

Bangladesh and the open market

The open market is now a reality for Bangladesh, when only two decades ago it was closed to the world. Every commodity, from rice, salt to soap and shampoo is imported in abundance. But how are locally made products gaining benefits from this globalised market? The BBC's Shakeel Anwar investigates.



THE mango market of Kanchhat in Chapainobaganj district in the north of Bangladesh is the country's biggest mango market. At the end of July -- the end of the mango season -- only one or two varieties of mango like *Fazli* and *Ashwina* can still be found. But traders coming from Dhaka to buy the fruit think the price is high. Mango farmers are very unyielding when it comes to haggling over prices.

Mango farmers of Belalnagar, a village near to Kanchhat, say that demand for mangoes is slowly increasing. Shahidul, a mango farmer of Belalnagar, showed us many newly cultivated mango orchards which were previously rice or sugarcane fields.

So why the change? The answer is easy to see. It's what the customers want and increased demand has led to higher prices. Local people say that for several years now, big companies such as Pran, BD Foods, and Abdul Monem Limited have been buying mangoes in addition to other traders from Dhaka.

And over the last few years a number of Bangladeshi trading enterprises have been exporting processed mango, along with pineapple, rice and spices. These companies have appeared in recent years as new customers for the mango farmers of Belalnagar.

From Bengal to Africa
A few years ago, Pran Agro-Processing Limited established a factory on the Natore-Rajshahi highway to process agricultural products.

The manager of the factory, Abdul Qadir, told us that mangoes

are collected from contract-farmers and then processed by machine to produce pulp or condensed juice.

So far Mr Qadir says his factory has 20 contract farmers on their books. During the mango season this year, he says that between 300 to 350 tonnes of mangoes were bought on a daily basis.

"As the market expands," Mr Qadir said, "demand has increased. Next year, we will have to rummage around to unearth more mango farmers."

It is not only mangoes that are selling like hot cakes. So too is traditional aromatic rice, spices, olives and tomatoes. All these products come from contract farmers, are processed and then exported.

The owner of one processing company, Amjad Khan Choudhury, told us in Dhaka that demand for fruit juice in the foreign market is increasing day by day.

Most of that demand comes from the Middle East, but now a few north-east Indian states including Assam and Tripura are also buying. Mr Choudhury says that recently there have been orders received from Africa.

He claimed that this increased demand has meant that Pran soft drinks have now familiar brands in Ethiopia, Ghana, Senegal, Mali, and Mauritania.

"Africa could have a good market for us," he says. "Consider our juices. They have a very satisfying taste. But unfortunately Bangladesh has in my view been too pre-occupied with exporting garments, and has not looked hard enough into finding other areas of trade."

If entry to the Indian market was

easier, and more attention was paid to efficiently and speedily sea-freighting products to Africa, it is probably true to say that the mango and pineapple farmers of Bangladesh would not have to sell their products for such nominal prices.

Yet it has to be remembered that exporting processed agricultural products is a comparatively new initiative in Bangladesh.

Because profits are not huge, many doubt how long the industry can remain sustainable.

Dr Mustafizur Rahman, an economist for the Centre for Policy Dialogue, says that Bangladesh's limited supply capacity is a problem made more serious when it comes to exporting processed agricultural products.

"Quality control is a big challenge in the food export business," he says, "and it needs to be improved by a long way before we can begin large amounts of products to sophisticated markets like Europe."

Limited number of export items

Export diversification has often been promoted in words over the last two decades, but it cannot be claimed that any mentionable product has been successfully exported except some pharmaceuticals and ceramics.

In fact, as the market for jute and tea has shrunk, 80 percent of export income has come from readymade garments.

"The reality is that the diversification of export goods is not happening," Dr. Mustafizur Rahman claimed.

"Bangladesh is getting zero-tax benefits in the European market,

but we are incapable of capturing the opportunity."

The main reason is that new export items which are capable of competing in the world market are not being produced.

Why not? Businessmen say there are two key reasons: a weak infrastructure -- especially when it comes to electricity supply -- and an absence of good governance.

One of the country's top businessmen, Syed Manzur Elahi, says that factories are losing out enormously because of electricity shortages.

"Factories are cut off ten to 12 times a day. In the last few years electricity production has not increased.

"Then there is corruption, present along every step of the journey. If you want to pay the electricity bill you won't be able to do it easily. The amount of bribes that taxmen ask for is simply unbelievable.

