

Export is Key to Bangladesh's Growth

by John C Holzman

An investment of almost half a billion dollars is significant by any international standard. Cities in my country would compete among themselves to attract such an investment, offering tax breaks and financial incentives. I find it puzzling and counter-intuitive that the proposal has not moved faster: its benefits to the nation so clearly outweigh its costs.

DURING the 1990s the Bangladesh economy overall has done fairly well. The growth rate has been above 5 per cent since 93-94, an achievement most countries, including my own, would be proud of. This relatively robust economy combined with slowing population growth, allowed Bangladesh to make some progress in addressing its primary concern — poverty alleviation. Many factors contributed to the economic expansion of the last few years — trade liberalization, a larger role for the private sector, growing foreign investment, and good agricultural performance. In addition, there was the miracle of the garment sector — if I can use that word — and the explosion in garment exports. Chittagong, played a central role in this impressive growth. Not only did a vibrant garment industry sprout up here, but most of the country's international trade entered and exited Bangladesh through Chittagong Port. I understand over 80 per cent of Bangladesh's sea trade goes through Chittagong. Chittagongians should be proud of what they contribute to the nation's economy.

As impressive as economic growth has been in the 1990s, I would caution against complacency, because the country has the potential to do even better, and should do better, given the high incidence of extreme poverty. Only when Bangladesh begins to grow at an annual rate of 7 to 8 per cent — and this is attainable — will it be possible to make a serious dent in poverty. Bangladesh's biggest asset is its people — hardworking, unified and homogeneous, and above all else, resilient. The capacity to endure and overcome hardship was demonstrated during last year's floods and by this year's bumper boro crop. What has not been demonstrated over the past five years or so is a serious commitment to positive change and reform that will give the people of Bangladesh the opportunity to be more productive, resulting in faster economic growth and improved living standards.

Bangladesh remains a low-income country with a small market. That is why I am convinced the best way for this country to achieve more rapid growth is through exporting. After all, it only makes sense: you don't become wealthier by selling only to yourself, especially if you are poor; you need to produce goods that you can sell at a profit to richer countries. And that, incidentally, is exactly what the garment industry has done. Whether it's garments or other exports like leather, ceramics, cut flowers, potatoes, or natural gas, Bangladesh can only grow

faster by exporting more and investing more. But it is a competitive international market out there, and Bangladesh needs every advantage it can get to accelerate its export growth. And that includes a modern, efficient infrastructure base.

Infrastructure, in turn, requires enormous investments, amounts so large they are often beyond the means of a developing economy with low per capita income. So the funding must come from abroad. Foreign assistance flows can play a role in building infrastructure, but private investment has become ever more important as aid levels have declined worldwide over the last decade. Private investment is often the best source of technology for a developing economy and frequently the largest source of capital. We have seen this phenomenon in Bangladesh where foreign direct investment will substantially expand production in both the power and gas industries.

Exports, foreign investment, infrastructure, Chittagong: the one thing that ties all of these themes together is the Chittagong port. Everyone agrees that Bangladesh desperately needs a modern, efficient port. It is perhaps the single most important economic need of the country. One thing common to all the Asian tigers — China, South Korea, Malaysia, Thailand, and Indonesia — is that they have modern sea ports. Bangladesh, too, needs such port facilities.

Chittagong Port has served the country well for decades, but has reached its cargo handling capacity and is now hampered by entrenched vested interests that raise the cost of exporting and importing to extremely high levels. In plain English, Chittagong Port is a monopoly. And what happens under a monopoly? Well, since there is no competition, the seller attempts to maximize profits by restricting supply and raising prices. Often the quality of a product or services deteriorates and innovation is slow. Some or all of these symptoms are present in Chittagong Port. Let me illustrate.

The World Bank estimates that the handling charges for a 20-foot container are \$640 in Chittagong compared to \$220 in Colombo and \$360 in Bangkok. This is so despite the advantage of lower labor costs. Inefficiency at the Port could be costing the Bangladesh economy \$600 million annually. That amounts to 12 per cent of the government's budget for next year.

