

Sources of Export Growth in Bangladesh

A number of fruits and vegetables are grown in abundance in the country like mangoes, pineapples, papayas, guavas, citrus fruits, watermelons, bananas etc, while, in addition to the old ones, new vegetables like brocholies, babycorn, mushrooms, gerkins, Italian tomatoes and bell peppers etc, are grown in large quantities in the country

Question of Sincerity

Interneine bickering among rival factions within Chhatra League, the student front of the ruling Awami League has heated the campus again. Any day armed confrontation of fatal proportions can end a clash-worn Dhaka University's transient tryst with peace.

Things went from bad to worse last Thursday night when the Madaripur-Shariatpur group of Chhatra League staged a militant return to two Dhaka University male dorms - Shahidullah Hall and Fazlul Huq Hall having earlier been beaten back by the Gopalganj group which had previously established stronghold in some of the residential dorms including these two.

With a section of the student leaders and their cadres out in the murderous pursuit of cleansing their in-party rivals and some ruling party leaders proving equally keen to create a power base in the party by using its student front as the lever, Dhaka University's infamous legacy of factional fight looks destined to live in intensity and diversity. It is no longer a concentrated, ideological (if any at all) and unidirectional fight between JCD and BCL but a diffused and infinitely pettier tale of acrimony for self-aggrandisement.

Almost the entire Saturday morning press churused on a strangely silent role of the police when these so-called operations were going on. There were reports not only of police inaction and in some cases welcoming of one faction but also allegation made by the leader of one faction that some police officers who hailed from the same district their rivals were from, actually offered helping hand to his 'home' or Gopalganj faction.

As the party in power, AL has to take the initiative for a possible end of this destructive and inglorious saga. Once it shows the will and determination for delinking itself from its student front, it will grow in the moral right to urge the opposition to follow suit; accounts of police inaction and unabated flow of arms and goons into the campus will be things of past.

President Shahabuddin Ahmed never tires of impressing this point upon the political leaders as have not we as a newspaper. Even the PM herself has aired a resonantly generous call for police action against terrorists irrespective of their party identities but to no avail.

Are sincerity and political objective that wide apart?

Register Them Soon

It is a public health imperative and drug policy requirement that medicines be dispensed, mind you not 'sold', by duly qualified pharmacists. The reason why the word dispensation is preferred to selling is because drugs or injectables have to be distributed strictly in accordance with prescriptions given by qualified doctors and presented at the counter of a chemist shop by or on behalf of a patient. Human health is not a plaything that when anything goes wrong with it we shall be chasing a mirage in fixing responsibility for the damage done to it. A high degree of accountability is upheld and practised throughout the world in matters of medical dispensation and care. But we only excel in the art of not getting any of our basics right.

It is appalling news that some 10,335 pharmacists, ready since a year and half ago to be in the job market, are yet to be launched in their career. The reason: the committee of Pharmacy Council of Bangladesh (PCB) responsible for registering them has not functioned for that long a time. Their services could be utilised by as many drug stores - 10,335, to be specific. Most of that number are now perhaps making do with under-qualified novices, hardly the kind that could be relied upon for any normative and responsible salesmanship. No wonder, some addictive drugs, the dreaded phenidyl for one, have a growing clientele among the kick-seeking young generation. Our administrative bankruptcy is perhaps nowhere more pronounced than in the free and unregulated availability of medicines. Self-medication is forbidden even among educated people overseas; just imagine then how suicidal it can be when this is done by unlettered folks!

We demand an early ministerial intervention in having the pharmacists registered quickly. They do not have to depend on the government for employment as they are absorbable in the private sector. This is too important a matter to be left to the capricious feuding over 'legitimacy' within the Bangladesh Pharmaceutical Society (BPS).

