

Trade Horizon

It makes robust economic sense that the seven North Eastern Indian states and Bangladesh have decided to cooperate energetically in trade and investment taking full advantage of their complementarities reinforced by two factors: geographical proximity and the sheer immensity of untraversed potential.

Bangladesh's immediate concern is to balance her unequal trade with India. Our export to the N-E region constituting only 2.8 per cent of our total export to India, a vast scope exists there for selling a wide range of our consumer products at prices cheaper than what those Indian states have to pay now in procuring them from the Indian market.

As we zero in on the thrust areas of cooperation, the terms of trade need to be softened for Bangladesh. The concessionary tariffs announced by India would be really helpful to Bangladesh if the requirement of 40 per cent local value addition were relaxed.

Foolproof Driving Licence

In the continuing intractable mess of the city's traffic jams and frequent road accidents in the country, the quality of drivers must have a large share. This was suspected by many but could not be confirmed without relevant proofs.

A report carried in this newspaper yesterday claimed that the Bangladesh Road Transport Authority (BRTA) moved some way ahead towards making the driving licences foolproof. Its idea was to introduce computerised data-based plastic driving licences with holographic image of the driver.

We understand that there can be reasons — technical or otherwise — why some proposals have to be stalled at times. But when the issue is so vital and concerns the tragic side of our traffic system and also acts as a potential incentive to corruption, we fail to understand why a decision hasn't yet been reached on the proposal.

Drive against Shibir

Rajshahi University that was showing every sign of becoming yet another unchallenged Shibir bastion is looking up. The police who were being blamed till the other day for playing the role of a silent spectator have moved into action.

This is a refreshing move. The Shibir goons who wanted to bring all university activities to a halt by foul means seem to be on the run. This shows that if the government is firm and wants to stop the rise of fundamentalist militancy in society, particularly in educational institutions, it can accomplish the job creditably.

We hope the government will go for a sustained drive against a student front that seeks to thrive on campus terrorism.

Seven Per Cent Growth Rate — Is It Sustainable?

Only during the current year (1996-97) it is going to surpass the 5 per cent limit. Now to achieve an additional 2 per cent in each of the next five years is not an impossible task.

A seven per cent growth rate of the economy during the next five years would mean a 40 per cent increase of the GDP (gross domestic product) and near doubling of the national income in another five years.

In the current year, GDP is projected to grow by 5.7 per cent. This is primarily due to unprecedented performance of crop agriculture. According to various estimates, agriculture sector grew by 6 to as much as 9 per cent.

It would be difficult, if not impossible, to sustain high growth of GDP based on rapid expansion of agriculture production. Bumper crops were induced by good weather. Bad weather could equally result in crop disaster.

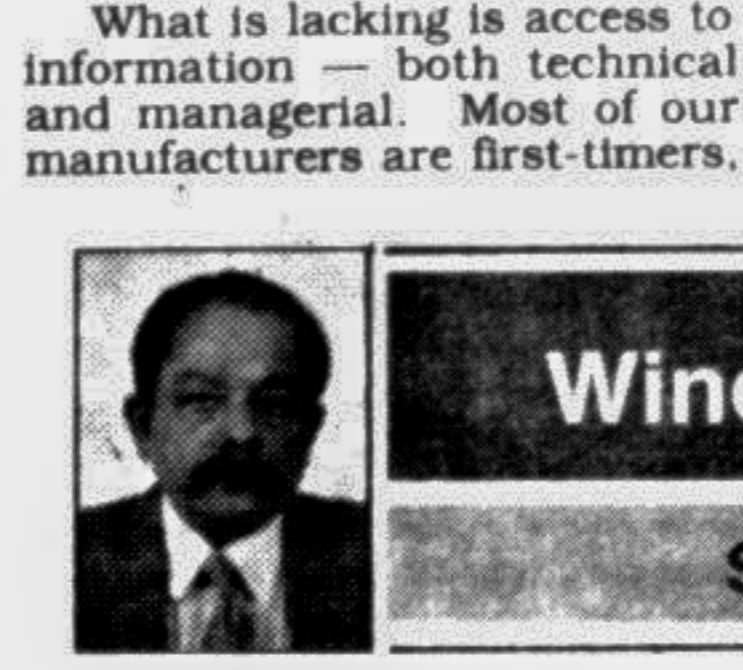
During the first half of the decade of 1990s, GDP growth rates were recorded at less than 5 per cent. Only during the current year (1996-97), it is going to surpass the 5 per cent limit.

hand, often low grade and outdated machinery while over-invoicing the cargo — skimming off bank money as a net personal gain. The consequence in both the cases is disastrous.

The design of the strategy of development is the key to 7 per cent growth. While the actual investment would largely originate within the private sector, the critical inducements are mostly of public origin determining success or failure of the growth initiatives.

The entrepreneurs of our country rush to machinery suppliers whose intentions are to sell as much as possible and not efficient running of plants and equipment.

graduating from pure trading ventures to manufacturing enterprises. They need solid support and technical assistance in terms of factory design, what to import, how to run a factory, control inventory and manage and train workers.



Window on Asia

Shahed Latif

the spurious investors, who like bad money drive the genuine entrepreneurs out of circulation. Although export manufacturing is going to be the leading sector, other domestic dimensions of investment and growth should be kept in view.

from investments already made and enhance the efficiency of investments planned for the future.