A typical container vessel coming to Chittagong has to wait 5-10 days for a berth and 3-5 days for loading/unloading operations; the ship should not have to wait for a berth at all

and loading/unloading should take just one day. According to the Port's own numbers, in 1998, The turn-around time of vessels lengthened from 4.69 days to 7.11 days; General cargo throughput decreased from 600 tons to 560 tons per ship day; Productivity measured in containers handled per gang hour decreased from 9.32 to 8.84; and Productivity measured in general cargo tons handled per gang hour decreased from 18.87 to 16.80.

These are not encouraging figures. Let me add that the volume of containerized cargo moving through Chittagong Port is said to be increasing almost 20 per cent yearly; so if you think the Port is congested now, imagine the bottlenecks five years from now when containerized cargo traffic will have more than doubled. Imagine the opportunities for rent seeking behavior. Imagine the artificial ceiling on national economic growth.

As we are all aware, there are proposals being actively considered to create a more competitive climate and establish more cost efficient port services for Bangladesh's exporters and importers. One proposal comes from Stevedoring Services of America (SSA), which has offered to invest \$438 million to build, own, and operate a container terminal in Patenga and a counterpart in Dhaka. Containers would be carried by barge between the two terminals. SSA is a well-known American company that operates port facilities in the United States, Thailand, Indonesia, Australia, New Zealand, South Africa, India, Brazil, Panama, and Argentina. In its first year of operation in Bangladesh, the SSA project would handle 250,000 TEUs (twenty foot equivalent units), all of it excess traffic that Chittagong Port is unable to service. The project will create 2,000-8,000 jobs, inject hundreds of millions of dollars into the local economy, increase the competitiveness of Bangladeshi exporters, reduce the cost of imports, and immediately improve the investment climate, rendering Bangladesh, and especially Chittagong, a more attractive investment destination. Finally, SSA asks no financial assistance from the Government.

The SSA proposal has encountered some opposition. Concerns that the Patenga terminal would adversely affect navigation on the Karnaphuli River were resolved when a five-member committee of experts, appointed by the Prime Minister, concluded that this was not the case. Labor unions in Chittagong Port and the Mayor of Chittagong are worried that the container terminals might result in a reduction in employment at Chittagong Port. Others

think such a decrease in employment is unlikely given the growth in commerce going in and out of Bangladesh. In any case, these concerns are being addressed by the Government's decision to go forward with the \$150 million new moorings expansion for Chittagong Port and \$62 million in equipment purchases. These steps will make Chittagong Port more modern and competitive. They show that the SSA proposal has already begun to establish a momentum that encourages cost-cutting innovation. Some Chittagongians fear that the container terminal in Dhaka will result in Chittagong being bypassed and the city losing business. I seriously doubt that this will be the case, given the multiplier effects of the new terminals and of the modernization of the existing Chittagong Port. In addition, I would bet my money on Chittagong's own dynamism.

In fact, there should be at least two good ports in Chittagong to serve all of Bangladesh; a monopoly is not in Bangladesh's interests, whether it is a monopoly by Chittagong Port or by SSA. Given the growth projection of container traffic, both ports can coexist, but should do so only under competitive conditions. The primary aim should be to establish those conditions so that cost efficient port service that contributes to overall economic growth is the result. Exporters will benefit the most. After all, they must go through a port twice, first to bring in raw materials and then to send out the finished products. They will be able to fill their orders quicker at lower cost, and will pay less in letters of credit interest costs. In short, they will become more competitive in the world markets.

An investment of almost half a billion dollars is significant by any international standard. Cities in my country would compete among themselves to attract such an investment, offering tax breaks and financial incentives. I find it puzzling and counter-intuitive that the proposal has not moved faster: its benefits to the nation so clearly outweigh its costs. So I call on you, members of the business community and the direct beneficiaries of a modern port, to add your voice to the debate and to help move the project forward. I understand the position of those who oppose the private port. Yes, it represents a significant change from the way things were done for a long time. But this change is so clearly in the national interest.

The author is the US Ambassador to Bangladesh. The above is an extensive extract from his recent address to the Chittagong Chamber.

Liberation and Beyond

by J N Dixit

Towards Military Conflict Part-IV

MATTERS came to a head between November 15 and 31 when Indian troops started retaliating against this Pakistani move. The incident which has come to be known as the battle of Boyra on November 22 was in fact the beginning of the military conflict between India and Pakistan in 1971. Yahya Khan warned India from Islamabad that if India did not desist from supporting the liberation struggle, Pakistan will not keep the conflict limited to the Eastern Sector, and that India should be ready to face the consequences on its western borders also.

