

Sheikh Hasina's Hanoi visit

It opens up new avenues of cooperation

PRIME Minister Sheikh Hasina's recent visit to Vietnam can be observed from a couple of significant perspectives. In the first place, the trip was for the people of Bangladesh and Vietnam a reminder of the historic struggle the two nations once waged against foreign aggression, eventually emerging triumphant and shaping a new order for themselves. In the second, the prime ministerial trip assumed importance owing to the wide range of issues covered in the discussions by the delegations from both Hanoi and Dhaka. The agreements reached on some of the issues clearly underscore the new dimension given to bilateral relations between the two countries.

That Bangladesh, for its part, is now engaged in a diversification of its diplomacy comes through in the subjects covered by Sheikh Hasina and Vietnamese Prime Minister Nguyen Tan Dung. The emphasis on cooperation in such areas as security, defence and trade and investment is a pointer to the enhanced state of ties the two countries have now embarked upon. Hanoi's experience in providing military security as well as adequate national defence for itself will come in handy for Dhaka, which has on its own in these past few years been trying to resolve its security questions. Obviously, those questions have centred around militancy, with the present government firmly clamping down on it. From such a perspective, the countries can learn from each other.

In the nearly four decades since Vietnam became a unified country in 1975, its leadership has concentrated not only on a consolidation of internal politics but also on large-scale development of the economy, with clearly appreciable results. For Bangladesh, the years since liberation in 1971 have been difficult given the rude assaults made on democracy at various times. Even so, the progress made in the economic sector has been rather remarkable. And now that Dhaka and Hanoi have agreed to expand economic cooperation, things ought to brighten up with a good, fair balance of trade between the two nations. Bangladesh's gesture toward creating favourable trade opportunities for Vietnamese firms must be followed through without any procedural or bureaucratic delays coming in the way. Only that can reassure Vietnam investing more in Bangladesh.

The prime minister's visit to Hanoi reflects a need for Bangladesh to restructure, in that expansive manner, its links to the East. A more economically strategic approach to diplomacy is patently in order.

Passengers' safety gravely endangered

Fatal corruption in Biman must end

JUST over a month into Biman's schedule chaos, the finance minister's threatening to shut it down if things did not improve and our own editorial on the corruption and inefficiency that characterises the national carrier, still new facts have come to light. This time, the concern is not only about corruption in the administration, but the outright threat to the safety of passengers and aircrafts.

According to news reports, in some 18 foreign stations of Biman, the airline's employees are helping to transport tonnes of undeclared luggage in exchange for money, with one flight reportedly carrying around 5,000kg of undisclosed luggage. Undisclosed, meaning that pilots are unaware of the weight of their aircraft, which determines take-off speed and the amount of fuel required for the flight, among other things. Errors in which have resulted in unexpected take-off time, unscheduled stops, emergency landings and even a near-crash situation.

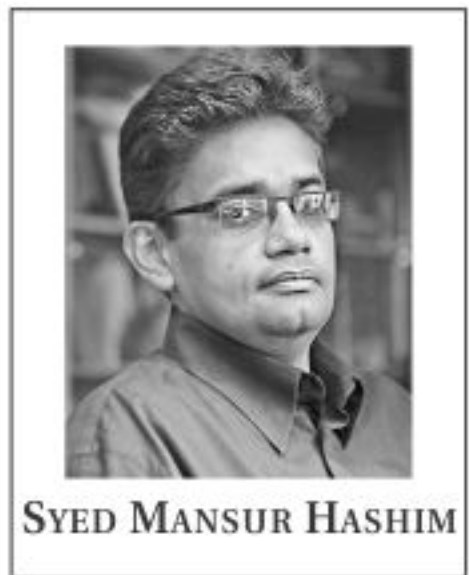
The acting managing director of Biman has said that such incidents have occurred only once or twice, are being probed and that those responsible will be punished through suspension, transfer or demotion. The number of incidents is not the issue here, but the fact that such dangerous practices are occurring at all. The punishment, too, seems inadequate, compared to the possible fatal consequences of the crime. Corruption at this level, which puts the lives of hundreds at risk daily, is unacceptable, and must be dealt with an iron hand. It is no longer a matter of financial loss only, but of the threat to hundreds of passengers who fly our national airlines.

We urge the authorities, yet again, to carry out a complete overhaul of the airlines, rooting out corruption at all levels, punishing those responsible, and taking prompt and effective measures to ensure the smooth and safe running of the national carrier.

