BITTER TRUTH

Agro-based industries in countryside

MD. ASADULLAH KHAN

THE political as well as economic situation in the country is perhaps heading for chaotic times with no apparent signs of a redeeming future for the people at large. Millions of them have started wondering whether elections or people's government could bring about substantial change in their lot. Happily, food shortage could be avoided during the last two years because of intensive thrust on agriculture to increase productivity, but most people in the countryside, where 70% of the population lives, remain as poor as ever.

The lower middle class and working class just could not share the country's economic growth.

As the political impasse lingers, development efforts stall, economic woes mount, more and more people are leaving their rural homes. Rural areas are charged with rising and unfulfilled expectations of vast numbers of unemployed youth because of the mal-distribution of national wealth and lack of expansion of basic industries which could offer employment to them. The people are crying for setting up of industrial zones in the countryside with the availability of electricity at affordable price.

The countryside has vast possibilities. The populace is implicitly committed and persevering and imbued with a sense of integrity and sincerity of purpose. But this potential, till now, has not been tapped.

Because of political bickering, vandalism, extortion, terrorism, disintegrating transport system, lack of smooth road links, power crisis and other disincentives, investors from abroad are withdrawing from Bangladesh. Bangladeshis are also pulling out their money.

In the face of such an ominous situation, the prime responsibility rests with the politicians. Political leaders and industrial entrepreneurs must consider self-sacrifice rather than self-service as the most essential agenda now. In rejecting other political parties in the last election, the largely illiterate and overwhelmingly poor electorate confirmed a vigorous tradition of exercising its right to make free political choices. Voters also signaled their disillusionment with the previous regime's failure to deliver on its tall promises to spur equitable economic growth and agricultural rejuvenation. Sadly true, the policy measures pursued by the Al-led government so far have fallen far short of the party's election pledges. The hopes and aspirations of the rural folks can only be realised by implementing the proposed "one house, one farm" policy in rural Bangladesh

For balanced development of all areas and all classes of people, the role of small-scale industries that can contribute significantly to the development of all regions can hardly be overestimated. People were hoping that after the construction of the Padma Bridge, the full potential of the country would pave the way for equitable distribution of wealth through labour-intensive production mechanisms so vital for creating jobs. Development efforts that do not involve nearly 60% of its population cannot lead to economic emancipation. Promoting small industries and small business at the doorsteps of the people and augmenting their skills can lead to alleviation of the woes of the people.

The growth of, and the role played by, the business houses and commercial entrepreneurs mark a salient criterion for economic development. But the business houses must contribute at least 3% of their after-tax profit to the poverty alleviation programmes annually. The government must think about advancing loans to low income groups and enthusiastic young entrepreneurs on either very low or no interest basis for income generation. Such loans not only encourage but also induce people to start small enterprises in rural areas.

Evidently, such programmes when initiated with availability of electricity at affordable price, availability of housing facilities for the workers and excellent road links, not only with cities but also with land and river ports, foster economic growth. When these facilities are created, the rising tide of migration to the cities will come to a halt.

Our experiences suggest that government optimism about attaining macro-economic stability through utilisation of World Bank and IMF loans in development projects did not bear fruit. People are worried that the fruits from the economic expansion have gone mainly into the coffers of the big companies, affluent groups and influential quarters.

To offset such trends, the government must ensure that successful private firms, entrepreneurs and industry owners distribute at least 20% of their stocks to employees or to peasant-based cooperatives to spur equitable distribution of wealth and create in them a sense of belonging in these ventures. Cash infusion here and there can't bring about real economic change unless it is followed by investments in human capital, resource mobilisation and creation of growth centres in the rural areas with subsidy to agro-based industries.

Reports say that cap making industry initiated by some enterprising women's group in a Kurigram village has immense potentiality that has attracted exporters. But capital shortage discourages the growth of many such small-scale industries. Banks should provide collateral-free loans to enterprising men and women, allowing grace period for paying back the loans. At the same time, government should set up sales-centres at village and district levels to help grass-roots entrepreneurs sell their products.

