trade. Thus, developing countries in East, Southeast and South Asia have increased their share in global exports from 7.9 per cent in 1979 to 16.8 in 1992. These countries have also scored gains in expanding trade among themselves. Their exports to each other in 1985 came to 27.6 per cent of their total exports. In 1992, it rose to 35.2 per cent. In parenthesis it needs to be noted that the share of these countries in total global exports was 11.3 per cent in 1985. Exports from and to each other seem to have grown at a faster rate than gains made globally.

Some of the countries still classified as developing, have also been getting prosperous over these years. Consider the 1992 per capita incomes of \$15750 for Singapore, \$15380 for Hong Kong and \$10215 for Taiwan with \$17790 for Britain, \$23240 for the United States and \$28190 for Japan. Often dubbed as 'Asian Tigers', (along with South Korea whose per capita income comes to \$6790), these newly industrialising economies (NIEs) are not that far behind some of the world's leading industrial nations. Then again, look at Taiwan's international reserves of some \$92 billion and Singapore's \$53 billion as against Japan's \$116 billion and Germany's \$82 billion. Some of the NIEs are indeed emerging as capital-surplus countries.

Capital-surplus countries are impelled to invest overseas, mainly for better external sector management, to avoid inflationary pressure, to earn higher returns on assets. In short, such countries export capital. Thus it is that Singapore has recently initiated measures to invest more of its surplus savings abroad. It is estimated that the pool of money available for investment by the end of the decade could be \$54 billion. The money would come from the country's compulsory savings scheme, known as the Central Provident Fund, and from the financial surpluses accumulated by the state agencies, utilities and government-linked companies. Initially, investments would be confined to shares of foreign companies and overseas bonds traded on the Singapore stock exchange and, what is noteworthy, to selected regional markets, such as Hong Kong, Malaysia, South Korea, Taiwan and Thailand. Eventually, the scope for in-

vestment may be widened to include capital markets outside Asia. However, the first wave of these investments would reach the capital markets in the developing countries in Asia.

And it's not just Singapore. The other newly industrialising economies — Hong Kong, South Korea and Taiwan — also are investing in less advanced developing countries. Even some among the emerging economies, notably Malaysia, are doing the same. Do these initiatives portend a new mode of cooperation among the developing countries? A new format for South-South coop-

ties in cooperation with the Singapore Manufacturers Association and the Federation of Chambers of Commerce and Industry. Available reports suggest that it was primarily an introductory seminar, designed to familiarize potential Singaporean investors with the opportunities offered by Bangladesh. Well, other countries in the subcontinent have already gone much further in attracting investors from Singapore. India has recently signed joint venture agreements for 12 projects with Singapore. A real estate project alone envisages an investment of more than 450 million

New Guinea, Solomon Islands, Vanuatu — attracted net FDI of more than 100 billion US dollars between 1987 and 1992. Bangladesh's share was the lowest, a paltry 13 million dollars. We performed relatively better in 1993 when some \$50 million FDI flowed in. However, this improvement can hardly be counted as the crowning of our drive to attract foreign capital. A record \$80 billion FDI gushed into the developing countries in 1993 — mostly into the emerging stockmarkets. We also got a few crumbs.

Will the initiatives to court investment from the capital-surplus developing nations brighten our bleak FDI scenario? It's a toss-up really.

What we need most is an enabling environment for investment, says the catchall prescription. Macro-economic stability is important. So are an appropriate policy framework, an attractive incentive package and a business-friendly attitude of the authorities. However, these are not all. Reliable infrastructure including utilities and a disciplined, preferably skilled, workforce also are some of the essential ingredients that go to make up an enabling environment for investment. And to cap it all, foreign investors need an assurance of continuity of policies as well as a sense of security, something which is rather intangible in itself. Perhaps the words of the British Under Secretary of State, who led a trade and investment mission to this country last week, capture the gist of foreign investors' sentiments on the issue. "A one-day or a two-day hartal does not necessarily worry investors." He is reported to have observed, adding, "What concerns them is a state of political uncer-

tainly, an unstable and unpredictable political situation." Well, investors would probably hold similar views. Investment from capital-surplus emerging economies will not roll in just because we too are a developing country.

**C**OMMISSIONING Export Processing Zones (EPZs) is a mode of inviting foreign capital. In substance, EPZs are enclaves within the host country's territories where all the laws of the land — especially those relating to trade, tariffs and taxation — do not apply. The state permits the EPZ authorities to frame their own rules and regulations. Industrial units in EPZs manufacture goods exclusively for exports.

The host country does not benefit directly from these exports, except to the extent it supplies inputs to the industries located in EPZs. Understandably, foreign investments in EPZs stand on a different footing than FDI.

