

FOCUS

BANGLADESH INDUSTRY

Targeting for the Twenty-first Century

by Debapriya Bhattacharya

By the end of this decade, India, Pakistan and Sri Lanka will reach the 20% mark of manufacturing value added in their respective GDP. The most proximate objective of Bangladesh's industrial growth will be to catch up with its South Asian neighbours in terms of this major industrial development indicator.

orientation of the total manufacturing sector.

In sum, the size of the Bangladesh industry, particularly in terms of value added, employment, investment and exports has continued to remain modest. Further, the narrow base of the industry persisted to be undiversified and fragile with strong imprint of dualism.

The Turnaround?

The above observations need not deflect us from noticing some spurts of success experienced by the Bangladesh industry during the past two decades. Apart from the much acclaimed accomplishment of the apparel industry, one may cite the cases of fertilizer, frozen food, leather, ceramic and pharmaceutical. There are also symptoms that the textile industry is currently undergoing a metamorphosis.

Emergence of "Grameen Check" has created the possibility of integrating decentralized rural units with the export market. The recent expansion of sericulture activities hold similar promise. The experiment with Export Processing Zones turned out to be a limited success. All these and other evidence are possibly announcing the coming of age of the Bangladesh industry.

Official statistics, of course, quite explicitly show that there had been an up-turn in industrial growth in 1990s, although the present practice of industrial growth accounting is not beyond reproach. Thus, during 1990-91, 1991-92, 1992-93 and 1993-94 manufacturing growth rates have been 2.4 per cent, 7.4 per cent, 9.31 per cent and 9.1 per cent respectively. While many of the supply-side determinants of industrial growth (e.g. import of capital goods and electricity use) continue to give ambiguous signals. There seems to be a term loan boom underway in the industrial sector.

However, it remains to be a matter of investigation the

relative contributions of better utilization of existing capacities in response to a more competitive environment and new industrial capital formation facilitated by the rationalization of incentive structure as well as institutional processes to the these ostensibly improved growth rates.

Settling for a Target

Even if the extent of industrial activism expressed by recent indicators is plausible and sustained during the remainder of the current century, will Bangladesh be able to enter the next century with a substantial stock of industrial capability? If historical growth trends provide use the base-line scenario, then the answer to the above question is unambiguously "no".

What will be then a credible target to strive for? Will it be unreasonable to assume that by the end of the century the share of manufacturing

sector in Bangladesh economy should be equal to that of the countries in the region? The current contribution of the manufacturing sector in India, Pakistan and Sri Lanka is to the tune of 18 per cent of their respective GDP. From all indications it seems that these countries will reach the 20 per cent mark by the end of this decade. Accordingly, the most proximate objective of Bangladesh's industrial growth will be to catch up with its South Asian neighbours (who happen to be its international competitors as well) in terms of industrial development.