"Even in the 1980s there was some sort of delicacy in doing such things openly. That doesn't exist now. They don't hassle me much. They know that I have connections. But for the small companies it is the kiss of death."

The Executive Chairman of the Board of Investment, Mahmudur Rahman, says that the government is trying to deal with the electricity problem by providing factories with cheap gas, so that they can produce electricity themselves by using generators.

"Industries like ceramics are making huge growth, as they have captive electricity. They can produce cheaply than the Power and Development Board," he said.

But Mr Rahman admits that the

business climate for smaller enterprises is not so rosy.

The reality of the open market

But there are grounds for optimism too. Fifteen years ago in Bangladesh, import tax was around 18 percent. Today it is only three percent. Except for a few sensitive items, all products can be imported.

After a preliminary round of protests, most businessmen of Bangladesh have accepted the reality of the open market.

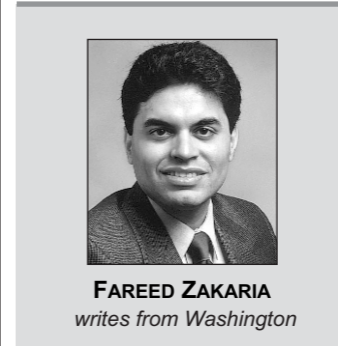
Many now say that it all happened for the greater good of the country's economic health, and that more investments are being made today. In many cases domestic products are competing with imported products in price and quality.

Furthermore, government bureaucracy in relation to the import-export business has reduced significantly. Many unpopular permit laws do not exist anymore, and many businessmen are happy with these positive changes.

However, the worry is that these welcome developments will be meaningless unless the twin problems of weak infrastructure and poor governance are improved.

Bangladesh Sanglap 6: "Is Bangladesh Ready For A Globalised World?" will be broadcast today (Thursday) at 8 pm after the BBC's Bengali programme "Probaho", in shortwave metre band of 31 and 41 (at 9395 and 7520 KHz) and in Dhaka at FM 100 MHz. The programme will be televised in Channel I television on Sunday at 8pm. The Daily Star is the BBC's print media partner for the programme.

Big enough to know better



The Communist Party is trying to make its officials more attentive, responsive, and media-savvy. Beijing knows that it needs to open up, not crack down. But can a Leninist system do that? Beijing has somehow found a way to do centrally planned capitalism. But now it seems to be attempting something far more complex: centrally planned pluralism.

BY the time you read this column, China's economy will have jumped by 20 percent, or \$300 billion. Based on a new nationwide economic census, the National Bureau of Statistics is making an upward revision of gross domestic product, which means that China is now the world's fourth largest economy, bigger than Italy, France, and Britain. If you want a glimpse into the not-so-distant future, note that China is growing more than four times as fast as the next two countries on the list (Germany and Japan) and more than twice as fast as No. 1, the United States.

This upward revision is not fuzzy math. Most economists believe that the new numbers provide a more accurate picture of China's economy, taking into account the service sector and small businesses, both of which have been hard to measure in the past. When it joined the World Trade Organization, China agreed to this new and more accurate measure of its GDP. Of course, had it counted this way before joining the WTO, it would not have been able to join as a poor country but as a middle-income one, which would have meant stiffer terms and fewer concessions. This distinction was surely not lost on Beijing's mandarins.

Most people don't really understand China's economic story. It looks like an oxymoron: central planning that works. As a result, many assume that, like Japan in the 1980s, China will stumble and collapse. But this misreads the two situations. Japan was a relatively small country that had become a huge economy by turning very modern. In that era its per capita GDP was almost the same as America's, about \$30,000. But growing a supersophisticated economy required that every aspect of Japan's society be modern. As it turned out, there was much in Japan, from its banking system to its politics, that was not.

China is a different story. Its per capita GDP, even after this revision, is just \$1,700. At some point, it will face all the kinds of problems Japan did. But well before that, it will surely be able to double its GDP to \$3,400 per capita, which would bring it up to Brazil's level. When that happens, China, because it has 1.3 billion people, will be the second largest economy in the world. Size matters.

Of course, China cannot continue to move as fast as it has. Growth is already slowing though it is worth marveling at an economy that is having a soft landing at 8.5 percent! But even if it grows at an easier clip, say 7 percent, most of the projections about China's future place in the world economy still hold true.