THIS DAY IN HISTORY

November 6
1913
Mohandas Gandhi is arrested while leading a march of Indian miners in South Africa.
1918
The Second Polish Republic is proclaimed in Poland.
1962
Apartheid: The United Nations General Assembly passes a resolution condemning South Africa's racist apartheid policies and calls for all UN member states to cease military and economic relations with the nation.
1965
Cuba and the United States formally agree to begin an airlift for Cubans who want to go to the United States.
1999
Australians vote to keep the Head of the Commonwealth as their head of state in the Australian republic referendum

Investment destination Bangladesh: Possibilities and constraints



SYED MANSUR HASHIM

WE laud her for her efforts to woo much-needed foreign investment. Yes, Bangladesh has the potential to become the investors' choice destination. We have a number of things going for us at the moment. At the same time there are major bottlenecks that will have to be addressed so that Bangladesh can cash in on the increased interest Asian and European interests have been showing lately.

The good news first: South Asian wages are no longer cheap. In fact, wages have been on the rise across the Asian board. According to a study by Japanese External Trade Organisation (JETRO) conducted in 2011, Asian workers' wages have increased significantly. "Among the major countries in Asean, a rise in the basic wage rate was observed, in descending order, in Vietnam (16.8%), Indonesia (9.6%), the Philippines (5.6%), Thailand (5.3%), and Malaysia (4.7%). But even after such a rapid rise in pay, the monthly wage of workers in Hanoi was a mere \$123, less than half that in Bangkok (\$286). In Jakarta, the monthly wage of workers was \$209, roughly 70% of the wage in Bangkok. The questionnaire survey mentioned above also revealed that the average monthly salary for workers employed by Japanese companies in Bangladesh was \$78, significantly higher than the minimum wage of \$39." Hence, even with \$78 as average wage, Bangladesh offers a far more competitive advantage than, say, Vietnam.

Besides the wage advantage, certain industries are very much viable

in Bangladesh. Besides garments, textiles and the shoe industry show a lot of promise. Indeed several joint-venture shoe companies have already opened up shop in Bangladesh. More investment is in the pipeline. This has been possible because these factories by nature are less energy-intensive. The second reason for Bangladesh to be the choice destination for shoe industry is that our good quality leather is cheap. Leather available in Bangladesh, available at competitive prices, is ideal for outer-shoe application.

Another resource in abundant supply is Bangladesh's young labour

Governments need to move away from archaic notions that any infrastructure project that cannot be concluded in one term of government should not be taken up. Projects adopted by one government are carried out and completed by successive governments in neighbouring countries like India, they are never shelved. Unless a fundamental rethinking along these lines is adopted, there exists every danger that Bangladesh will get left behind while neighbours like Myanmar clinch opportunities that ought to have been ours.

force. Compared to Asean our labour force has two distinct advantages. First, and here it gets interesting, Bangladeshi workers are disciplined and second their eagerness to learn is translated into higher productivity. If one looks at Kuwait, more than half the population (est. 2.6million) is made up of expatriate workers -- where Bangladesh has 250,000 workers, or about 9% of the total population. Yet the presence of such a large number of people of a foreign nationality working in Kuwait has not presented any major hiccups. Given proper conditions, there is no reason why Bangladeshi workers cannot excel as a produc-

tive force in this country too.

The not so good news: According to a recent interview of the present president of Foreign International Chamber of Commerce and Industry Syed Ershad Ahmed, new investment shows a decline. Yet at the same time re-investment and modernisation of existing industry is on the rise. From what has been published in the latest edition "ease of doing business index" brought out by the World Bank and IFC, access to electricity has been touted as a major hurdle. Next in line comes the poor communication infrastructure that includes roads. The lack of progress in expanding

the major commercial artery, i.e., Dhaka -- Chittagong highway to 4-lane from present 2-lane causes terribly long tail-back. The chronic and traffic jam on highways has been singled out as the biggest problem for doing business in the country, considered a more acute problem than political unrest.

The problems were highlighted in an interview by BBC's Kadir Kollol of a Pakistani entrepreneur who set up a garments unit in Ashulia industrial belt. He was attracted by availability of cheap, disciplined labour force and duty-free access to the European market. What sets apart this factory from the hundreds of

others is that workers get payment on time. The friendly environment for workers coupled with timely payment of wages that are a notch above the common local industry standard. The entrepreneur is happy since his investment has not suffered any incidence of labour unrest. Interestingly, trade unions in the area, traditionally left-leaning and generally anti-foreign investment are not averse to a Pakistani-owned garments industry operating there, since basic workers' rights are looked after. Mr. Moghul's greatest concerns are neither political instability nor agitating workers. Rather they revolve around poor communication which, result in lost time, and the dire straits of energy for industry, i.e. supply of gas and electricity (load shedding and low voltage). The erratic supply of these two essential prerequisites of production automatically translates into loss of productivity on the one hand and a higher cost of production on the other (since diesel-run generators come into play to keep production lines running).