There are two EPZs in the country now, one in Chittagong and the other in Dhaka. A third EPZ is to be built in Khulna. It's not that foreign investors have flocked into our EPZs. Nonetheless, EPZs seem to have done better than the domestic market in drawing foreign capital. Total investment in EPZs is said to have crossed \$125 million. The latest move is to turn the Machine Tools Factory at Joydevpur (BMTF) into another EPZ. It's no use sucking a sugarcane which has been chewed up, says a Chinese proverb. BMTF had been a white elephant for decades now. The new move could be the last desperate bid to wring some juice out of BMTF. Our planners meanwhile could even check with Manila how the Subic Bay US military base was converted into a humming industrial centre in just about a year's time.

## No Traffic Blockage, Please

It has happened again. The whole of west and north Bangladesh remained cut off from the capital city for seven hours at a stretch on Sunday. And the traffic blockage occurred at the peak period of 9 am to 4 pm. The loss to national economy as well as to businesses of individuals and companies can well be imagined. What is ordinarily overlooked and is immeasurably more important is suffering to people on the move — the serious denting of the citizens' rights to movement on the roads. And here thousands were held up causing not only immediate suffering from heat and hunger and lack of toilet facilities, but an inconceivably complex chain of problems as well.

Here again has happened for the umpteenth time that sickening mishap of a bus running over a student. We have become inured to tragedies involving plummeting buses, colliding vehicles or overtaking misadventures, all because of their frequency. The 18-year-old Devendra College student had been killed not far from the Manikganj bus stand which is a particularly crowded stretch of road, not unlike Savar Bazar. Every bus-riding citizen knows that these big vehicles try not to reduce their speed on entering such urban zones.

While the administration must ensure, if necessary by applying force, that no blockage ever affects traffic on the national highways, it must at the same time guarantee that no bus would enter a municipal or even a *haat* area at more than 30 kph speed. The surefire way to inhibit the speed of vehicles in crowded areas is to build series of speed-breakers. The administration's deaf ear to good counsel can be matched by people controlling towns and *haats* and *bazars*. It remains then for the students to compel their local authorities to build these humps and bumps.

The government has failed, as all previous ones before them had, to make the flow of traffic on national highways perfectly unhindered and convince the population of the inviolate position of these mainly through stringent enforcement of highway laws. We do not want any more run-over deaths on the highways as we do not want anymore — not one more — blockage of traffic on the highways. These we demand on point of national interest.

## We are Concerned

The dangers being posed to some 1200 Bangladeshi troops who have been marooned in the Bihac enclave for a few weeks now are simply petrifying. We are concerned about their safety and welfare. They are without medical supplies and they must be close to running out of their food stocks. As it is, they lay defenceless with only a quarter of them having just rifles to sling.

What prompted a re-assessment of their security situation were a series of new developments: Serbian air raids damaged vehicles of the UN observers and the local population have grown unhappy over the 'ineffectiveness and inactivity' of the UN peacekeepers. The Bangladesh battalion being a part of the UN peacekeeping force is also exposed to some of that local annoyance. Besides, the Serbs have got a launching-pad in Croatia and reportedly there are rebel Muslim troops on the vicinity who are opposed to the Muslim-led government in Sarajevo.

The Bangladesh contingent was actually presented with a *fait accompli* when during the autumn it had to rush to Bihac to replace the hurriedly-leaving French troops without proper equipment and contingency planning or preparedness to face an eventuality. Then when the Serb blockade came up to prevent vital equipment from reaching the Bangladeshi peacekeepers, the commanders of the United Nations Protection Force refused to confront it. Why push the Bangladesh troops into such a predictably vulnerable position? Our point is we should have some fore-thought and forward planning with the UN headquarters before committing our troops to a high risk peacekeeping operation.

True, our troops have earned a good name for the country by giving an admirable account of themselves in prestigious peace-keeping operations in several hot-spots of the world. And, that is all the more reason why we should be able to improve the working conditions afield. After all, a peace-keeping contingent is not a warring party.

## Reynold's Exit

With the resignation of Prime Minister Albert Reynolds in Dublin last week the Irish government has been running like a headless chicken without his replacement. The prospect for inter-party talks for peace in Northern Ireland seems to have suffered a setback. In fact, latest reports from London suggest that hardliners in the Irish Republican Army are planning to restart a bombing campaign in Britain and Northern Ireland disassociating themselves from the ceasefire that has held since September 1.

Albert Reynolds had led a more or less stable coalition government for the last twenty-two months until it was rocked by a scandal over a priest accused of child molestation. He was about to face a no-confidence vote which he deemed fit to head off by his dignified exit. The judge who found himself at the centre of controversy for having failed to act on an extradition warrant against the Catholic priest accused of child molestation resigned following the departure of the Prime Minister. Had he quit a few days earlier, it would have saved the government. There is another piece of irony in that priest Smyth returned to Northern Ireland under orders from Cardinal Daly and has since been serving a four-year sentence.