Good quality fruits are produced in huge quantity in many parts of the country. People in these areas now see that planting, marketing and export of these agro-based products offers splendid prospects for themselves and the country. Large quantities of fresh fruits and vegetables are wasted every year owing to spoilage, absence of smooth road links with the city centres, and lack of processing and preservation facilities -- especially during peak harvesting season. This calls for setting up of agro-based industries and cold storage facilities to prevent rotting, which in turn would create job opportunities for a vast number of unemployed young men and women.

To establish agro-based industries, we need to evolve appropriate technology to maintain purity and standard quality, and for clean and wholesome processing, preservation and canning. This calls for participation of big businesses and entrepreneurs for mobilising funds to help these growth centres develop throughout the country.

Grinding bureaucracy, rampant corruption and slow progress in project formulation as well as implementation and nagging delay in having electricity, water, and gas connection at the factory premises are disincentives for new entrepreneurs.

We need to speed up growth momentum in a wider section of the populace, which is the only option left to halt the migration of people to city areas. After all, people want to stay in the areas they have grown up in provided all facilities including employment generation, basic health care and education of the children are readily available there. The government must realise that the growth of consumer materialism which allows the principal cities and other urban centres to overlook the social ills can prove to be too costly for the whole country. At the same time, if cities are allowed to grow at the expense of the villages, the cost may be too high.

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Can Bangladesh benefit from globalisation?

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THE last few decades witnessed a dramatic increase in the globalisation trend, particularly for the emerging market economies. Increased pace of globalisation was aided, among other factors, by the spectacular advancement of technology, removal of trade and investment barriers and collapse of the former Soviet regime. Although the wind of globalisation has swept over many South and Southeast Asian nations and reached the shores of Bangladesh, Bangladesh still has to exploit the full potentials of this powerful undercurrent unleashed by the globalisation process.

If we look at two of our largest neighbouring nations, China and India derived 29% and 25%, respectively, of their national incomes from export-oriented sectors in 2011, while the share of this sector is about 23% for Bangladesh (Table 1). In this paper, we will start off with a brief discussion on the meaning of globalisation to shed light on its influence and its impact on Bangladesh. We will also discuss some of the areas that Bangladesh could target in the coming years and suggest a framework of policies that might help Bangladesh in reaping maximum benefits from globalisation.

What is globalisation? In his book entitled Globalization and Its Discontents, economist and Nobel Laureate Joseph Stiglitz defines globalisation as "the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders." (New York: Norton & Company, 2002). If we carefully deconstruct this working definition of Stiglitz, it is not very difficult to see that for Bangladesh, the question is not so much whether we are now part of the global economy, as much as what are the trends and where should we be heading to be part of the rising tide of globalisation.

Since its inception, Bangladesh has expanded its foreign trade sector significantly, and like many other Asian economies has made significant strides in many aspects of the global economy: labour market, telecommunications, foreign direct investment, and digital revolution. Using a few commonly used measures of trade integration such as export, import, and trade ratios, Table 1 provides some trends and we notice the following: a) Bangladesh has made steady progress in globalisation since 1980; and b) Bangladesh's trade ratio of 47% compares favourably with India (44%) and Pakistan (35%), but unfavourably with China (68%) and Sri Lanka (68%).

Table 1: Exports, Imports and Trade (as % of GDP), Selected Countries for Selected Years

Country	Export Ratio (% of GDP)			Import Ratio (% of GDP)			Trade Ratio (% of GDP)		
	1980	2007	2011	1980	2007	2011	1980	2007	2011
Bangladesh	5	20	23	18	27	31	23	47	54
China	11	38	29	11	30	27	22	68	56
India	6	20	25	9	24	30	15	44	55
Pakistan	12	14	12	24	21	16	36	35	28
Sri Lanka	32	29	24	55	39	36	87	68	60

Notes: Exports refers to export of goods and services; Imports refers to imports of Goods and services
Trade refers to exports plus imports of goods and services; Ratios refer to % of GDP
Source: World Bank, World Development Indicators, 2012

While some of the advocates of globalisation including Stiglitz and another Nobel-winning economist Paul Krugman have in recent years pointed out some of the hidden costs of globalisation including increased volatility and recurrent global crisis and that globalisation, as in the cases of industrial revolution and the ICT revolution, are inevitable forces that need to be managed well. The questions we need to discuss nationally are: Where are opportunities for Bangladesh? How can we minimise the inherent risks of globalisation and how do we share the benefits of globalisation more equitably globally and internally?