My guess is that China's problems will stem not from failure but success. China has grown for three decades at a pace no other country has ever sustained. Much of this has been possible because its government has been relentlessly focused on economic growth, doing anything necessary to achieve that end. But this strategy does have some downsides: 2006 might be the year that we begin to witness China's problems, admittedly ones any developing country would kill for.

Every time you see a gleaming new highway in China, remember that there were homes, shops, and farms where it now runs. The government moved those people, gave them something equivalent (often an hour away) and kept building. Every time you see a new factory, remember that the community around it might have protested, but that rarely stopped construction. Every time you see a dam, remember that it displaced whole villages and towns. It is the very fact that local or political forces cannot stop development that explains China's supercharged growth.

For one thing, the result has been, inevitably, lopsided. A new United Nations Human

Development Report on China highlights the huge gap between the country's cities and its outlying areas and concludes that "its urban-rural income inequality gap is perhaps the highest in the world." Polling in China suggests that people there are not tolerant of large income inequalities. People are beginning to speak up. Ten years ago, Chinese government figures showed about 10,000 local protests a year. Now they show 74,000 -- about 200 a day. These are localized protests about specifics, not general attacks against the Communist Party. And, believe it or not, these are still small numbers in the context of China. An estimated 3 million people are involved in these protestous of 1.3 billion Chinese. But new forces are being unleashed in the country.

Chinese officials are well aware of this shift. That is why they are focused on "balanced growth," moving economic activity inland and spending large sums of money in rural areas. They are also listening to local communities more carefully. The Communist Party is trying to make its officials more attentive, responsive, and media-savvy. Beijing knows that it needs to open up, not crack down.

But can a Leninist system do that? Two weeks ago, in Dongzhou, local authorities responded to protests against a new power plant by reportedly shooting 20 or more people and then tried to cover up the incident in a manner that would have made Stalin or Mao proud.

Beijing has somehow found a way to do centrally planned capitalism. But now it seems to be attempting something far more complex: centrally planned pluralism.

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Raw deal from world trade talks in Hong Kong

ABDUL HANNAN

WORLD trade talks, often called Doha development round of 149 WTO ministers, which began in Doha, Qatar in 2001 was aimed at removing the existing inherent inequality in world trade and promised to end global poverty by leveraging trade as instrument of economic growth of the developing countries. But the objective was scuppered at WTO trade talks in Cancun, Mexico in 2002 due to unwillingness of the developed countries, particularly the United States and the EU and their allies, to eliminate farm and agricultural export subsidy and protective tariff, two most crucial factors, to allow the developing countries a level playing field for free and fair trade through access of their agricultural and other products to markets of the industrialised countries. A careful examination, of agreed declaration of Hong Kong trade talks arrived after six days of acrimonious debate, wrangling and perhaps carrot and stick to recalcitrant delegations to toe the dotted lines of text document crafted by the major players of the conference, would show that the outcome of the talks is heavily weighted to the advantage of the developed countries and is of little gain to the developing countries.

The agreement provides for elimination of subsidy of agricultural exports by the developed countries, effective not immediately but in 2013, after seven years. Perhaps they do not want to offend the powerful agribusiness corporations who wield enormous political and economic influence and clout. The agreement does not mention at all any deadline for the withdrawal of farm subsidy by the United States and the EU which provide one billion dollars a day as farm subsidy and subsidizes a cow by \$2 a day heavily depressing the primary agricultural produce of developing countries. The products of poor farmers are priced out in domestic and international markets in competition with cheap and subsidized exports from developed countries.

Exports of cotton, rice, coffee, sugar, orange juice, tobacco, wheat, beef and soyabean from

The objective of the game seems to be free trade by forced intrusion of corporate globalization into poor countries and not development of the poor countries. What avails of such unequal and unjust multilateral economic dispensation under WTO, which does not serve the interest and concerns of developing countries? We had better opt out of it in favour of bilateral and regional trade arrangements.



South Korean protesters shouting slogans during an anti-WTO protest in Hong Kong

Asia, Africa and Latin American third world countries face adverse and distorted international trade regime. America spends \$ 4 billion a year subsidizing its 25000 cotton growers, harming 10 million sub Saharan cotton growers. American food aid to developing countries which indirectly helps American farmers also discourages local farmers, distorts food trade to the harm of poor farmers.