Since Sinn Fein, the IRA's political partner, has just joined the mainstream debate, one hopes all the good work done by Arnold wouldn't go in vain. He has set certain standards of stability and peace for the Irish people so that the new coalition to replace his government is only likely to take the peace process forward.

When stepping down Arnold said he was doing so to keep negotiations from being derailed. The fact that all parties agreed he was being right to relinquish goes to prove his point but at the same time the onus is on his detractors now to pick up the threads from where he left off.

# KIBRIA EXPLAINS THE OPPOSITION'S CASE

## Free and Fair Election is the Key to Political Stability

**A** former Executive Secretary of the Bangkok-based UN Regional Commission ESCAP, Kibria was closely associated with the dialogue process as a member of the opposition's negotiating team headed by Abdus Samad Azad, the deputy leader of the opposition in parliament. He also met Sir Ninian individually on a number of occasions to seek clarifications on the government proposals.

The opposition revised its original blueprint for a caretaker government formula, he said, outlining the resignation of the government in power 75 days before the expiry date of the fifth parliament and mandating the selection of the new Prime Minister, not belonging to any political party, under the joint recommendation of the Leader of the House and the Leader of the Opposition, who would also nominate five members each for forming the cabinet. It was also stipulated that the nominated cabinet members should not belong to any political party and along with the Caretaker Prime Minister cannot seek election.

"We believe that this is going to give the country — what is most important from our point of view — political peace, stability and the assurance of a reasonably corruption-free elections in the future," he added. "We genuinely believe that in about 15 to 20 years time the habit of free and fair elections will be firmly established, and, if necessary, at

that time we can change the rules."

Political stability and economic prosperity of the country, he argued, hinges on peaceful succession, acceptance of the legitimacy of the government and the willingness not to complain and protest about the election itself. "If the BNP wins under a caretaker government then the opposition may complain about anything else but they cannot question the legitimacy of the government" as is the case today. He pointed out, that the opposition is agitating on future elections but is not challenging the legitimacy of the present government itself.

"So, this is the merit of our proposal. It is understood by the people today. Somehow the message has gone very far and our impression is that the people understand this very well," Kibria claimed.

Asked if the opposition made any concessions to the government during the negotiations, he noted that the opposition's blueprint was modified seeking the resignation of the cabinet 75 days, instead of three months, before the elections and making the provision for selecting the caretaker prime minister by joint recommendation mandatory.

"Originally, the government felt that being a majority party they were being ignored or that they were being given any role in the new caretaker government. That has been

rectified, now they are being given full role in this plan and we feel that this is a fair proposal from any point of view."

The opposition also agreed with the government proposal to further strengthen the Election Commission, he noted, but stipulated that a parliamentary committee be formed with five members each from the treasury and opposition benches and headed by the Speaker of the Jatiya Sangsad.

"We believe that it is a constructive and a moderate proposal," Kibria said.

He brushed aside suggestions of the opposition making any further concessions. "The opposition has nothing to concede particularly because it is a matter of principle. If the opposition gives up the principle of a non-party, neutral government then they will be giving up everything. There is nothing left."

He then went on to look into the 'practical' aspects of the ruling party's latest proposal. It outlines the resignation of the cabinet, except the prime minister, 45 days prior to the expiry date of the term for the fifth parliament; formation of a 10-member cabinet, five each from the ruling party and the opposition, including the PM who will not be assigned any portfolios, and also stipulating that the prime min-

ister would not exercise any executive authority.

"On the surface it (the government proposal) looks very simple. But then let us look at the practical implications," he said before criticising different aspects of the government's proposal.

"Obviously, it will not be a non-party government, if anything it will put all the parties into the cabinet." The practical implications of the proposal is that the purpose of the two groups of ministers would be to protect and promote their respective party interests, he pointed out.

"Given the level of suspicion and distrust that exists today they will also be busy in trying to frustrate each other's actual or alleged overt and covert partisan activities to rig the election." Accusations and counter-accusations will vitiate the atmosphere, he added. "Thus, the arrangement in the proposal contains within itself the seeds of conflict and deadlock. It will be virtually a non-functional, deadlocked cabinet."

He questioned whether the country deserves to be left without an effective government for three months. "It is not only an impractical and unworkable proposal, but it is also an unwise one. It has the potential of pushing the nation towards greater dangers."

### Star Report

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## 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.

### Faceless impasse

Sir, Our country is passing through a political impasse. Who is responsible? Who is right? The Prime Minister or the Opposition leaders or both?

The bone of contention is the mode of holding election. From elections who benefit? The politicians or the mass or both or none?