Police Records

From newspaper reports it is bound to appear that the incidence of violent crimes has steadily been rising for more than a year. This seems to be an universal impression although there is a chance that when actual comparative figures are tallied and published, the situation may not look so hopeless. Then again there are the possibilities of, one, more cases being recorded and reported than before, and two, more and more newspapers selling more and more copies covering more and more news of violent crimes especially sex-related ones - than before. But in spite of such qualifiers it can be quite true that violent crime and women's repression have reached an intolerable stage.

There is one area to which these qualifiers do not apply. Odhikar, a human rights group has said that in the last nine months of this year 20 persons were killed in police custody and five women were raped by members of the police force. This is incredible. The police have always been given the impression that they, being the strong arm of the state's powers are powerful beyond both challenge and reproach. Those violent crimes by policemen - killing in custody and raping the weak and helpless women - is but an extension of the exaggerated sense of power and unaccountability and immunity from retribution that is universal among our policemen.

This perversion has been compounded by the absence of processes to make the policemen mindful of his responsibilities and obligations. It is time that the whole police thing was reopened for scrutiny, change and reform. A close-in here and a sacking there wouldn't at all help the abominable situation.

EVERYONE realises these days that over the last six years or so Bangladesh has taken a giant step away from its initially instituted controlled economy and towards a substantially liberalised one. This is indicated by a drastic reduction of tariff and non-tariff barriers, elimination of import licensing system, introduction of a relatively flexible exchange rate system, freeing of foreign exchange controls in the current account, implementation of duty drawback and bonded warehouse systems, provision of wide ranging incentives to both domestic and foreign direct investors in or out of EPZs, and a substantial relaxation of controls on industrial licensing system etc. The results of all these measures have been spectacular on exports and imports of the country. Exports have grown from a level of \$1.9 billion in 1991-92 to \$3.8 billion in 1995-96 (FOB basis) while imports have grown from \$3.5 billion to \$6.8 billion (C&F price) during the same period (Bangladesh Economic Review, 1997, Page-132). Similarly, the Index of Industrial production has gone up from 189 in 1991-92 to 262 in 1994-95 at 1981-82 prices (same review, page-115). Both the previous and the present governments have adopted, quite sensibly, an export-led growth strategy of development abandoning the old-style import-substitution, or autarchic type of development, strategy.

In the current international environment of liberalised global trading system, it is not feasible to continue with an import-substitution strategy of development, but there may be scope for cutting down imports by domestic production without creating a tariff wall. However, one fervently hopes that no government in future would try to deviate from this strategy since any such deviation would simply spell disaster for the country. One also hopes that since trade economic liberalisations would sharpen the differences between the income levels between the rich and the poor of the society, all government, both present and the future, would commit themselves to develop a social safety net to protect the genuinely disadvantaged people of the society, not the habitually indolent and the social parasites. Otherwise, the society will degenerate into a club of thriving earthworms without any touch of humanity left it.

Nexus Between the Export and the Import Growth

It is important to realise that the fast rate of growth of exports (average annual rate being 25 per cent from 1991-92 to 1995-96) has necessitated almost an equally fast rate (23.6 per cent in the same period) of growth of imports, which are almost mandatory. This dependence has to be understood care-

fully since it has a bearing on the future export growth, competitiveness of the export sector and the pattern of industrialisation of the economy. The important items of export of this period in terms of their amounts of sales are Ready-Made Garments (RMG) including Knitwear (from \$1.2 billion to \$2.5 billion), jute products (from \$0.3 billion to 0.33 billion), frozen foods (from \$0.13 billion to 0.31 billion), and leather (from \$0.14 billion to \$0.21 billion) followed by raw jute, tea and chemical products etc. Each of these latter three items has been earning less than \$100 million a year. However, one characteristic of these export items is noteworthy. That is, the domestic value-added of jute products, frozen foods, leather, raw jute, tea etc. are in the range of 60-70 per cent, while the value-added of the RMG items is about 25 per cent or less since it is largely dependent on the import of its key raw material, fabric. As the export of RMG is increased by one \$, it requires an increased import of 0.75 \$ of fabrics. This is a mandatory import. Therefore, as the rate of export of RMG including knitwear increases, the rate of increase of import of fabric would go up by a factor of 3/4. This is a heavily import dependent export item. Two points should be noted in this context. First, since this is an item of high demand elasticity, as the buying countries (Europe and North America) income increases the demand for this item will increase more than proportionately too.

