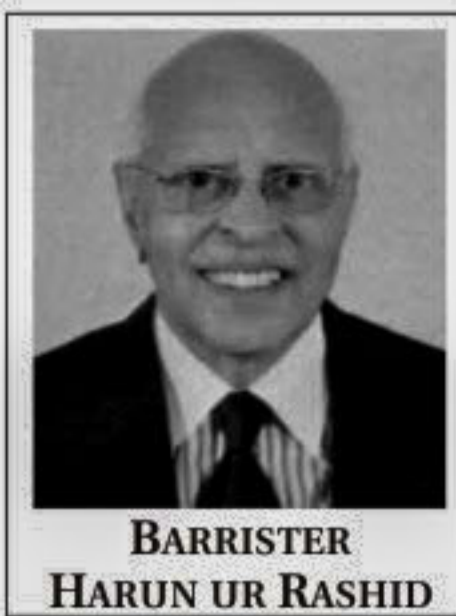


BOTTOM LINE

# Chinese PM's brief but significant visit to Nepal



BARRISTER  
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NEPAL and China enjoy very close and friendly relations on account of geographical proximity and close cultural and economic bonds. The establishment of diplomatic relations between Nepal and China in 1955 formalised the centuries old people-to-people contact and traditional friendship. The exchange of high level visits in the past has greatly contributed to mutually supportive relations between the two countries.

Chinese Premier Wen Jiabao visited Kathmandu on Januray 14 for four-and-half hours on his way to the Middle East. Wen is the highest level Chinese leader to visit Nepal in 10 years. Nepalese Deputy Prime Minister cum Foreign Minister Narayan Kaji Shrestha went to Beijing in December to extend an invitation to the Chinese prime minister.

Originally the Chinese prime minister was scheduled to visit Nepal on December 20, but it was postponed two days before that. Some say it was for security reasons.

Jiabao's trip shows the importance Beijing attaches to its ties with Nepal. In recent years, China has significantly

increased financial and security-related logistical aid to Kathmandu. Though both India and China are engaged in an unofficial race for supremacy in Nepal, no Indian prime minister has visited Kathmandu since Inder Kumar Gujral's bilateral trip in 1996.

Since 2008, China has urged Nepal to strictly monitor its border with Tibet and keep tab on all activities of the nearly 20,000 plus Tibetan refugees in the country. Due to Nepal's "One China" policy, there is stringent control over activities by Tibetan refugees. Improved security measures have reportedly been undertaken to prevent Tibetan refugees from carrying out "anti-China activities" in Nepal.

Economic and trade ties have increased over the years between the two countries. Nepal incurred a deficit of over Rs.43 billion with China during 2010/11. Nepal exported goods worth Rs.746 million to China while imports from China amounted to Rs.45.63 billion -- up from Rs.39.21 billion in 2009/10.

To reduce the trade deficit, Nepal and China in 2010 signed an accord that will allow zero-tariff entry facility to 4,721 Nepali exportable items into the Chinese market. The list of commodities enjoying the facility covers some 60% of total prod-

ucts that Nepal exports to China.

During the trip, China and Nepal signed eight agreements including the following:

- Bilateral Investment Protection and Promotion Agreement (BIPPA);
- Building of four dry ports on Nepal-Chinese border;
- Construction of an international airport at Pokhara;
- Setting up of two economic zones in Nepal;

*China is not willing to allow Nepal to come within India's domination, and the rivalry between the two rising powers may help Nepal to bargain for its benefits from both countries.*

- Economic and technical assistance; and
- A grant assistance of 750 million Yuan (Rs. 9.75 billion) for the next three years for the development of mutually agreed projects.

Wen also pledged special grant assistance of \$20 million (over Rs.1.65 billion) to the government to support the peace process. This is a budgetary support and will be used particularly for financing rehabilitation of Maoist combatants.