While preaching the rhetoric of 'free trade' for the developing countries, the agreement does not provide any blanket duty and quota free access of goods to markets of developed countries but only as a special preferential treatment to the 50 least developed countries offers 97 percent access for their products. Bangladesh garment industry will receive a hard knock by this three percent exclusion list which covers access of textiles to US market. The EU, however, already provides access to

everything other than arms from the least developed countries. It is not known why the group of 20 led by India, Brazil, South Africa, China and other emerging large economies which negotiated on behalf of the developing countries signed up the conference declaration which is highly skewed, unequal and discriminatory. The Marrakesh declaration of 1995 after 10 years of Uruguay round of trade negotiation under GATT provided for setting up WTO and its decisions by consensus. G20 could very well veto the draft declaration or was it a sellout? One can only speculate and pity helplessness of a non-performing high powered Bangladesh delegation from Dhaka and Geneva.

The declaration provides a plan by USA, EU and Japan to finance millions of dollars in aid to developing countries to help compensate their loss in global trade by improving the port, highways and shipping facilities.

This may be a ploy to hedge the design of developed countries to boost their export of service industries to develop infrastructure and perpetuate the dependency syndrome of developing countries without opportunities of achieving self reliance. Aid for trade will lock the third world countries in debt and not promote development.

Hong Kong trade talks declaration scripted by WTO speaks of the tired mantra and discredited rhetoric of structural adjustment, free trade, open market, investment and privatization, precisely the language of globalization and Washington consensus prescribed by the World Bank and IMF as panacea to accelerate the economic growth of developing countries. But the prescription far from bringing equilibrium and balance in the existing economic disparity between the rich and poor countries has aggravated the gap between the two. It has widened the disparity between

the rich and the poor within the society exacerbating the misery, sufferings and destitution of the poor.

The consequences of unrestricted access of industrial goods and service industries including bank, insurance and telecommunication and other corporate business in developing countries are all there for us to see. Privatization campaign is now extending beyond banks and factories to electricity and water, two vital resources which will remain beyond the affordability of the poor. Bright and glittering shopping malls and super markets which have sprung overnight are stacked with imported goods chasing and wiping out local products. Local manufacturing industries are unable to compete with cheap and subsidized foreign products without tariff protection. The local construction materials have been priced out of business by the competing imported European fittings and fixtures. The unrestricted import of luxury vehicles as well as cheaper ones has destroyed the potential of developing local automobile industry to cater to the need of burgeoning middle class trapped by the lure of consumerism, competition and demonstration effect.

The agreement cobbled together will not remove the restrictive line of market access that divides the developed and developing countries. It will not bring benefits to millions of poverty stricken people in developing countries but discard their development, national industrialization, food sovereignty, social welfare and equity. Instead, market access, liberalization of trade, international commerce and privatization are the guiding principles. The objective of the game seems to be free trade by forced intrusion of corporate globalization into poor countries and not development of the poor countries. What avails of such unequal and unjust multilateral economic dispensation under WTO, which does not serve the interest and concerns of developing countries? We had better opt out of it in favour of bilateral and regional trade arrangements.

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Price hike and people's attitude

AMM SADIQUEULLAH

RECENTLY, Adcomm, a leading advertising company, commissioned a study of people's attitudes and behaviour. The results gleaned from the study make interesting reading and could be useful to the government in its efforts to address issues such as price hike.

It is obvious nowadays that the price of everything ranging from essential daily commodities to transportation, educational, medical and other expenses are increasing. According to the study, as a consequence of the price hike, the majority (97.7 percent) of the people in Dhaka metropolitan city and in other parts of the country are facing deep trouble in coping with the situation.

Out of 97.7 percent people only 9.8 percent in Dhaka city are trying to reduce using electrical appliances to reduce their electric bill, but 8 percent of the people are reducing their daily bazaar, 6.7 percent stopped going out unnecessarily, and 4.9 percent are not attending social parties.

On the contrary, 19.9 percent of the people surveyed outside of Dhaka city reduced their daily bazaar and 11.3 percent are trying to reduce using electrical appliances to reduce their electrical bill. Besides they try to use less expensive vehicles for transportation purpose, rent less expensive houses, be more cautious in purchasing expensive products, try not to give in to the unreasonable demands of children, stop using dish connection, etc.