A substantial part of Bangladesh's future export growth hinges on its ability to increase the supply of this item. It cannot afford to slacken its efforts in the supply of this item. But this means greater amounts of import of fabrics on a continuous basis. The crux of the problem here is that Bangladesh will lose in competition with suppliers of the same items like India and Pakistan which are producers of raw cotton and also RMG exporters. Their value-added in this item is much higher than that of Bangladesh. Once the US quota and the European countries' GSP facilities vanish after the year 2002, these countries will have a competitive edge over Bangladesh in this item. To overcome this, Bangladesh should modernise, expand and strengthen its textile sector so as to meet the growing demand for fabric coming from its expanding RMG sector by importing raw cotton from any cotton growing country in the world and producing high quality yarn and fabric domestically. This will increase the value-

added portion of Bangladesh's RMG sector substantially. Right now the domestic textile sector including the newly-built integrated textile mills supply only about 10 per cent of the fabric needs of the RMG sector. The need for modernisation, expansion and improvement of both productive and management efficiency in the textile sector is an urgent one. Without this step, Bangladesh's RMG sector will not survive for long in the emerging brutally competitive world market.

Therefore, the oft-quoted backward linkage of RMG sector in the production of fabric assumes special significance at the present time. It will play critical roles in a number of aspects: it will supply fabric to the RMG sector, which can be treated as a "Deemed Export" and as such duty drawback, its expansion will lead to a drastic reduction of import of fabrics whereby it will save a huge amount of foreign exchange, it will strengthen the competitive strength of the RMG sector in

the world market, and finally, it will generate a vast amount of domestic employment and come without raising any tariff. To dramatise it, one may say that it will bring back the glory of the flourishing Bengal textile industry of the eighteenth century which even the Cambridge Economic History, Vol. V, described so vividly about their own textile industry.

There are some other items of raw material import which can be substituted by high quality domestic production without raising protective tariff. For example, milk, sugar, edible oil, Madras Check, and varieties of other products. Milk import now costs about Tk 600 crore a year. Most of the foreign milk companies from Denmark, New Zealand and Switzerland import powdered milk from their own countries and make fresh liquid milk, or re-pack the powdered milk into smaller containers and sell in the domestic market. As against these, domestic company like Milk Vita, which is a cooperative society and at times receive some subsidy from the government, collects fresh milk from

the private dairy farms, process, package and sell it in the market. The quality and price are competitive with those of the foreign companies' products, and it has a good market niche, but it cannot assure regular supply. Similar companies, both private companies and co-operatives, have come up and their products are competing with the foreign products. These can substantially cut into the domestic market and reduce the amount of imports but these need good management at the farm level as well as at the level of processing, packaging and marketing. Besides, the government's livestock policy, road development and law and order control (cattle are stolen from farms by terrorists if nothing is done by the police) are critical in the development and sustaining of this sector which can eventually reduce the import of milk into the country.

Madras Check used to be imported from India in the amount of about Tk 800 crore a year until about five years ago. Since the Grameen Bank boldly

introduced its own fabric, Grameen Check, which has by now created a market niche for itself and is being used in the RMG sector, the import of Madras Check has gone down to about Tk 200 crore a year. This is another example of non-tariff protected import substitution which is contributing to the reduction of the country's imports and creating employment and income to the domestic weavers and others. Similar prospects exist in the sugar production also. Reports show that there is scope for additional production of sugarcane in the country to such an extent that at least 3 more sugar mills each of 15,000 tons of production capacity can be fed producing about 50,000 metric tons of sugar a year. This will cut the current annual import of sugar to almost half. It can save import of sugar without protective tariff. Here, again, the key factor is efficiency in sugarcane production, its pricing and efficiency in the sugar-processing factory, in addition to investment. What have to be got rid of are the public sector ownership, monopoly pricing of inputs and outputs, and government fixing of wages in the private sector.