China pledged financial and technical assistance worth 10 million Yuan (about Rs.130 million) to enhance capability of Nepal police. Another technical assistance

package of 400,000 Yuan (about Rs.5.2 million) was signed for strengthening the Armed Police Force.

The proposal of running China-Nepal Direct Cargo Service by the Chinese Railway Company would further help to develop the economic relations of the two countries. Moreover, it would also help the Nepalese businessmen to export their goods to other countries using this service.

The two sides also agreed to construct and manage dry ports along the six Nepal-China border points in a bid to facilitate bilateral trade and movement of people. China agreed to allow Nepal's residing within 30 km of the international border to use the pasture and graze their livestock on the other side of the border.

The two governments have agreed to develop international-standard dry ports and cargo terminals in Yari-Pulam, Rasuwa-Jilong and Kodari (Tatopani)-Zangmu (Khasha) customs. China further agreed to expedite the implementation of Tatopani Dry Port and upgrading and expansion of the existing Ring Road in the Kathmandu Valley.

Wen also assured enhanced cooperation to ensure that the construction of Upper Trishuli 3A Hydropower Project, being developed with Chinese concessional loan,

proceeds smoothly. He also positively acknowledged China's participation in the construction of Pokhara International Airport.

In this connection, the two sides agreed to make full use of existing mechanisms like Nepal-China Joint Economic and Trade Committee and also decided to form a new consultation mechanism at foreign minister level.

Nepal also requested China to extend the railway line that it has been building since 2008 from the bordering town Khasa to Kathmandu and also up to Lumbini. The Chinese premier said such an extension was highly possible.

If the railroad reaches Kathmandu from Lhasa Bangladesh will also find another route to send its products to China, besides the proposed route from Chittagong to Kunmin through Myanmar.

The visit, although brief, has been a landmark one because China has promised to pour money into Nepal for infrastructure, hydro-power projects and connectivity. The visit demonstrates that China is not willing to allow Nepal to come within India's domination, and the rivalry between the two rising powers may help Nepal to bargain for its benefits from both countries.

The writer is a former Bangladesh Ambassador to the UN, Geneva.

## EXCLUSIVE INTERVIEW

# 'Rural trade and transport have increased tremendously'

**Dr.Mahabub Hossain is an internationally renowned development economist. He had MA in Economics from Dhaka University in 1969 and PhD in economics from the University of Cambridge in 1977. Currently, he is Executive Director, BRAC. He was Director General of the Bangladesh Institute of Development Studies (BIDS), Dhaka (1989-1992) and Head of the Social Sciences Division of the International Rice Research Institute (IRRI) Philippines (1992-2007). He is the President-elect of the Asian Society of Agricultural Economists (2011-2013). Dr. Hossain is known for his contribution to knowledge on agriculture policy and rural development in South and Southeast Asia. Rifat Munim of The Daily Star talks with Dr. Hossain about the progress the rural economy of Bangladesh has made in the past 40 years and also about the challenges it faces.**

**The Daily Star (TDS): How far has our rural economy progressed in the past 40 years?**

**Mahabub Hossain (MH):** Let me begin by clarifying the concept of rural economy. There is a common misconception that agriculture constitutes the whole of rural economy. In fact, agriculture is the predominant rural economic activity but then people engage in many non-farm activities such as processing, trading and transporting agricultural products, which together constitute rural economy. The infrastructure in rural areas that supports economic activities, and the service sector such as education and healthcare are also major components.

At independence, more than 85% people lived in rural areas, which now has come down to 70%. For an assessment of the development of rural economy in the last four decades, one has to begin with agriculture. Growth in agriculture has accelerated. During the first two decades after independence, we had 2% growth per year. It increased to 3% in 1990s and 4% in the 2000s. Over the last few years it has approached 5%. This development has taken place because of rapid development in improved agricultural technology like high-yielding varieties, and rapid expansion of irrigation infrastructure through private investment in tube wells that facilitated adoption of the technologies by farmers. Although 90% of our farmers are small and marginal farmers, the average size of holding has reduced from 1.4 ha in 1960 to 0.53 ha in 2008. Though most of the farmers are illiterate, they are very innovative and have responded well to the availability of improved technology in agriculture. Our rice sector has done miracles with almost three times increase in production over the last four decades.

