

Factories in port city cry for gas, power

Chittagong chamber president talks about the barriers to development

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MANY of the newly built factories in Chittagong are yet to go for production, while some existing ones are running below their capacity due to a severe gas and power crisis in the port city, said Murshed Murad Ibrahim, president of Chittagong Chamber of Commerce and Industry (CCCI).

He also pointed to another perennial problem in the business hub -- weak infrastructure, which he said is eroding efficiency in business and driving away investors.

"About a hundred of new factories can't go for production; many steel re-rolling mills are running below their capacity due to the gas crisis."

He asked the government to rethink gas supply to Chittagong Urea Fertiliser Ltd and Karnaphuli Fertiliser Company Ltd as these two factories are using the gas that was allocated for Chittagong industries. As a result, a gap has been created and the industries are facing a dearth, Ibrahim added.

As the demand for gas is increasing day by day in Chittagong, the government should set up another pipeline for the port city, he said.

He also said the government hiked fuel oil price by around Tk 10 within a month, which has affected the local market. He blamed the oil-based rental power plants and said the government is spending a huge fuel oil and subsidies for these plants. "To adjust the subsidy, the government increased the fuel price for general use," he said.

Due to the price hike of fuel oil, the price of different goods marked a rise by about 20 percent that affected people from all walks of life. He expressed frustration over the issue and said he cannot understand how the government would tackle the situation.

Ibrahim said the government policies for trade and business are all satisfactory, but all the initiatives fail due to bureaucratic barriers.



Murshed Murad Ibrahim

"When I went to purchase a vessel, I submitted all the documents to a ministry and according to the rules, I was supposed to get back the papers within a day."

But he said he got the documents after three months. "This is nothing but harassment."

He urged the government to remove the bureaucratic barriers to increase investment in Bangladesh.

Ibrahim also said local and international traders are facing trouble due to volatility in the dollar rate, which disturbs market stability.

His chamber is content with the present law and order situation but is frustrated by traffic congestion on the roads that creates a bad impression on the foreign investors' mind.

The CCCI president said his chamber is actively trying to draw the attention of investors. A team of the chamber started its mission in Japan and successfully brought investment in the call centre business.

On the successes of his chamber during his tenure, he said they were successful in stopping the transformation process of a tea auction centre from Chittagong, setting up a full bond commissionerate and ensuring full empowerment of the joint stock company.

With demands they placed, the government declared the ship breaking and recycling sector an industry, and an environment friendly policy for ship breaking is being prepared.

The CCCI president said they are building the

country's first World Trade Centre, and 70 percent of its work is complete. It would open a new door of opportunities in the international market, said Ibrahim, who is also a director of International Chamber of Commerce and Industry.

The Chittagong Chamber is working in the port city as a bridge between the government and the business community, he said. Different officials of the government including the commerce minister bank on the chamber. On major issues such as price hikes and preparing budget, the government always takes suggestions from the CCCI, Ibrahim added.

On his contribution to the national economy, he said he has been doing business here from 1990, generating employment for people. His family business -- Ibrahim Cotton Mill -- played a vital role in strengthening the textile industry in the country.

In addition, he has two ocean-going mother vessels that have saved a lot of foreign currency. He wants to expand his business because the shipping sector has a great opportunity in Bangladesh. There are 65 mother vessels in the country, carrying 15 percent of export and import goods, he said.

To become a regional business hub, Chittagong at first needs infrastructural development, the best use of the airport, developed roads, sufficient energy and an industrial zone in Mirsarai, he said.

Ibrahim, who is also a former executive committee member of Saarc Chamber of Commerce and Industry (Bangladesh Chapter), backs transit but said the condition of roads in the port city as well as in the country is not favourable for transit. The government should first develop the roads and then go for transit, he added.

Ibrahim does not agree with the way the government wants to stop pollution. The government wants to remove pollution within a day, which is not possible, he said. "It is important that the government gives enough time."

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Why isn't capitalism working?

LAWRENCE SUMMERS

AMERICANS have traditionally been the most enthusiastic champions of capitalism. Yet a recent American public opinion survey found that just 50 percent of people had a positive opinion of capitalism while 40 percent did not. The disillusionment was particularly marked among young people 18-29, African Americans and Hispanics, those with incomes under \$30,000 and self-described Democrats.

Three elections in a row in the US have been bloodbaths by recent standards for incumbents, with the left side doing well in 2006 and 2008 and the right winning comprehensively in 2010. With the rise of the Tea Party on the right, and the Occupy movement on the left, this suggests far more is up for grabs than usual in this election year.

So how justified is disillusionment with market capitalism? This depends on the answer to two critical questions. Do today's problems inhere in today's form of market capitalism or are they subject to more direct solution? Are there imaginable better alternatives?