Give these industries to the private sector and let the market determine their input and output prices. Incidentally, government has established a Sugar Research Institute in Iswardi at the expense of public sector Sugar Industries which has produced nothing so far. However, there are varieties of other imported items which can be competed against with good quality domestic productions provided government policy and infrastructural supports are there.

Diversification of Exports

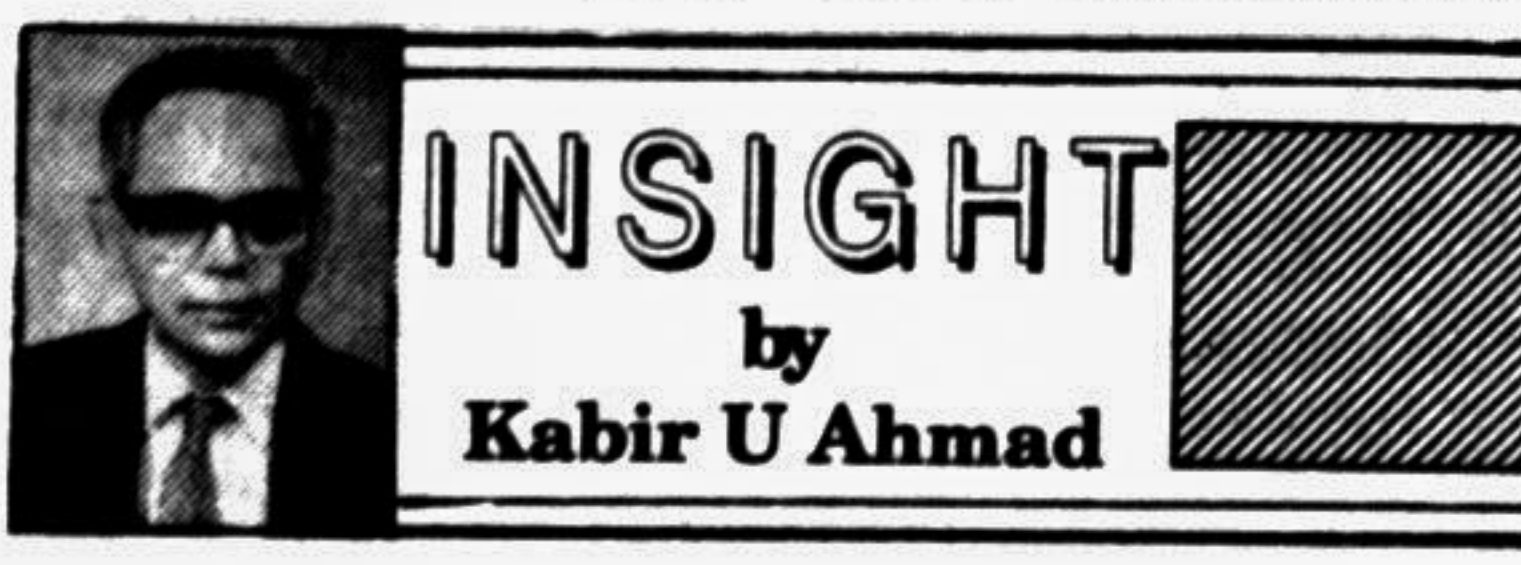
There are various products that can be developed for export markets. Over the last few years leather products of various kinds are coming up and finding markets abroad. This sector has as good a potential as the RMG sector since it has the basic competitive advantage with two domestic inputs: hides and skins and cheap labour. So is the case with raw silk and silk products. One gathers that Bangladesh belongs to the silk belt but hardly any major effort has been made to improve and develop the silk sector. If special care and attention can be given to the plantation and development of mulberry bushes and silk worms, and their appropriate technology of processing, Bangladesh can produce enormous amount of raw silk and silk products. With well conceived measures, investments and proper implementations, silk production and exports can vastly increase the export earning of the country. There is a Silk Research Institute in Rajshahi established by the government which has produced nothing worth the mention.