The growth has, however, remained limited to cereal crops -- wheat and maize -- and recently in potato and other vegetables. We have not done well in meeting the needs of the nutritious crops, such as pulses, oilseed, and sugarcane, for which we have become increasingly dependent on imports. The growth of livestock and fisheries has also not been satisfactory, except poultry farming and pond aquaculture. The non-farm activities grew faster than agriculture in the 1980s and 1990s, being facilitated by expansion of rural roads and rural electrification. But this growth has slowed down in the last decade because of infrastructural bottlenecks. The access to quality education for children and provision of healthcare facilities need to be improved.

**TDS: If the rice sector has done so well, why do we have to import rice on such a large scale?**

**MH:** We are now importing only 3% to 5% of our need, which was almost 10% at the time of independence. In

fact, in normal years we are on the verge of self-sufficiency, but we have to import in the years following natural disasters -- floods, droughts and cyclones -- whose frequency and severity have been growing due to global warming and associated climate change. The government often imports for building emergency stocks and for running safety nets and social protection programmes for the poor and the vulnerable people, which will continue even after we become self-sufficient in domestic production.

**TDS: You also referred to some non-farm activities. What are those and to what extent do they contribute to rural economy?**

**MH:** Two decades ago, agriculture accounted for almost 60% of the rural income, but now it has come down to roughly 45% and rural non-farm activities have taken over. Because people have very small farms, and during slack period of cultivation they engage in many non-farm activities which include rural industry, trade and transport, labour in both road and building construction, and salaried and personal services. These have been growing faster than agriculture, except in the last decade. We have also experienced growing modernisation in the non-farm economy with modernised transport and mechanised equipment and machinery. Traditional rural industries such as rice milling by dhenki, oil pressing by ghani, and pit looms have declined and given way to modern mills and power looms.

Rural trade and transport, on the other hand, have increased tremendously. Farmers are now generating surplus for the growing urban population and purchasing modern agricultural inputs such as fertilizer, diesel, pumps and tube wells which are either imported or produced in urban areas. This has generated employment in rural transport and trading activities. The development and maintenance of rural roads has created employment in construction activities. Farm households have been using parts of their increased income for improving houses, which generates employment in house construction and construction related activities such as brick making and wood and bamboo processing. There are about 1.5 million small-scale irrigation equipments and several thousand power tillers and power threshers; operation, repairing and maintenance of these machines have also generated additional employment. In this area, I would like to particularly acknowledge the contribution of the Local Government Engineering Department (LGED) for improved rural connectivity, and the government for proactive policy change in late 1980s for liberalisation allowing the private sector to import and market agricultural machinery and inputs.



Dr. Mahabub Hossain

**TDS: Despite these positive developments why does extensive poverty persist in villages, causing migration of unemployed rural people to cities especially to the capital city? A lot of them are living in make-shift huts along the streets as homeless people.**

**MH:** Through migration rural poverty is transferred to urban areas. Some people are pushed by poverty to move to cities, having no alternative means of livelihood left. This kind of migration is called push migration. But there is also a pull migration that propels people into moving to cities in search of economic opportunities. Take for example the migration of garment workers. Then there's the real-estate boom where skilled masons and construction workers get higher remunerative employment than in rural areas. What is interesting is that many of these workers return to their villages temporarily during harvesting time so that they can optimise their earnings. This also happens to many rickshaw pullers and van drivers.

Bangladesh has experienced substantial improvement in poverty reduction over the last four decades. Indeed, the poverty ratio declined from 75% in the 1970s to 32% in 2010. This is a remarkable achievement. We must keep in mind that population growth is a negative factor against poverty reduction efforts. We have achieved substantial progress in population control; but it is still growing by 20 lakh every year. Had there been no or little economic growth, we could have experienced a poverty ratio of more than 80% now.