Anticipating prospects of an open conflict and preparation for giving more support to the liberation struggle, Indian troops were put on alert and requests were sent to the Soviet Union for defence supplies to meet the possibilities of an extended and open military conflict. The Soviet Union readily responded to the Indian request.

By mid-October, Soviet military supplies had started reaching India. Following the battle of Boyra, the Government of India decided to put in place all the procedural and legal arrangements necessary for India's direct military support to the liberation struggle. An advance team of Indian civil and military officials came to Delhi from Calcutta, as far as I recall between November 28 and 30 to finalise a draft agreement between the Government of India and the Mujibnagar government on the creation of a joint military command. It was also decided that once the command was formed and operations were launched, Mrs. Gandhi would announce the formal recognition of Bangladesh. Mrs. Gandhi was visiting Calcutta between December 1 and 3 for some Congress Party engagements and other functions organised by the West Bengal Government. She was to meet the President and Prime Minister of the Mujibnagar Government and formalise India's participation in the liberation struggle.

Despite the overall consensus about supporting and then participating in the liberation struggle of Bangladesh, creation of a joint command became a thorny issue for a brief period in the last week of November. The Indian military command put forward the logical stand from their point of view that it is imperative to have a unified centralised chain of command, particularly because the Indian armed forces would be engaged in a direct military operation. Our armed forces high command was not very happy about the creation of a joint command with General (the rank was given to him for the assignment) Osmani being designated as Joint Supreme Commander of the Forces which would operate in East Pakistan. Prime Minister Tajuddin Ahmed felt that his government's political credibility as well as discipline and loyalty of freedom fighters can only be ensured if the joint command is formed in which commanders of the Bangladeshi freedom fighters with Col. (ret'd) Osmani at the head have a role to play. Ultimately, D P Dhar under directions from Mrs. Gandhi was able to persuade the Indian Military High Command to accept a Joint Command structure with General Osmani as the counterpart of General Officer Commanding-in-Chief of the Eastern Command, General Jagjit Singh Aurora. The agreement on the creation of a Joint Command was negotiated and signed between December 1 and 3, 1971. The decision was to get directly and operationally involved in the liberation struggle some time towards the end of the first week of December. India was aware that once its armed forces get directly involved they would be carrying out the major portion of the operations while the Bangladeshi Mukti Bahini units will shoulder the important responsibility of disrupting the administration, communications and military coordination of the East Pakistan forces inside East Pakistan. It was also clearly understood that once operations started, the command and control would rest with the Indian Military Headquarters at Delhi and in Calcutta. The creation of a joint command was essentially a political arrangement respecting Bangladesh's political status and sensitivities. In a manner Indian military involvement had already commenced from October onwards. Indian commandos and marines had already started infiltrating East Pakistan with groups of Bangladeshi freedom fighters to back up their operations with specialised skills. The presence of trained Indian military personnel had increased the efficacy of the guerrilla war being conducted by Bangladeshi freedom fighters. Indian military liaison officers also helped in resolving controversies and in soothing tempers between different groups of freedom fighters which were generally operating autonomously. There was a group led by Tiger Kader Siddiqui. There was another group led by Sheikh Fazlul Haq Moni, a nephew of Sheikh Mujibur Rahman. Then there were the ex-military, para-military and police personnel of East Pakistan who functioned under the guidance of military officials like General Osmani and Major Ziaur Rahman (later to become President of Bangladesh).

Mrs. Gandhi completed her engagements in Calcutta late in the evening of December 3. She and her party which included D P Dhar, one or two West Bengal politicians, and middle-level officials dealing with Bangladesh like me and Peter Sinai, boarded the special plane around 6-30 or 7 pm for Delhi. As the plane reached the airspace a little east of Lucknow, the pilot of the

plane came up to D P Dhar and asked him to come over to the cockpit and speak on the communication system as there was an urgent message from Delhi. Mr Dhar spent about 3 or 4 minutes in the cockpit, came out and spoke to Mrs. Gandhi, walked back to his seat and turned to us who were sitting behind him and said: "The fool has done exactly what one had expected." He went on to inform us that General Yahya Khan had carried out pre-emptive air strikes on Indian Air bases in north western India, in Jammu, Punjab and in Rajasthan. He added that General Yahya Khan had also launched ground attacks against Indian territory. General Manekshaw, the Chief of the Army Staff, had already commenced retaliatory action. Most of northern and north-central India was under a black out in anticipation of further Pakistani air strikes.