However, BRAC's current efforts will bear fruits in the next 5-7 years. Similarly, another upcoming sector is the fruit and vegetable processing sector which has the same potential of growth. A number of fruits and vegetables are grown in abundance in the country like mangoes, pineapples, papayas, guavas, citrus fruits, watermelons, bananas etc, while, in addition to the old ones, new vegetables like brocholies, babycorn, mushrooms, gerkins, Italian tomatoes and bell peppers etc, are grown in large quantities in the country. A number of private companies have moved into the production, processing and bottling and canning of some of these items and have been supplying in both domestic and export markets. The irony is that some of these items are grown in abundance but also a vast quantities of these items get rotten every year. This is particularly true of mangoes and pineapples.

What is more wasteful, it seems, is the misuse of a vast area of forest land devoted to rubber production. The existing rubber plantations have been producing some poor quality rubber which are used for bicycle and rickshaw tyres. These cannot be used even for automobile tyres. It would be much better if these lands were devoted to the large scale production of at least Chittagong Teak which has high demand in the building constructions and furniture. In recent years, some furniture are being exported to Australia using Bangladeshi wood. This is another potential area of development for valuable export market. Bangladesh can learn and benefit from the experiences of countries like Sweden and Norway.

To conclude, there is no dearth of items in the country that can be developed for export and domestic markets. All that is needed is the rational economic choice and decision on resource use, proper planning, investment, technical know-how and execution of such plans. The best role that the government should play is to provide the infrastructural and policy support and withdrawal from the market. The most scarce commodities in the country now seem to be the political peace, control of official corruption and law and order situation. If these are assured, there will be no dearth of private investment and promotion of exports irrespective of whether foreign direct investments come or not.

CORRIGENDUM In the second post-editorial of yesterday "Some of Them on Prow" the rubric "Between the Lines: Kuldip Nayar writes from New Delhi" was inadvertently missing. The inadvertence thus caused is regretted.



INSIGHT by Kabir U Ahmad

Let's Seek a Silver Lining Behind the Cloud

by Md Asadullah Khan

It seems to be more a time for introspection than hurling stones and abuses at each other

A series of hartal calls by the mainstream opposition party in the Parliament on petty issues like meeting venue and removal of the floating bridge leading to Zia's maazar has again rocked the country. The main contention of the opposition party is the (AL) government itself, and they are upto unseating it without allowing it any chance to prove where it has failed.

Accusations of economic mismanagement could be one of the issues but how efficient could the governance be within a span of just 14 months when the government inherited a crippled power sector, a banking sector burdened with default loan of 12,500 crores' taka that plagued all developmental efforts right from the beginning? Barring the lone case of share market control, the present government's case history does not seem to be that bad in comparison with the past regimes. Water treaty with India, transit facilities - these were long awaited solutions of the problems that plagued relations between the two neighbouring states. May be, we did not get the quantum of water stipulated at the first phase of the implementation of the treaty but that does not mean, that the treaty has bartered away the interest of the country. The issue can be talked about in a larger forum and technical appraisal of the aspects of the treaty can be further analysed. Happily, both the sides, aware of the problems, have started reviewing the implementation of the Ganges water sharing accord. In a meeting virtually the first ever in seven years, on July, 19 both the sides

agreed to hold JRC meeting once in every three months from that time onwards. At least the problems were hammered out and there was a consensus in the meeting as reported indicated, in carrying out scientific studies for finding the reasons for short-fall in the flow of water to Bangladesh side.

Statesmanship and negotiations in a spirit of friendliness and not a belligerent attitude and animosity can solve such a murky and irritating problem that has soured relations between the two countries with no redress even after a 'fiery' speech at the UN by the ex-Prime Minister.