**TDS: What are the challenges for rural development and how should we address them?**

**MH:** Accelerating rural development is difficult given extreme scarcity of our natural resources and underdeveloped infrastructure. I believe development of roads and electrification and promotion of quality education are areas where the government has a lot more to do. We need to invest more on marketing infrastructure for linking farmers to markets, and extend rural electrification for promoting development of growth centres. We have plenty of human resources but we need to develop their quality with relevant education, particularly at the secondary level. We need to decentralise administration and strengthen local government, to unleash the energy of the people by allowing them to participate in development activities and to create an enabling environment of transparency and accountability. Last but not the least we must accelerate the growth of industry and formal service sector to mop up surplus in rural economy through pull migration.

# The rise of degree inequality

ALAMGIR KHAN

**C**HARLES M. Blow asked: "Is income inequality becoming the new global warming?" He answered: "It's beginning to seem so," in his column in the New York Times (December 16 2011). Income inequality has become the central theme in the current presidential race in America. The Occupy Wall Street movement has brought it to a head. Compared with this, political leaders in Bangladesh have been living in tranquility in this regard. But the appeal of We Are 99% has been so widespread that this warming is being felt everywhere. One of the collateral effects of this global warming through the growing income inequality is degree inequality.

A report in the New York Times (February 9) says: "Education was historically considered a great equaliser in American society, capable of lifting less advantaged children and improving their chances for success as adults. But a body of recently published scholarship suggests that the achievement gap between rich and poor children is widening, a development that threatens to dilute education's leveling effects."

How level a field America has is understood from Paul Krugman's New York Times column "America's Unlevel Field" (January 8) in which he wrote: "America actually stands out as the advanced country in which it matters most who your parents were, the country in which those born on one of society's lower rungs have the least chance of climbing to the top or even to the middle." The outcome of all this is, in his words: "Smart poor kids are less likely than dumb rich kids to get a degree." Just a month later, his further comment in his article "Money and Morals:" "Among rich countries, America stands out as the place where economic and social status is most likely to be inherited."

If this is the condition in the most advanced country in the world, we have been living in an ironical illusion thinking that the words in the Constitution of Bangladesh give equal rights to every citizen and makes the social field level for everyone. Borrowing from George Orwell's Animal Farm, it is more level for some. How level Bangladesh's playing field is can be understood clearly from these words of Anu Muhammad, economics professor at Jahangirnagar University: "The population of Bangladesh in 1971 was 75 million, now it is 150 million. What is the population living under poverty line in Bangladesh after 40 years of its independence? No, not less than 75 million!" (online Meghbarta, October 16, 2011).

A wall of inequality has divided the nation into two halves. One half of the people live above the poverty line and the other half below. All of the half living above the poverty line also does not live on the same plane. The top 1% of them enjoys 99% of the wealth of the state. Of the 99%, those at the bottom are struggling tooth and nail not to fall through the poverty line. One can easily understand how difficult it is for any one of those disadvantaged 75 million people to dream of going to school, let alone having higher education. A few days ago, the vice chancellor of Jagannath University said: "Higher education is a thing to purchase. The suggestion that it is expensive makes no sense."

Income inequality has been increasing and also giving rise to degree inequality. About 80 lakh children are already out of school -- those who are served neither by formal nor by informal education -- in Bangladesh. Half of those who are enrolled leave school without completing the education cycle. A lot of boys and girls in the country dare not think of having a doctorate degree, but can only dream a very simple dream, having an SSC/HSC certificate. But their dreams are crushed under the heavy boots of poverty.

A single person roaming the globe with a dozen doctotatate degrees will not solve our problems. Let us not increase the new global warming by increasing income inequality and degree inequality together.

The writer is Coordinator, Ethics Club Bangladesh.