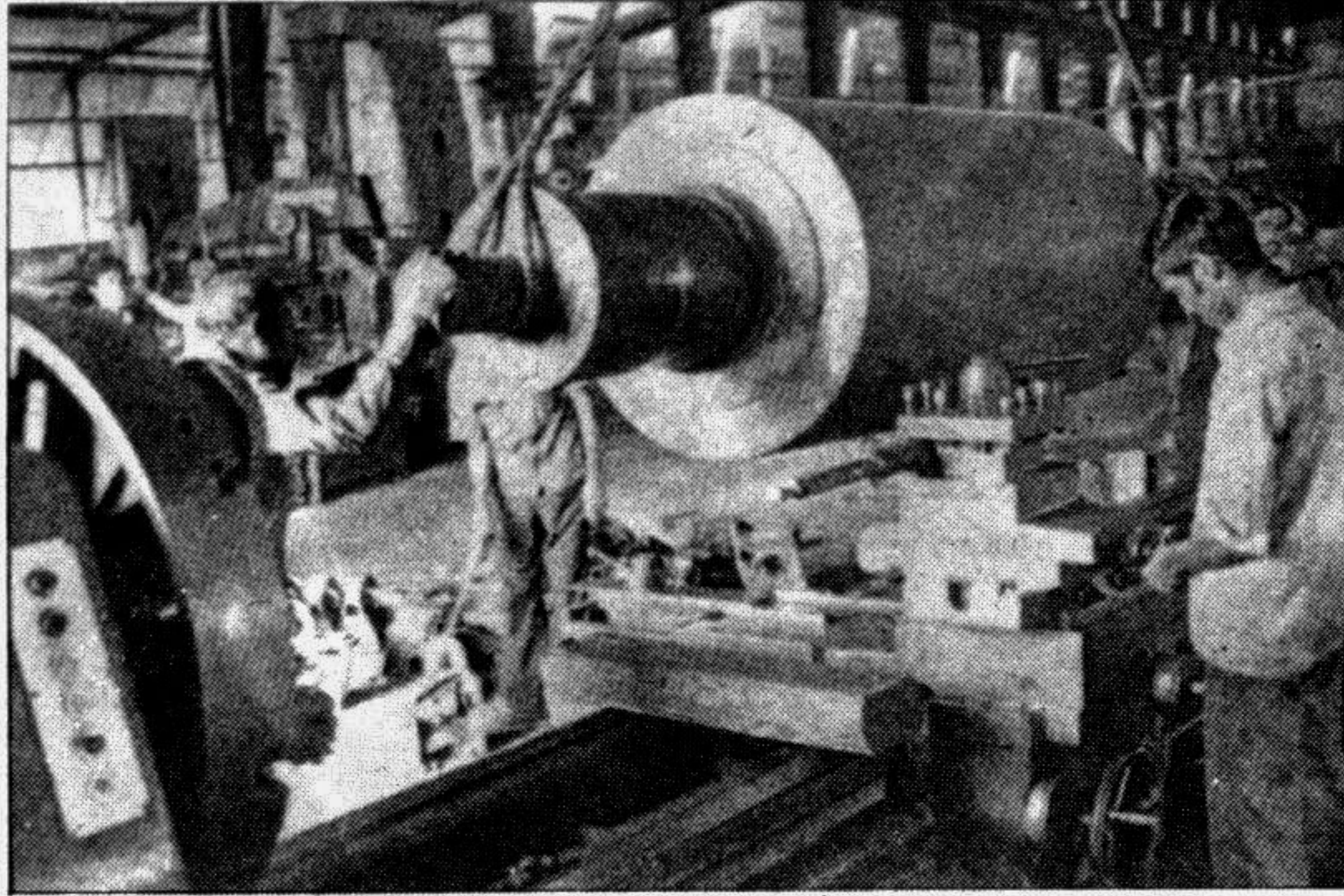
What are the implications for Bangladesh's manufacturing sector for achieving such a target by the end of twentieth century?

Calculations show that, if GDP continues to grow at its trend rate of 3.62 per cent (1972/92), then manufacturing sector has to grow at 12.87 per cent per annum for

the period 1992-2000 in order to increase its share in the GDP to 20 per cent. This desirable manufacturing growth rate of about 13 per cent is quite below what we have observed during the recent past and calls for further acceleration of current industrial growth rates by more than 1.5 times.

Further, assuming the incremental capital-output ratio (3.5) being constant, attaining such a target will entail industrial investment in the order of 3.71 per cent of GDP. It would imply the need to almost double the current quantum of capital formation in the sector. And if we project that all of future manufacturing investment will originate in the private sector then the task appears to be even more intimidating.

Moreover, if the employment elasticity in the manufacturing sector (0.584) continues to be the same, manufacturing employment has to



Will Bangladesh be able to enter the 21st century with substantial stock of industrial capability? Courtesy: Machinery Manufacturing in Bangladesh

grow at the rate of 7.52 per cent per annum to reach the target which is almost twice the historical rate.

Under an optimistic scenario where GDP might record a 7 per cent growth rate, the manufacturing sector will have to double the cited performance parameters to attain the 20 per cent target.

Constraining Variables

The above mentioned estimates have been derived from the supply-side. It is maintained that, for industrial growth in Bangladesh, the critical supply-side constraint relates to flow of investment. Employment generation, in varying extent, will follow once capital formation is accelerated. Accordingly, investment augmentation needs to be identified as the decisive variable in our industrial growth trajectory.

The feasibility of realizing the above targets will be greatly facilitated if the economy receives enhanced stimulus from the demand side. Two aspects will have important bearing in this regard. First, the need to dynamize the rural economy of which agriculture constitutes the single most important component. Unfortunately, one observes a plateauing of the agricultural growth rate (around 2 per cent) in recent years. Second, the compulsion to enhance external market. Here again, one notices that export growth rate, after its surge in early 1990s seems to be decelerating (25.3 per cent, 1991-92, 22.0 per cent, 1992-93, and 12.3 per cent, 1993-94) coupled with exceedingly high product concentration.

As we approach the twenty-first century, the emerging manufacturing growth scenario, once again, prompts us to concentrate on the configuration of domestic factors affecting industrialization process. The other relevant matter in this regard is the constellation of factors underwriting the external environment within which Bangladesh industry is expected to perform in the near future.