People still remember that the governments of Ziaur Rahman and Ershad in a bid to foster closer relations among the SAARC countries initiated the proposal of transit facilities between the neighbouring countries like Nepal and India. People fail to understand how the opposition propaganda that the present government has been, allegedly, giving corridor to India in the name of transit would hold water. They rather believe that transit facilities would pave the way for legal business transaction and curb cross-border smuggling that has been as much rampant as earlier. People further fail to understand how the operation of direct bus service between Dhaka-Calcutta-Ajmer will hurt the interest of Bangladesh. Thousands of people who can't afford to go to Singapore, America or Saudi Arabia for medical treatment mainly for financial

reasons have always demanded a trouble free and cost effective route to specialised medical centres in India. People might be asking what steps the previous governments had taken for setting up in the country where suffering people could avail the facilities of angiogram and surgical treatment, etc? Why people have to rush to either India or Singapore or the US for cancer detection tests or for treatments? We have always agitated in the street or on the floors of the Parliament without taking any concrete action programme that assuage mass annoyance and resentment.

The transit initiated with Nepal from September 1 last marks a beginning of an era of co-operation, and development for the countries of the SAARC region. Through the establishment of bank branches, customs check posts, war houses, insurance and immigration offices, there would come about a spate of legalised business and commercial activities bringing in it wake substantial revenue earnings. Possibly, only people who are foolhardy can oppose such moves.

The mainstream opposition party may not agree with the meeting venues proposed by the DCC, as they have rejected five of the seven venues, but that does not give them the right to hold rallies and meetings on the main thoroughfares causing obstruction to traffic and pedestrian movement. At least, if public memory is not so short,

people can recollect that there had been a consensus about avoiding public thoroughfares in staging party rallies during the BNP rule. People also feel that DCC could have asked all parties to sit together and spell out their choices, at least leading to some consensus, before imposing a blanket ban. The hartal calls on 22nd and 25th September centering these issues that did not relate to something of very urgent public concern seemed to be motivated and ill-inspired. It seems some political parties are trying to invent issues and find fault with their adversaries on lame-duck issues. That reminds us of the popular adage when a tiger in a bid to apprehend a goat said, "If you have not muddled water, your forefathers must have done it and now you have to pay the price." Political parties, before it is too late, must realise that resorting to extreme measures like hartal that means closure of mills, factories and businesses and stoppage of traffic and loss of livelihood for day labourers spark off mass resentment and public disapproval of the party even when they are hammering some real and lives issues. None should make any mistake that hartals resorted to by AL helped them come to power. What helped them was the sheer bungling resorted to by the BNP in the February 12 election. If the present government has initiated any such move that might alleviate suffering of toiling masses and redress financial hardship of common

people, should they be held guilty of any wrongdoing?

True, terrorism and extortionism still hold sway in all parts of the country. Despite the Prime Minister's clear directive that terrorists should be hauled up in all places regardless of their party affiliations, success attained in this job by the present administration has not been significant. Many of them were apprehended in the beginning but most of them came out through the loopholes of the existing laws of the country. Many of them went hiding at the first onslaught and then lined up with the godfathers, and that actually connotes that mainstream political parties are bankrolling terrorism. That means gullible citizens in the country still have to give in to extraordinary demands by these extortionist groups!

In most business areas traders have to pay weekly 'surcharge' to neighbourhood hoodlums. Precisely speaking, the administration has proved singularly incompetent in meeting the citizens' or traders' security needs. Traders have to fix up the price of their merchandise after taking these sundry expenses as well as cost of fuel for generators and price of generators procured to run business in the event of 'regularly' sudden power disruption into account. Contractors are bidding prices in tenders and quotations after adding up the extortion expenses they would have to incur in ensuring smooth progress of work. That has eventually caused price hike in all situa-

tions. Paying protection money to hoodlums is certainly not an expense traders would willingly incur. Precisely known to all, extortion is a lucrative income generation route for the terrorists. Traders and affluent citizens will continue to pay ransom as long as their susceptibility to fear of life and business activities are kept up, by these terrorist elements. In the absence of proper or no police action oriented to curb this menace, terrorists would go on exploiting the business community and innocent citizens in an ever increasing manner. Presumably, all previous governments ignored public opinion against terrorism and in their bid to retain power and prowess almost patronised it. The present administration is also paying the price.