The spread of stagnation and abnormal unemployment from Japan to the rest of the industrialised world does raise doubts about capitalism's efficacy as a promoter of employment and rising living standards for a broad middle class. This problem is genuine. Few would confidently bet that the US or Europe will see a return to full employment as previously defined within the next 5 years. The economies of both are likely to be constrained by demand for a long time.

But does this reflect an inherent flaw in capitalism or, as Keynes suggested, a "magneto" problem (like the failure of a car alternator) that can be addressed with proper fiscal and monetary policies, and which will not benefit from large scale structural measures? I believe the evidence overwhelmingly supports the latter. Efforts to reform capitalism are more likely to divert from the steps needed to promote demand than to contribute to putting people back to work. I suspect that if and when macroeco-

nomic policies are appropriately adjusted, much of the contemporary concern will fade away.

That said, sharp increases in unemployment beyond the business cycle -- one in six American men between 25 and 54 are likely to be out of work even after the US economy recovers -- along with dramatic rises in the share of income going to the top 1 and even the top 0.01 percent of the population and declining social mobility do raise serious questions about the fairness of capitalism. The problem is real and profound and seems very unlikely to correct itself untended. Unlike cyclical concerns there is no obvious solution at hand. Indeed the observation that even Chinese manufacturing employment appears well below the level of 15 years ago suggests that the problem's roots lie deep with the evolution of technology.

The agricultural economy gave way to the industrial economy because progress enabled demands for food to be met by only a small fraction of the population, freeing large numbers of people to work outside agriculture. The same process is underway today with respect to manufacturing and a substantial range of services reducing employment prospects for most citizens. At the same time, just as in the early days of the industrial era, the combination of substantial dislocations and greater ability to produce at scale is enabling a lucky few to acquire great fortunes.

The nature of the transformation is highlighted by the 50-fold change in the relative price of a television set of a constant quality and a day in a hospital over the last generation. While it is often observed that wages for median workers have stagnated, this obscures an important aspect of what is occurring. Measured via items such as appliances or clothing or telephone service where productivity growth has been rapid, wages have actually risen rapidly over the last generation. The problem is that they have stagnated or fallen measured relative to the price of housing, health care, food and energy or education. As fewer and fewer people are needed to meet the population's demand for goods like appliances and clothing, it is natural that more and more people work in pro-



An unidentified Occupy DC protestor calls for people to boycott Starbucks as he draws his views on the sidewalk with chalk in a front of a Starbucks coffee shop in Washington DC on Monday.

ducing goods like health care and education where outcomes are manifestly unsatisfactory. Indeed as the economist Michael Spence has documented, a process of this kind is underway; essentially all employment growth in the US over the last generation has come in non-traded goods.

The difficulty is that in many of these areas the traditional case for market capitalism is weaker. It is surely not an accident that in almost every society the production of health care and education is much more

involved with the public sector than the production of manufactured goods. There is an imperative to move workers from activities like producing steel to activities like taking care of the aged. At the same time there is the imperative of shrinking or least slowing the growth of the public sector.

This brings us to the charge that the governments of industrial market capitalist societies are bankrupt. Even as market outcomes seem increasingly unsatisfactory, budget pressures have constrained the ability of the

public sector to respond. How and when -- and not whether -- basic programmes of social protection will be cut back, is now back on the table. The basic solvency of too many capitalist states seems in question.

Again the problems are very real. While I believe more than most that the US government will be able to borrow on very attractive terms for a long time, if as I fear private borrowing remains depressed, there is no denying that the current path of planned spending and planned revenue collection are inconsistent. And Europe is teaching us that markets can take significant fiscal problems and make them catastrophic by becoming too alarmed too rapidly.

At one level the answer here is simply to insist on more political will and courage. But at a deeper level, citizens of the industrial world who believe that they live in progressive societies are right to wonder why increasingly affluent societies need to roll back levels of social protection. Paradoxically, the answer lies in the very success of capitalism which has made the opportunity-cost of an individual teaching or nursing or administering that much more expensive.

When outcomes are unsatisfactory, as they surely are at present, there is always a debate between those who believe that the current course needs to be pursued with increased vigour and those who argue for a radical change in direction. That debate is somewhat beside the point in the case of market capitalism. Where it has been applied it has been an enormous success. The challenge for the next generation is that while that success will increasingly be taken for granted and indeed will become an increasing source of frustration in these pinched times, its success cannot be matched outside the market's natural domain. It is not so much the most capitalist parts of the contemporary economy but the least -- those concerned with health, education and social protection that are in most need of reinvention.

Lawrence H Summers is the Charles W Eliot University Professor at Harvard and former US Treasury Secretary. The article has been taken from Reuters.

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