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A New Way to Get Rid of Pain

by Rafiq Binte Rashid

CANCER is an incurable disease. It is a reminder to the patient that life is at its end and living every breath is a suffering on its own. Apart from the mental anguish it is the physical pain that is the most unbearable. Unfortunately modern world has not found an analgesic for pain caused by cancer. But then again modern techniques and expansion of knowledge has now lead man to unknown boundaries, man can now at least control pain even cancerous and give a patient a pain free death if not a disease free life.

'Analgesia' is such a pain relief centre established recently in Bangladesh. 'Pain management is now a sub speciality and a subject of its own,' explains Dr. Lutful Aziz of this pain relief centre at Kalabagan in Dhaka.

Patients generally go to specialized doctors of medicines with a complaint and accordingly doctors prescribe drugs for pain relief treatment. But now the subject of pain management is itself a branch of studies and is gradually gaining popularity.

'Since this subject is still very young and not very developed in our country, other doctors or anaesthesiologists generally work in this area. In fact this was the practice in other countries till the introduction of pain management,' he says. Aziz has recently completed his Doctorate on Anaesthesiology from Japan. Previously individual doctors would relieve pain by physiotherapy or adapting to other means.

The pain centre, therefore is a pioneering initiative. 'Dr Zunaed Shafique of Japan-Bangladesh hospital is individually working in this field and trying his best with his limitations, like the right kind of equipment, then proper back up but since ours is a centre we have trainees, ideas, modern equipment in addition to my knowledge of new techniques with my professor

S N Samad Chowdhury's 32 years of experience as an anaesthesiologist. We can help people more professionally as far as pain is concerned,' Aziz explains.

'Pain is the major complaint of any disease and here we find the reason for the pain and appropriately deal with it,' Chowdhury of 'Analgesia' says. 'What we actually do is very simple like for instance for cancer pain we give regional blocks in the area from where the pain starts by simply blocking the nerve,' he continues.

'For facial pain when the patient cannot move the face muscles let alone talk, in this case we find the neuralgia point or the point of inflation of the nerve causing the pain and we block it,' Chowdhury adds.

'We know where the nerve is, where all these points are and thus we inject some anaesthetic drugs on the nerve and block the nerves carrying the pain sensation,' elaborates Aziz.

It is simple relief that takes away the pain without creating any side effects. These doctors specializing in pain management can help you to take away that persistent pain of migraine, rheumatism, backaches, any post operative pains, even help one deliver one's baby without actually going through the hassle of labour pain.

'We can relieve the pain, that is our speciality but we cannot cure the attacking disease,' Aziz relates. Instead of roaming from laboratory to laboratory or doctors to specialists, analysing a pain, we can simply diagnose the cause for the stubborn ache by coming to Analgesia.

This centre which offers comparatively a new phenomenon in Bangladesh, charges quite a reasonable fee for their services. Even the poor people who cannot afford any of those expensive fees comes to them and give whatever they can.

The Liquidation of USA Inc

by Abdul Hannan



Selling the Future

The economic deprecation experienced by the average American citizen is magnified to stupendous proportions when one surveys the horror story of the USA's macroeconomic record, which reveal the real face of its free trade 'successes'. The USA now maintains a perilously wide gap between savings (only 2.6 per cent of disposable income in 1994) and investment, differentials in interest rates and productivity, current account and budgetary deficits wedded to profligate spending (at a time when the US Congress has just rejected Clinton's Balanced Budget Amendment). This means that deficits will continue to pile up at compound rates.

What does this mean in hard figures? The USA's national debt is now \$5.1 trillion (that's \$5,100,000,000,000). It requires an annual minimum of \$225 billion to feed its deficits and it is unlikely that Japan, despite that country's massive surpluses, will bail out the USA any longer, as the current slippery slide of the dollar on the exchange markets testifies. As one Mitsui trader puts it: "Why should we invest in a currency whose own money managers have trampled on?"

By the end of 1994, current account deficits stood at \$166 billion and one Treasury Department estimate has forecast that this would rise to \$190 billion in 1995. At the same time, the USA experiences annual capital outflows of \$55-60 billion to bonds and equity markets. To make things worse (if that is possible) the USA has a net foreign debt obligation of \$600 billion. Frederic Clairmont, an international finance and marketing specialist calls this disaster-bound US economic rollercoaster the result of "a criminal rejection of every act of fiscal rectitude and budgetary prudence."