Mrs. Gandhi's plane instead of flying to Delhi was diverted to the Lucknow airport. We remained at the airport for nearly two hours and took off around 10 pm landing at Palam around 10-45 pm. Defence Minister Jagjivan Ram was at the airport to receive Mrs. Gandhi. All of us drove directly to the Army Headquarters in South Block. Mrs. Gandhi, Jagjivan Ram, Swarn Singh and senior officials went straight into the operations room. We were asked to wait outside. General Manekshaw proceeded to brief Mrs. Gandhi and her cabinet colleagues about the counter-offensive which India had launched in the western sector. He also asked Mrs. Gandhi's permission to commence operations in the eastern sector also, which was immediately given. Mrs. Gandhi proceeded to the Cabinet Room in the western wing of South Block to preside over an emergency meeting which she had summoned while flying into Delhi. The cabinet took the decision to declare a state of war with Pakistan, to recognise Bangladesh and to allow the opening of a Bangladeshi diplomatic mission in New Delhi immediately.

By the early hours of December 4, the army groups belonging to India's Eastern Command and Western Command had launched full-scale operations against Pakistani forces. The Indian Navy and Air Force were ordered to commence offensive operations, blockades and interceptions of Pakistani aircraft and ships forthwith. Mrs. Gandhi announced the formal recognition of Bangladesh in the Indian Parliament on December 5. Parliament unanimously endorsed the decision as well as declared its unqualified support for the military operations undertaken by India. Humayun Rashid Chowdhury, the senior-most Bangladeshi diplomat formerly belonging to the Pakistan High Commission, was designated as Bangladesh's first Charge d'Affaires in India. His status was recognised and he was accorded the unusual honour of being received by both Houses of Parliament in a joint session.

One incident reflects the spirit of quiet confidence and humour which characterised the Indian military high command at the beginning of the conflict. I have mentioned Mrs. Gandhi going into the Operations Room for a military briefing on the midnight of December 3. I was told by some colleagues who were in attendance, that as she entered the Operations Room, she noticed a bottle of scotch whiskey and a couple of glasses on the table. Being fastidious as always, there was a frown on her face and she directed an enquiring look at General Manekshaw. The story went that General Manekshaw said to Mrs. Gandhi: "Madam, the brand name of that whiskey is Black Dog. This is the whiskey which Yahya Khan drinks. I am quite sure that I shall outdrink him and outlight him, so please do not be angry." Years later, I enquired from Field Marshal Manekshaw in the summer of 1998 whether this story was true. His laconic response was: "Yes, the story is generally true, but I do not quite remember what I had told her. I must have been in my usual irreverent self."

India simultaneously launched a diplomatic campaign in support of the military initiative that it had taken in support of the liberation war. Communications from Mrs. Gandhi and Foreign Minister Swarn Singh were sent to all heads of state and government giving the background of the crisis in the region and explaining why India was compelled to give open support to the liberation war.

The UN Security Council met in an emergency session continuously from December 4 to deal with the evolving crisis. Pakistani Ambassador to the United Nations Aga Shahi, backed up by George Bush, Ambassador of the USA and Huang Hua, Ambassador of China, demanded immediate Security Council intervention against India. The Soviet Ambassador, Jacob Malik, made a speech supporting India and the rationale of its actions. While the Security Council commenced its cogitations to deal with the third war which had broken out between India and Pakistan, India's Ambassador to the United Nations, Samar Sen, summed up the situation and Indian determination, concluding his speech on December 4 in the Council with the words: "None can remove us from our path by mere resolutions and empty exhortations. The question of a ceasefire, as I have already mentioned, is one not between India and Pakistan but between Pakistani army and the Bangladesh people. Therefore, let us hear them before we go further into this debate."