Never before has Bangladesh been at the centre of so much interest. The advantages the country enjoys could propel it to a very positive future in the near term provided our policymakers have the vision to take steps necessary to remove the obstacles to growth. Governments need to move away from archaic notions that any infrastructure project that cannot be concluded in one term of government should not be taken up. Projects adopted by one government are carried out and completed by successive governments in neighbouring countries like India, they are never shelved. Unless a fundamental rethinking along these lines is adopted, there exists every danger that Bangladesh will get left behind while neighbours like Myanmar clinch opportunities that ought to have been ours.

The writer is Assistant Editor, *The Daily Star*.

The great divide

Even more startling proof that the "Occupy" and "We are the 99 per cent" movements are not based on some radical, fringe notions but are supported by damning evidence first appeared in the UK's *New Scientist* magazine, (issue number 2835 of Oct 24, 2011). It quotes a fascinating study by a trio of complex systems theorists at the Swiss Federal Institute of Technology in Zurich, which studied 43,000 transnational corporations (TNC). It combines the "mathematics long used to model natural systems with comprehensive corporate data to map ownership among the world's TNCs."

The results? A core of 1,318 companies with interlocking relationships are at the heart of the global economy. Through their shareholding, this core appeared to collectively own a majority of the world's large blue chip and manufacturing firms -- representing around 80% of global revenues.

Further analysis of the ownership structures of these companies led to perhaps the most astonishing fact: that a "super entity" of 147 tightly knit companies with a completely interlocked ownership structure controlled 40% of the total wealth in the entire network. Perhaps not surprisingly, most of these entities are financial institutions.

Apart from revealing the extent of concentration of world economic activity and wealth in a small core of TNCs from an equity prism, the study also highlights the threat to global economic stability by such skewed concentration in a small group of highly interconnected firms.

In terms of individual wealth, there are approximately 1,300 billionaires (measured in US dollars) in the world. Out of these, the top 10 alone had a cumulative net worth of just short of \$400 billion at the end

of 2011 -- larger than the combined GDP of 71 of the world's poorest and smallest countries. (In fact, another gripping statistic relating to individual wealth comes from the UK-based Tax Justice Network -- that a staggering \$21 trillion has been stashed in tax havens around the world by just 92,000 people).

Little wonder that one of the world's richest people, Warren Buffet, made the astute observation regarding the performance of the

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global economy and the proliferation of wealth in the recent past that "the tide lifted all the yachts" (instead of all the boats).

As a bounty of wealth and opportunity is bestowed on a mere handful, hunger, malnutrition, vulnerability to disease, displacement, loss of income, and the pernicious effects of climate change are the lot of an ever-larger part of the world's population.

Despite its relatively more muted income inequality than many of its

peers, Pakistan is not faring too much better when it comes to this issue. The share of income of the bottom 20% of the households is around 8%, while that of the top 20% households is almost six times larger, at 45%. The top 40% of the households have a share of income of slightly over 65%, compared to just under 20% for the bottom 40% of the households.

The skewed nature of the returns to capital versus to labour is also very much evident in our case. In a recent partial analysis of the balance sheets of some of the biggest business houses in Pakistan (the research is still ongoing), I found that the 15 biggest business groups whose accounts were publicly available, had combined sales of around Rs. 650 billion (\$6.7 billion) in 2011 -- but a cumulative direct employee base of less than 150,000.

While there is no reason to get hysterical about the capital-intensive nature of large businesses, and the returns they make for the risks they undertake, given our surplus labour situation policymakers should strive to achieve a better capital-labour balance in economic growth, as has been done by many other countries. This would mean promoting industries such as construction and garments, to name two, that can absorb excess labour.

Does inequality matter? Any facet of inequality that is borne out of an unfair distribution of resources or opportunity reflects a fundamental failure of society. This failure needs to be redressed by the state through better and more widespread education opportunities, health coverage and skills improvement among other interventions.

The writer is a former economic adviser to the government of Pakistan, and currently heads a macroeconomic consultancy based in Islamabad.

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