A hideous picture, most would agree; a picture that raises a number of interesting questions which the ideologues of free trade would be at pains to answer. Firstly, one may inquire with some justification where the difference lies between free market economy mismanagement and command economy mismanagement, since we have been given to understand that the latter was a theoretical and empirical disaster. Secondly, why has the USA, by far the world's largest debtor nation, not been subjected to the corrective interventions of the World Bank through its structural adjustment programmes? Similarly, why has it not elicited advice from the IMF for sound fiscal man-

agement, seeing that the USA has an unparalleled record of incompetence in this field?

These are not ironic postulates and in fact the USA's record has little to do with incompetence. Rather, it is a tale of willful arrogance. The World Bank and the IMF may appear to some as the lackies of the USA but in October 1992 the latter institution nonetheless prescribed deficit-cutting measures including new taxes and "fundamental" health reform measures to Uncle Sam, its sickest but most petulant patient. The Bush regime, in typically dismissive fashion, ignored the IMF, preferring to tow the line behind the true lords of the world economy, the intertemporal kleptocracy of corporate America.

Decentred Economic Anarchy

"Greed is good," as Michael Douglas would have us believe in Oliver Stones' film "Wall Street". This remains the abiding principle of the global financial markets which once built the USA's economic empire and which are now dismantling it. Fundamental changes have been taking place in the global economy over recent years which may end forever the idea that any one individual nation-state can hold sway to the extent that Spain did in 1600 or Britain in 1850 or the USA in 1950.

While the USA continues to have a disproportionate influence over the Bretton Woods system, it cannot control international bond investors who now hold unprecedented power — perhaps even veto — over US economic policy. The US dollar is the world's major reserve currency, but depreciations since 1975 have meant losses amounting to a staggering \$430 billion.

Culminating in the current dollar slide of '95, in financial markets, success depends to a great extent on something called 'confidence'. The USA has relied precariously for decades on this trader's confidence for the pre-eminence of its currency. This is despite the backdrop of its chronic economic ills. The rocketing of the USA's deficits into stellar orbits may now sound the death knell for this confidence in the dollar once and for all. The process has to be viewed in the context of inconceivably huge foreign exchange markets. In 1986, \$290 billion were transacted on these markets daily, this had risen to \$700 billion daily by 1990. By the end of 1994, daily transactions on the global exchange markets averaged \$

trillion. These sums, far in excess of the GDP of any nation-state, force us to redefine where the axis of power lies in the global economy, as it threatens to render irrelevant any approach which uses the nation-state as the focus of analysis. Even the USA, the greatest totalizing economic and political power in world history, is now in danger of being belittled at the hands of visceral financial capital.

Capital is fluid, labour is not. Transnational corporations (TNCs) are mobile, nation-states are not. To adjust to this new post-modern world disorder, the USA has been instrumental in creating a new world economic executive through the G-7, World Bank, WTO and IMF to serve the interests of TNCs, banks and investment houses. According to James Morgan, the BBC's economics correspondent, "The most powerful countries of the North have practically become the board of management for the world economy, protecting their interests and imposing their will on the South where governments are left to face the wrath, even violence, of their own people whose standards of living are being depressed for the sake of the present patterns of operation of the world economy... and a particularly valuable feature of the rising governing institutions is their immunity from popular influence, even awareness."