Bangladesh has benefitted from its global ties but it is time to look for new linkages and should behave strategically to realise further benefits. As economist Siddiqur Rahman Osmani points out in his policy paper, "The Impact of globalisation on poverty in Bangladesh," Bangladesh in the 1990s benefitted from three globalisation driving factors: the international commodity market (rice), MFA (garments), and openness of

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factor markets (remittances). However, we note that in recent years, these drivers of growth might be reaching a plateau and it is clear that we cannot expect the strong stimulus from these sectors as it has been in the past.

We have identified several areas where projected growth is expected to be the greatest, and these are:

- ICT, particularly software development, production, cloud computing;
- Taking advantage from outsourcing particularly from the hospitality, medical, financial, and call centres;
- Strong potential that can be reaped by tapping into foreign direct investment, or FDI (energy, power, and telecom);
- Moving up in to higher value-adding activities in the RMG sector;
- Scrap-metal recovery from ship-breaking and also further exploit the country's recent inroads in ship-building;
- Agribusiness, especially processing fruits and vegetables, poultry, cult-flowers, and other value adding activities; and
- Frozen foods, particularly frozen fruits, vegetables, and sea foods.

Bangladesh has not been very successful in attracting a good amount of inward FDI flows from global sources to fill the above mentioned gaps. A quick analysis of FDI inflow reveals that it has hovered within the range of $500 to $900 million annually, although last year it reached a peak of $1.3 billion, which is quite low compared to some other Asian countries such as China and India. The ratio of cumulative stock of FDI to GDP for selected five counties including Bangladesh is shown in Table 2.

Table 2: Foreign Direct Investment (stock) as percentage of GDP

Years	Bangladesh	India	Pakistan	Sri Lanka	China
1990	2.3	0.5	4.7	8.5	5.8
2000	4.6	3.7	9.4	9.8	16.1
2005	5.8	5.3	9.6	10.0	12.1
2006	6.8	7.5	10.7	10.4	10.8
2007	6.4	8.5	17.9	10.9	9.4
2008	6.1	10.2	10.1	10.5	8.4
2009	5.9	12.6	10.9	11.1	9.5
2010	6.1	12.2	11.2	10.1	9.9
2011	5.6	10.9	10.4	9.0	9.8

Source: UNCTAD and Word Bank, World Development Indicators.

A comparative analysis of historical trend of FDI in selected Asian countries including Bangladesh is shown in Table 3. We need to pay attention to the fact that in recent years, Bangladesh has not been as successful in attracting FDI compared as some other neighbouring countries as evidenced from data in Table 3.

Table 3: Growth Rates of FDI (In percent)

Years	Bangladesh	India	Pakistan	Sri Lanka	China
1980-85	0.8	65.3	56.1	124.3	460.1
1985-90	1.6	121.9	75.3	31.4	243.9
1990-95	17.4	240.5	185.9	90.6	388.6
1995-00	160.9	210.5	27.9	23.3	91.2
2000-05	62.3	151.3	51.5	53.3	40.7
2005-10	73.1	365.0	89.2	104.7	116

Source: UNCTAD

From the above discussion, it seems evident that the inflows of FDI into Bangladesh are minuscule in relation to the remittances from non-resident Bangladeshis (NRB) and exports as well as in comparison to inward FDI flows into China and India. What accounts for this state of affairs? Recently, one of the current prime minister's advisers accurately pointed out that political unrest, military intervention, incompetent public sector, obstructive bureaucracy, shortage of land, and natural disasters are some of the factors discouraging FDI into the country. Financial Times also attributed the drop in FDI in 2010 to power/gas shortage.