Once again, coming to relations among neighbours: India and Pakistan, bitter rivals ever since they won independence, now seem ready to reconcile their differences. The business communities are working for reduced trade barriers. India has eased visa restrictions with Pakistan and is considering an agreement to share electrical power with Pakistan. They are certainly not talking about reuniting, but of course about coming together. In our case, standing on a common ground, if the suffering people of this region and pragmatic leaders are trying to chart a new direction, how can that hurt the national interest of some parties? It seems to be more a time for introspection than hurling stones and abuses at each other.

The writer is Controller of Examinations, BUET

To the Editor...

"Export Supply."

Sir, We read the article titled "Strengthening Export Supply Capacity of Bangladesh" written by Mr Kabir U Ahmad in your paper Dt 28/9/97. He has rightly pointed out the matter in presence of the Secretary-General of UNCTAD for subsidies and protection of export industries. We would like to point out some suggestions for quick implementation.

- a) Attention should be diverted for trade balance between countries of import and export.
b) Recent enquiry by the ministry of commerce regarding activities of Bangladesh Embassy about export should be geared up strongly.
c) The activities of labour

attache and commercial consellers should be taken up on the priority basis.
d) The last but not the least point is to select right persons in the right places.

M Ali Dhaka.

Introducing charge for in-coming calls

Sir, I read some letters in this column written by telephone subscribers of Grameen Phone. The subscribers seem extremely aggrieved with the state of affairs with Grameen Phone as they cannot get a call through almost all the time. Being associated with the telecom technology for some period, I have some sort of guess what is

happening. Cellular telephony is a high-tech matter and this column is not enough to explain that technology. I will explain with utmost simplicity.

Consider your normal telephone which is wired through a pair of cable from your telephone set at home or at office. In this case, the telephone line which connects the set up to the exchange is dedicated to your telephone. No one can enter your line. It is for your use only. However, the switch at the telephone exchange building is common and there is a maximum limit of calls which the switch can pass. If the number of calls exceed the limit, then the switch will give you a busy signal even though the called number is free.

Now let us consider the cellular phone. The cellular phone is

a wireless phone. It has no dedicated pair of cables, what it has is a pair of frequency through which the cellular phone is connected to exchange. However the pair of frequency is not dedicated to your phone alone. This is common to other subscribers. BT&T allocates certain number of frequencies to Grameen and all Grameen Phone subscribers use these only available frequencies in a time-sharing basis. Please note that BT&T has its own limitations in allocating frequencies. They cannot allocate as many frequencies as they wish. Subscribers have to be content with limited availability always. Now I shall speak about the guess I mentioned earlier. Grameen has made all incoming calls free. They are charging only out-go-

ing calls. But irrespective of whether a call is in-coming or outgoing the frequency pair is engaged, whenever a call is made.

Now let us imagine the scenario. The subscribers would always want that he/she pays as minimum as possible for his/her call. Therefore if one cellular subscriber desires to call to his/her fixed number, to reduce his bills, what he/she will do is call momentarily the desired number, and ask the person at the fixed telephone end to call the cellular number, and hang up. Once this call is made from fixed telephone, the cellular subscriber does not have to pay anything irrespective of the duration of the call (somewhat like call back system in USA). In other words, there would be rush of calls (at

almost no cost) all the time.

Grameen Phone might have borrowed the idea of free service from Grameen Bank where the capital money is costless (opening as an NGO). However operating as a phone company might prove difficult, if it is not run in a commercial way. Even though Grameen Phone may have all their benevolent hearts feeling for their subscribers with minimum profit or no profit the technology they are dealing with may just not allow the same.

So it would be beneficial for both Grameen Phone and their subscribers to introduce a charge for all their in-coming calls.

Nurul Bashir Khilgaon, Dhaka