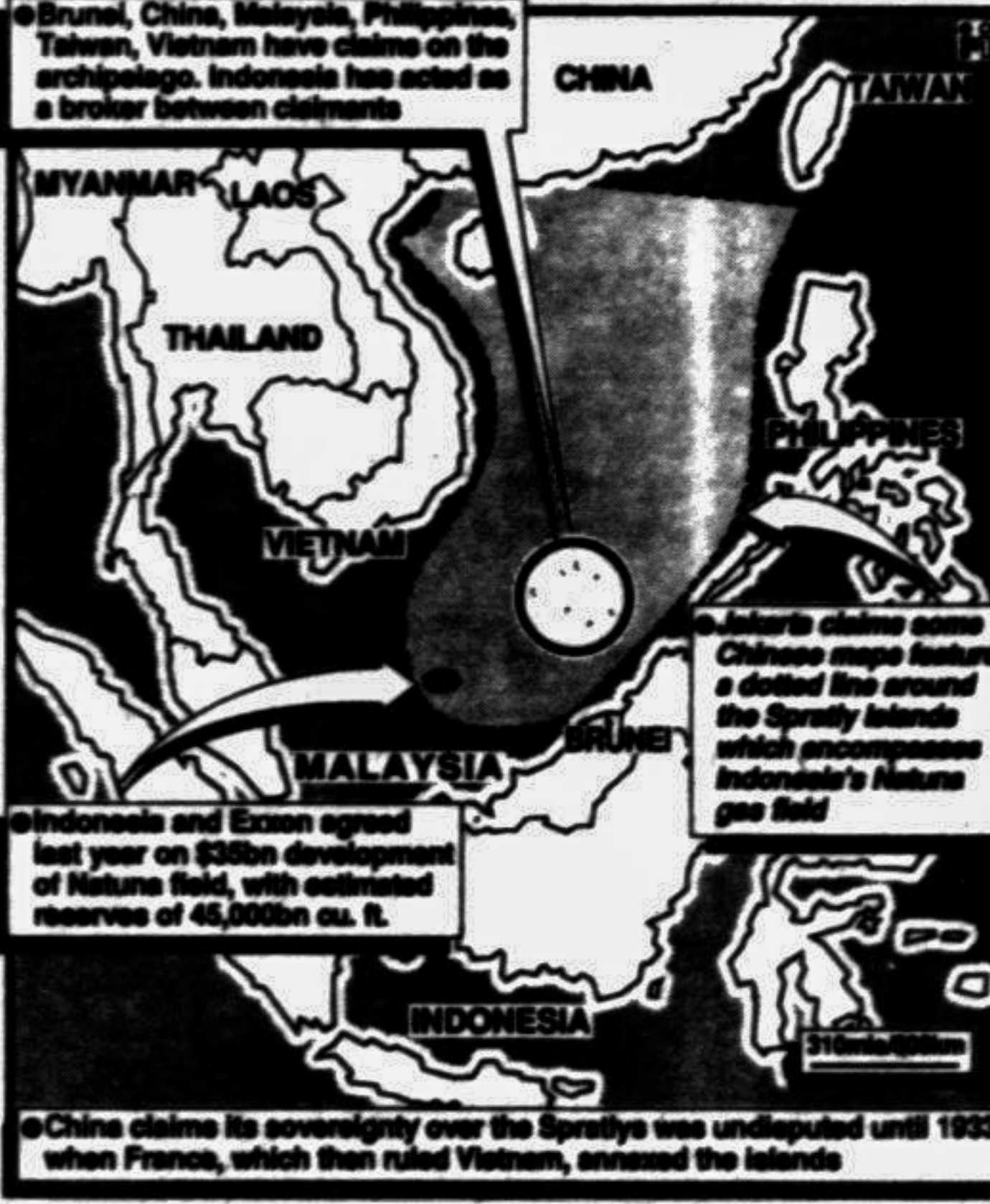
Paradoxically then, at a time when the USA is in political and economic decline, it is securing the way for global capital to have unfettered movement and access to wherever it wishes to go. The recently concluded Uruguay Round of GATT, initiated by the USA, testifies to this. The details on trade related Intellectual Property Rights and trade related Investment Measures provide a framework towards standardizing procedures (such as national laws on patenting) to facilitate the penetration of transnational companies. This will benefit the USA especially because of its advantages in the service sector and hi-tech industries. Similarly, the removal of agricultural subsidy and upper landholding limits in developing countries ease the way for the arrival of transnational export cashcrop and monoculture farming. This will also benefit the USA which is a grain-surplus, and therefore exporter, economy.

Free Trade Humbug

Ironically, while all this is happening, we in Bangladesh continue to be hypnotized by the modernization mantra chanted by economic gurus of the North. What it projects to us as the success of free trade is in fact a litany of misinformation, ideological whitewash and empirically dubious propaganda. Yet despite all this, we continue to speak uncritically the hand-me-down language of this doomed ideology: trade liberalization, privatization, deregulation of financial markets, good governance and the rest of it. A study of the USA's own experience, both at home and in the international economy, based on an examination of its actual record of free trade, will hold this bankrupt creed up for what it actually is — past its sell — by date.

While we would do well to spend time pondering on these issues, we may return again to Frederic Clairmont for his conclusions on the fate of the USA and its free trade delusions. "Five years after the collapse of the Berlin Wall, where are the protagonists of the New Economic Order who were chanting the glories immutable of unadulterated economic liberalism? The discredited ideologists of free trade have run for cover. Their once thunderous voices have been reduced to an incoherent babble. The [USA's] mythology of free trade — it was always a myth — has been torn to shreds."

Spat over the Spratlys



Some of the islands in the Spratlys are so insignificant that they appear only at low tide. But ownership would give access to marine resources — and perhaps to oil and gas. So several Southeast Asian countries have fortified the islands they claim, and put people on them.

GEMINI NEWS