The next question is: what does the country need to do to attract more FDI? First of all, we cannot overemphasise the importance of coordinated policy that involves various ministries and prime minister's policy advisers to streamline and expedite project approvals and implementation. Other areas of concern are: political stability, law enforcement, better enforcement of property rights, expedited dispute resolution, good governance, and control of corruption.

Furthermore, Bangladesh can try to attract FDI from other emerging economies, e.g., China and India, by cultivating and fostering deeper trade, investment, and other economic ties. One of the authors (Ahmed) has in his research discovered that massive public sector investment in cooperation with foreign governments, international agencies, and global private investors to improve physical infrastructure and technological infrastructure are favorable to FDI flows. These and other actions mentioned above will enable Bangladesh to exploit the opportunities and attain the full potentials inherent in globalisation.

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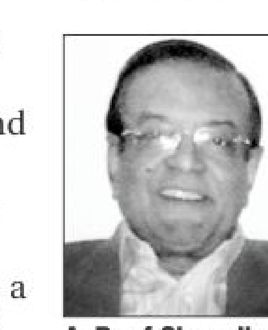
A life remembered: A. Rouf Chowdhury

ALBAB AKANDA, QUAMRUL HAIDER *and* ZULFIQUAR RAHMAN



A. Rouf Chowdhury

IT is hard to write an obituary, especially about someone whom one has known well and has been the proverbial larger-than-life character in one's childhood memories. Abdur Rouf Chowdhury was such a character, a dear friend whose outlook on life was so positive one wondered whether his drive to succeed was a reflection of keen ambition or simply a challenge to live, and live well. We think it was the latter.

Rouf took an intense interest in everything around him -- books, music, sports, politics, and, of course, people. He was particular about friendships, and loyalty to his friends was a distinctive trait throughout his life. We knew Rouf for almost 50 years as part of a close group of friends. The memories are many, from countless school-hours of harmless intellectual pretensions to canteen addas that even included Reader's Digest word power sessions. The strength of his friendship was evident when, even with many years of only occasional contact, he still made the effort to look us up wherever we were -- Washington D.C., California, and New York. Albab recalls that in 1985, a rain-soaked Rouf, together with his lovely wife, Rafia, came by his home in Falls Church and left a gold coin for his son that he keeps among valuable memories.

Rouf had a great sense of humour and always had a ready joke, often leaving us in stitches from bouts of laughter. The smile belied his true capabilities. He had confidence borne of strong intellect and wide reading. He thought clearly and logically, but was never distant. He carried that logic into many riotous rubbers of bridge. True, Rouf had opinions, and fairly strong ones, on a variety of issues, often delivered at school debates in clipped English, skills later honed by his undergraduate years at Oxford. That he was intolerant of mediocrity was clear in the way in which he dismantled specious arguments, but with no malice or condescension -- even though some did see him as mildly arrogant. To our mind, he was caught between the intellectual life that he seemed quietly to hanker for and being a successful and well-regarded businessman, a dilemma that we thought often preoccupied the greatly gifted student that we knew. While he spent time in the Middle East, Rouf preferred Dhaka, building a business at home rather than investing in a life overseas as many of us have done.

Rouf is no longer with us, but we will remember him as warm, kind, generous, good-humoured and welcoming. Our grief at the suddenness of his passing -- "Death don't ring no doorbells. Death don't knock" -- will be replaced by memories of times past and spent together. Eventually, destiny will unite us with him when once again there will be laughter and recollection. Until then, together with Rafia and his two sons, we mourn the death of a fine man, devoted father and husband, and true friend. We shall always be thankful for the opportunity we had to know Rouf. Clichés, no doubt, but that is how we remember him.

Finally, remembering the legacy of his companionship,

"Mourn -- and then onward, there is no returning
He guides ye from the tomb;
His memory now is a tall pillar, burning
Before us in the gloom."

The writers live and work in Virginia, New York and Toronto, respectively.