However, it was revealed that during their daily bazaar 45.6 percent of the consumers were bargaining regularly and 45 percent occasionally. In purchasing fish and vegetables, 30.2 percent bargain in Dhaka city. On the other hand outside Dhaka, 36.1 percent bargain regularly and 51.4 percent bargain occasionally while purchasing daily bazaar. While purchasing fish only 26.7 percent bargain outside Dhaka city. It is surprisingly revealed that in Dhaka city 2.3 percent of the people do not bargain at all while doing their daily bazaar.

To cope with the price hike condition and to ease the financial problems of the family, 21.1 percent in Dhaka city are doing part-time jobs, and in other parts of the country 45 percent are involved in some kind part-time work. In Dhaka

the majority do not do any part-time jobs because their income is higher compared to people residing in other parts of the country.

Of those who do part-time jobs in Dhaka, 48.3 percent do private tuition, 24.1 percent try to be self employed by doing small businesses. On the other hand, outside of Dhaka area, 43.7 percent do private tuition, 12.7 percent sewing work, and 11.3 percent do business.

Furthermore, it is revealed that in Dhaka areas 42.1 percent and in other parts of the country 64.4 percent of the people try to convince their able members of the family to take up part-time work.

It has been noticed that even in this kind of economic situation, in Dhaka city 75.4 percent and in other areas outside of Dhaka 79.2 percent of the people participate in entertainment related activities. Those who participate, among them 26.3 percent watch TV, 18.4 percent read newspaper, and 10.5 percent go for outings as their sources of entertainment in Dhaka city. Meanwhile in other areas of the country 37.9 percent watch TV, 15.7 percent read newspaper, and 7.1 percent go for outings.

81.9 percent of the people in Dhaka city do not think of cutting the education expenses of their children, in spite of financial hardships compared to 59.9 percent outside of Dhaka city. It is revealed that in Dhaka city 42.9 percent try to reduce their education expenses by not keeping private tutors and 21.4 percent try to teach their children themselves. On the other hand outside Dhaka 55.6 percent stopped keeping private tutors and 18.5 percent are trying to teach their children themselves. Moreover, a significant percentage of parents convince their children to use bus instead of motor vehicles, advise their children to use stationeries properly, and give home-made tiffin for school, both in Dhaka city and other parts of the country.

To cope with medical expenses, 38.5 percent in Dhaka city try to avoid going to specialist as much as possible because of high fees, while 20.3 percent take medicine when they feel it is necessary and 11.1 percent try to take homeopathic medicines in case of normal and even in complex diseases.

On the other hand, outside of Dhaka 26.3 percent try to take homeopathic medicines, 22.4 percent of the people try not to go to

specialist doctors, 16.7 percent take medicine when they feel it is urgent, and 10.3 percent take help of Ayurvedic treatment.

It was also revealed that, because of less faith in doctors, the majority of the people, both in Dhaka as well as outside of Dhaka, go to only those doctors who are really good and reliable. The upper class and middle class go abroad for complex treatment because they feel that they will get proper treatment, their money will be used appropriately, and it will be hassle-free. It was also revealed that people both from Dhaka as well as other parts of the country take less number of medicines as they cannot afford to purchase these. They try to live a healthy and disciplined life by jogging, avoiding rich food, going to the gym regularly, cutting down on cigarettes, etc.

The last thing which was revealed from the study is that in Dhaka city 43.8 percent of the people think that because of price increase of almost everything, they are encountering economic hardship.

10.4 percent opined that population boom, 9.0 percent administrative inefficiency, 7.6 percent corruption, and 3.5 percent opined that political pandemonium were the main reasons for price hike. Besides those, the reasons people pointed out are black money, greediness of businessmen, extra imposed tax and VAT, changing life style of people, increased demand of people, etc.

People outside of Dhaka are of more or less the same opinion, only the percentage varies. 45.5 percent of the people think that because of price increase of everything they are faced with economic hardship.

23.6 percent opined that population boom, 5.5 percent political pandemonium, 3.6 percent corruption and administrative inefficiency, and 2.4 percent opined that the new pay scale were the main reasons for price hike. Besides these, the other reasons people pointed out are changing life style of people, terrorism, and competition among people for status and advertisement.

To help people to overcome this economic crisis people from all walks of life should come forward and take necessary steps against this price hike.

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