What Future for Kosovo?

by M. A. Bari

The universal right of self-determination must not be denied to the Kosovar people for political expediency or for the historical animosity against the now-defunct Ottoman empire. Kosovar people must be allowed to choose their own fate. Only then real peace in the Balkans can be achieved. otherwise, the cycle of violence that erupted in the past is going to re-surface

AFTER eleven weeks of severe bombing on Yugoslav infra-structure and unparalleled Serb brutality on the Kosovar people, Milosevic, now indicted as a war criminal, finally gave in. NATO is relieved. So is the world community. Kosovars are genuinely jubilant and its Serb minority are in despair.

NATO has called it a victory, so has Milosevic. In actual fact, a savage war like this does not bring victory to anyone. It is yet another dark phase in human history. With the forensic evidence becoming clear, the extent of Serb atrocity is now coming to surface. The investigators are estimating that as many as 10,000 Kosovars have perished at the hand of Serb army and para-military, the worst racist killings in such a short time. The ugly fruit of racism is now haunting the Serb minority as well, who are fleeing their homeland despite the NATO assurance and Kosovar people's measured response.

In its high stake aerial war for the first time since its inception, NATO has not encountered a single human loss, although the war cost them about \$5bn. NATO wanted to avoid death on their side. As a result, it caused mounting death on the Kosovars and the Serbs. The human cost on the Serb side is believed to be 5,000 soldiers and 1,400 civilians dead and 10,000 wounded. However, the damage caused by the bombardment is colossal and would cost Serbia at least \$60bn for reconstruction of her infra-structure.

They include destruction of one fourth of their military aircraft, 75 per cent fuel tanks, half of military airfields, 30 per cent radar installations, 55 road and rail bridges, oil refineries, hospitals, clinics, etc. On the other hand, the destruction and pillage by the Serbs in Kosovo, with additional NATO bombing, would cost Kosovo around \$3bn to reconstruct.

Both-Serbia and Kosova are in tatters. Common people in the street would have to pay for the crime of their leader. In the short term, the traumatised and displaced Kosovars need to be rehabilitated. Their vengeance, although understandable, has to be controlled.

The Kosovars have so far been showing extraordinary restraint against their killers. But the fleeing Serbs are showing the opposite. They are gutting the remaining while running away. This tells the difference of the two peoples. Kosovars, even when their identity with Islam has become loose over the centuries, have been displaying incredible tolerance against their enemies in extreme situation, which is totally lacking in the other camp.

In the long run, the deep scar of losing friends, relatives and loved ones, because of the genocide policy of Milosevic, has to be addressed. The war criminals declared by the independent international Prosecutor Louise Arbour must be brought to book. Leaders like Milosevic and Arkan who dehumanised a whole nation and caused catastrophe in the region must be arrested if the trial has to start. Given the Bosnian experience there is lot of scepticism whether they would ever be arrested.

Kosovo also needs justice, justice based on their democratic and basic human rights. NATO's deliberate ambiguity about its future may be understandable at this moment. But Europe, NATO and the UN cannot shy away from their responsibility over Kosovo. Given the inhuman treatment of the Kosovars by the Serb regime it will be disastrous if Kosova is forced to remain a province of Serbia. It is as if the Jews were to be forced to live under Hitler after the holocaust.

On the other hand Kosova should not be allowed to become a NATO protectorate either. The outrageous game that Russia is playing with its unwanted military presence in Pristina is nothing but a ploy to fragment Kosovo and reap the benefit of its uncertainty. This must not be allowed to succeed. The Balkan fire is wild and it burnt the whole world in the beginning of this century. The seed of future conflagration must not be allowed to germinate here.

What future of Kosovo would be just and fair? It is an undeniable fact that the fate of Kosovo is linked with Albania, historically and demographically. Kosovars are an Albanian race. In mid-1912 when the Ottoman power came to an end, an independent Albanian state was proclaimed. That included Kosovo and portions of the western part of the region of Macedonia. However, at Russia's insistence, Kosovo was divided between Serbia and Montenegro. In 1918, Kosova was incorporated into the newly-established Kingdom of Serbs, Croats, and Slovenes, later called Yugoslavia. Local Albanians staged uprisings between 1918 and 1919 which were ruthlessly crushed. The Belgrade government resorted to forced expulsions of Albanians, closure of Albanian schools, land confiscation, and importation of Serbian settlers. These are the steps normally

taken by an occupation army on an enemy territory.