The politicians demand power/authority to rule with a blanket promise to solve all the problems. Once they are in the chair, unfortunately, the people become handbags. This has been the repetitive history of our country.

The thinkers often get frustrated and seek shelter in the belief that autocratic military regime alone can straighten the whole nation and solve the problems. But history suggests that it could be only very short-lived. In a short period, sadly again, the saviour becomes monster.

Some believed that the communists/the left leaning political parties were the an-

swer. It is now obvious to everybody that what those leaders preach, they themselves do not follow.

What do our political leaders think democracy is? Fair election! That is what they are all concerned about.

What do the mass demand? Election or law and order, separation of judiciary from the executive, price stability, flow of products, employment, income generation etc.

Do we see any practical efforts from Commonwealth or/and the UN and others keen to fulfill the yearnings of the people? However, we had a facilitator from the Commonwealth to resolve the tangle between the Government and the Opposition regarding election. We further know that the western diplomats in Dhaka were also very busy in this connection. But the 'dialogue' failed!

When shall we see the Government and the Opposition engaged to fulfil the demands of the general mass, not mere election?

When shall the Commonwealth/the UN and others send facilitators, if they feel to be good-meaning and benevolent to resolve the practical problems of the people of this country instead of facilitating mere discussion and decision as to mode of election?

John Arun Sarkar  
Dhaka

### A pointer

Sir, I am referring to the photograph printed on the front page of The Daily Star on 14.11.94. This is really a pointer to how the hartals have helped the people of the country!

The single photograph shows how hundreds of daily bread-earners are forced to rest which is much needed for them no doubt but, along with the physical rest, they are also forcing their already starved stomachs to rest. In the whole country, there had been places where hundreds of such photographs could be taken. No doubt, this points to how the hartal callers have helped (?) the majority who are living below the poverty line. Alas our political leaders shout from the rostrum that they have dedicated all of their life for the poor and the workers. The photograph point out how they have been successful (?)

A vigorous movement is necessary for not having har-

tals of the kind we are through in this country achieving nothing but entailing misery to the common man. Demonstrations also take place in front of No 10 Downing Street and the White House. But those are not violent and the roads are not closed by the demonstrators. While the demonstrators in London or Washington carry only placards, here the activists carry both the sticks and bombs with the placards. Even the compound walls are broken for brick-battling by the so-called peaceful demonstrators.

Since so many hartals, gheraos, and sit-ins have not been able to bring down the elected government, these are not going to cause misery to the Government leaders. But, clearly, these are the causes of extreme misery to the working people who can't care less who rules them but are urgently in need of work and not forced rest. Let the published photograph act as a pointer.

A citizen

### Diary of a hartal day

Sir, Friday, Nov 11 was followed by two days of dawn to dusk hartal, which completely paralysed the entire city. As for myself I was confined within four walls. I moved about the house aimlessly. I don't know how many times I must have

gone through the day's newspaper, perhaps I was able to memorise the whole paper! I tried to help my daughter at her home work and again tried to help my wife at the kitchen, but nothing worked well. I simply was not able to cope with the dull depression. However, I was relieved of the stillness on arrival of some of my relatives just after the end of 2nd day's hartal. Their visit related to some important family matters, for which they would have to keep awake till late at night. Sensing the situation, I had to offer them dinner. Since there was not much prepared, I was in a double mind whether to go out to get something more. But normally shops and stores in our locality close by 10.30 pm. Anyway, I took a try and to my utter surprise few shops and stores were open. I got what was required and faintly enquired why they were open till so late. The poor store keeper, who looked depressed and pale, replied, "Sahib, we need to survive too. There is hardly any sale because of the damn consecutive hartals. But my family consisting of ten members need to be fed. I have to keep awake till I compensate, may be the whole night."

I felt rather estranged and hurriedly walked away. Well, this is only one example. Just imagine how the other thousands suffered! There has al-

ready been many a criticism about the sufferings caused during hartal days, so I don't want to stress any further. But I really wonder if our leaders and politicians are for the betterment of the country or do they want the country to be ever dependant on others?

Mizan ur Rahman  
Gopibag, Dhaka

### Electronic media

Sir, Why the successive governments continue to manipulate the state (not party) electronic mass media (BTV and RB)? I strongly support Mahfuz Anam's analysis (DS/Third View/Nov 9) that fresh air be allowed to circulate in the BTV news department catering to narcissism of political follies. The dog-in-the-manger attitude should go.

The ministry may order an independent survey of the impact of our national broadcasting network on the public, and release the report in full.

The tax payers' money should not be wasted in unimaginative propaganda. I, as a citizen, "urge" a public statement from the Prime Minister. Who is usually silent on vital and critical issues. I am for transparent national policies.

A Husnain  
Dhaka