I had previously suggested setting up of a factory development company responsible for the civil construction component of investment in manufacturing. Leasing companies are also helpful in bringing down the capital costs.

Another area of considerable growth potential is the housing sector, in particular, urban low and middle class housing. Land prices in Dhaka have gone up sky high in Dhaka city area, driving the low to middle income group out of the market.

in the 1950s, per capita income of the people in our part of the world was higher than Korea as well as most other countries of South-east Asia. In many other respect, we were ahead of those countries. However there was one very important difference. The literacy rate was lower in our case.

Crossroads of Development: Some Loud Thoughts

by Firdous Murshid

At the end of the day, the fundamental problem has nothing to do with public or private ownership but with the structure of incentives. It is much more important to get the incentive structure right than just prices!

Lessons from E Asia: Perhaps the most important thing to learn from the East Asian experience is that generalisations are difficult. Altogether much too much energy has been expended on the pursuit of discovering the miracle recipe that will lead to development.

There is considerable awareness now that the paths taken, for example by Japan and Korea are very different from that taken by Singapore and Taiwan or Thailand and Malaysia. The more recent experience of China and Vietnam — countries that have sustained high growth rates over a number of years — lends additional dimension to the development debate.

Foreign Investment: It is now part of the development or wrong policy is leading him to misguided direction. Kabilia faces a challenge to forge to certain extent a blend of unit and for that a broad-based national government is a must to run the country.

Justice and equity Investment Corporation of Bangladesh (ICB) is presently deducting income tax at source @ 10 per cent on dividend income exceeding Tk. 10,000 declared each year.

Number 242526 Sir, I have a telephone at my residence for almost 35 years, though its number underwent changes on a number of occasions.

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significant bit of foreign investment to literally hit our shores has been in the oil-gas exploration sector. Let me further illustrate the point about plunder by referring to the Cambodian experience. There has been a surge of FDI in Cambodia in the last two years, perhaps as much as 6 billion dollars.

So where else should we look for reasons of non-investment? Try checking out what we have that is worth plundering. Any timber? Not much left. Any other extractive resources? Minerals or gems? Not really — OK so there is some gas, and surprise! surprise! the only

Who, What, When: If you have a bit of surplus in your pocket, where would you invest it? An apartment? Land? The stock market? Or would you perhaps consider investing in Wall Street? The answer very much depends on your knowl-

edge (about profits, risk) of these investment opportunities and on your disposition towards risk. Most people prefer to put their money where they can control it, where risks are low and where profits are high.

Should we worry at all about the sectoral disposition of foreign investment? There is nothing that can or should be done directly. However, it is possible, at the margin, to structure incentives in a manner that will promote certain types of in-

vestments rather than others. This is the really tricky bit and so potentially full of hazards. As far as domestic investments are concerned, especially when it comes to credit financing of projects, there is not much of a choice.

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Dr Murshid is senior Research Fellow, BIDS; Research Consultant, UNRISD (Geneva, Phnom Penh).

Another area of considerable growth potential is the housing sector, in particular, urban low and middle class housing.

Land prices in Dhaka have gone up sky high in Dhaka city area, driving the low to middle income group out of the market. Opening up more space and providing access to roads, water and other utilities would lower the cost of land and enable low-cost housing to flourish through construction of high-rise apartment blocks.

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OPINION

Electricity Rates

Abu Imran

I refer to the front page news of 'The Daily Star' published on 7.5.97. Electricity rates up by 5% from March 1.

It was most shocking to note that instead of checking the too harsh load shedding and improving the service to ease the inconvenience of the people, the government (democratic) has done rather an undemocratic act by increasing the electricity rates and that too for the second time in around six months' time.

Earlier people faced physical inconveniences like sheer interrupted supply of electricity, gas and even water. Earlier the problems were there but now the degree of inconveniences has gone to almost unbearable height as the summer heat is increasing. Further from the news it appeared that the raise was done due to pressure of the Asian Development Bank authorities.

The above is just a small suggestion for a big thing. The option is that of the parliamentarians to decide whether to review the aid policy or tow the lines their predecessors followed. Here I am concerned with small thing what the government can do in the interest of the people.

I say government because, the heater-skiller raise twice in about six months' time is too harsh which may affect the pro-people image of government.

the consortium for financing the venture. Beginning in Dhaka, such housing programmes can be replicated in other urban areas of the country.

The sustainability of 7 per cent growth cannot be fully assured at this stage. Total world trade at the moment is growing at a sluggish rate which creates a problem for the export of manufacturing. However, through rapid development of backward linkages to RMG, investment and growth opportunities are significant which should be explored to the fullest possible extent.

improved. It should also be realised that there may be problems that are external to the industry (market demand, price of inputs or fuel, power cuts) that cause losses, even in the best run enterprise. These again should be viewed differently. In other words, I believe only a sub-set of SOEs should be disposed off outright. For the others, innovations like awarding of management contracts to local or foreign firms should have been seriously considered.

At the end of the day, the fundamental problem has nothing to do with public or private ownership but with the structure of incentives. It is much more important to get the incentive structure right than just prices! My real fear is that in the rush to privatise, we may well end up handing over highly under-valued public assets to the same coterie of bank defaulters-bureaucrats wives-politicians (often the same person wearing different hats) who will merely partake of the windfall gains.

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