During the second world war Kosova was annexed to Italian-occupied Albania, a move generally welcomed by Kosovars. But by July 1945, the partisan army of Josip Broz Tito succeeded in crushing Albanian resistance and Kosova was brought into an administrative sub-unit of the Republic of Serbia—at first as an autonomous region, but later elevated to the status of an autonomous province. Renewed riots in 1981 led to the expulsion of Albanians from positions of power.

NATO has regained some moral authority by helping the oppressed people of Kosovo, although they could have done it quickly with minimum human casualty and less material destruction. People with objectivity and independence of mind had been pleading over the weeks to go for a change in war tactics in order to achieve that. However, NATO has won. It is now for them to establish clarity of vision and determination.

With superior political and military muscle they are in a better position to carry through a permanent solution of the Balkan problem. Of course Kosovars need to be re-settled now and that should be the number one priority. But the question of Kosovo's future need to be addressed, sooner rather than later. The universal right of self-determination must not be denied to the Kosovar people for political expediency or for the historical animosity against the now-defunct Ottoman empire. Kosovars must be allowed to choose their own fate. Only then real peace in the Balkans can be achieved. otherwise, the cycle of violence that erupted in the past is going to re-surface.

The author is with the Centre for Policy Development in London.

Population Boom and Chaos Theory

Booming population growth is a nightmare for the developing countries. Now "Chaos" scientists offer some hope with a parabolic growth curve. A M M Aabad writes on some interesting developments

FIFTY years ago, the population experts predicted large scale famines in the overcrowded, under-developed countries due to fast-rising population growth-rate. Today, Bangladesh (population 120 million), for example, has achieved self-sufficiency in food, in spite of the doubling of the population since the British left this subcontinent. Bangladesh is still a developing country. How come?

Some theories or assumptions must have misled, and need re-examination. The population projection curves have been traditionally based on the well-publicised Malthusian population theory (1798), which says that while the population grows in geometric progression (very rapidly, the plot line is curved, not linear or straight), the food resources for sustenance increases arithmetically (linearly, the plot is a straight line); thereby forecasting large-scale famines. Hence the stress was laid on family planning measures or popula-

tion control, to maintain the standard of living at a healthy level. This steady growth to limitless proportions (compared to orderly cycles) scared the world's planners and donor agencies who deal with poverty alleviation.

During the 1970s, the scientists started noticing that in nature there appeared to be order in disordered or chaotic states.

The researches came up with a new scientific theory named Chaos. The first formal conference was held in 1977. The scientists dealing with macrocosm (cosmology) and microcosm (particle physics) are now converging to the concept that the complexities of the universe could be explained through simple recursive laws. (An interesting book is the "Recursive Universe — Cosmic Complexity and the Limits of Scientific Knowledge" by William Poundstone, 1985, OUP).

The modern scientists are

also seriously studying mystic and suffistic literature (based on intuition or inner knowledge, compared to tuition or outside knowledge as in our present day educational system), including the idea that each living cell has the knowledge of what is happening in the whole of the universe at any single instant.

Chaos phenomenon was first studied by Mandelbrot, and the scientists of the other disciplines did not catch up with this new science till the 1980s (see "Chaos, The Making of a New Science", by James Gleick, Penguin, 1987).

The American scientist Fegenbaum noticed that population growth curves follow a parabolic formula $y = x(1-x)$ rather than the linear or geometric curve of Malthus. Looking at a parabola pointing upwards, the curve (say, population growth) rises to a maximum, then starts going down. The cyclic law repeats in many natural phenomenon like the weather, the snow flakes, the

river bank erosion patterns, flow of turbulent fluid, etc).

The commentary on the complexity theory ended on a lighter note on the state of affairs in Bangladesh today — how much the orderly and stable complexity of the overall local system had been disturbed through human measures and controls over a period of years (political upheavals and disturbances, development activities).

The scientists these days are learning at a faster rate how the universe works, how complexities could be understood through simpler theories and formulae. The growth of population has to be understood in a new, clear way, first by the local experts, then by the government, before planning guidelines could be revised and implemented. Nature tenaciously guards her secrets; besides the limitation posed by the information theory that it is impossible for man to extract 100 per cent information from any system.

By Hanna-Barbara

