

7TH FIVE YEAR PLAN

Include service-led growth

ABUL BASHER, PH.D.

In this era of globalization, when a poor harvest of corn in Mexico or wheat in Ukraine can potentially result in economic turbulence in Bangladesh, preparing a long-term plan is a very daunting task. It is always easy to plan something when things are in order and potential risks are predictable. With growing integration with the rest of the world, most of the risks that a domestic economy may face are unanticipated. This makes the implementation even harder.

Despite these predicaments, the Planning Commission of Bangladesh has prepared the Sixth Five Year Plan which became effective from 2010. This will come to an end in 2015. The world economy has experienced a number of unanticipated shocks since 2007. Bangladesh economy could not fully insulate itself from these shocks, which made the implementation of the plan as originally envisaged difficult. The mid-term review of the 6th Five Year Plan, conducted by the Planning Commission shows that the performance has been a mixed-bag, with more success than failure.

The Commission has already started working to prepare the 7th Five Year Plan. Again, the task to draft a realistic plan, that can be implemented even withstanding the unforeseen uncertainty originated elsewhere and transmitted into our own economy, is a very difficult one. However, as a small developing economy, Bangladesh has to accept it as an exogenous factor, and should focus on internal strength to identify the sources of growth. Given the external factors, how fast Bangladesh economy can grow in the coming years depends on whether we have rightly identified the growth potentials and taken appropriate measures to realize those potentials. The road taken to foster growth would determine the future trajectory of growth.

A conventional wisdom about development, popularly known as 'iron law' says that growth and development of a country must come to a transition from agrarian production structure to manufacturing and industrialization. This view was at the core of development thinking for almost 200 years since the start of the Industrial Revolution. But there are now growing evidence that rapid growth is possible by service sector as well. While China is an example of manufacturing-led growth, India is an example of service-led growth.

From planning point of view, there are now choices to make. A country now can either take the road of only manufacturing-led growth or it can chose to complement the manufacturing-led growth with service-led growth as well. In the Sixth Five Year Plan, Bangladesh mainly took the manufacturing-led growth albeit some peripheral focus on the service sector. A number of issues have been identified for in-depth study to prepare the 7th Five Year Plan. They were shared in a recent work-

shop by the Planning Commission. The selected issues indicate that the 7th Five Year Plan is also likely to predominantly emphasize on the manufacturing-led growth. In that case, country's scope to grow faster by exploiting the potential of the service sector will go unutilized again.

The service sector in Bangladesh has two extreme images. Some of them are thought of as menial, unorganized and poorly paid. On the other extreme, the technology, especially information and communication technology (ICT), based services are thought of highly technical and knowledge-intensive. But somewhere in the middle of this spectrum, there is a niche where Bangladesh, even with its current level of human capital, can chip in. Once the 7th Five Year Plan decides in principle to promote service-led growth as well, this issue can be studied further. But first, Bangladesh should in principle decide not to rely only on manufacturing-led growth.

There are several reasons why the service sector will be the main driver of growth of modern world, and developing countries like Bangladesh can grow faster by being a service provider. A recent book published by the World Bank identified two reasons why services will continue to be a strong source of growth. First, services account for more than 70 per cent of global GDP, more than double in size compared to the manufacturing sector. So there is a tremendous scope for the globalization of services. Second, the cost differential in the production of services across world is enormous. In the past, the only option to narrowing such cost differentials was through migration. Now that service providers can sell services without crossing national borders with the help of technology, the scope for exploiting cost differential is much higher.

However, Bangladesh needs to know its competitive and comparative advantage within the service sector. Definitely, the country should not plan to become a giant service provider like India. There is a misconception about India's service-led growth in our country. Many people think India's service sector was well-integrated with the Silicon Valley from the very beginning. This is not correct. In the first stage, India's focus was on information technology enabled services (ITES), mainly involving outsourcing and call centers.

Even within the outsourcing, there is wide range skill-intensity, depending on whether it is customer relationship management, back office operations, revenue accounting, finance and accounting services, transcription/translation services, content development, animation and engineering services, equity research or knowledge management. Initially India started with simple and low-skill intensive outsourcing. As a global giant in ITES and ICT related other services, India is now subcontracting other service providers located in other countries like Egypt, Nigeria etc. Bangladesh, despite being its next door neighbor, failed to get

any share of this.

According to recent study, one of the reasons for this is that the common perception among Indian firms about Bangladesh is ITES sector does not really exist in Bangladesh. While the country is well-known for its RMG sector and cheap labor, the development policy is seen 'not-focused' on service sector. There is no reason to believe that the rest of the world sees Bangladesh differently. The exclusive focus on manufacturing-led growth in our five-year plans will not help to change this image. This is the main reason why the service-led growth should have more focus in the 7th Five Year Plan.

The size of the global IT/ITES market was about 1.03 trillion US dollar in 2010, which has definitely grown bigger by now. If Bangladesh can capture just 1% of this market, it will add more than 10 billion US dollar in Bangladesh's foreign exchange reserve. Bangladesh is uniquely positioned to be able to do that with some focused initiatives. According to a recent study of KPMG, Bangladesh has one of the most attractive population demography in the world – relatively high young population base as over 34% are in age group of 15-34 years, which is favorable for IT-BPO industry. Analyst projections reveal that this number is further slated to go up. This corresponds to a young working population of over 53 million people – large enough to man the fledgling IT/ITES industry for years while keeping the costs low. Large number of high school dropouts or graduates can be trained easily to work in ITES sector. The issue of ITES is discussed just as an example.

There are other services as well which can contribute to the growth of the country. Another example could be the tourism sector of the country. According to media report, about 2 lakh people went abroad to celebrate last Eid. Assuming that on average each of them spent 1000 US dollar on foreign airlines and destination, the country faced an outflow of 2 billion US dollar. According to the local tour operators, such a high number of people went abroad as local tourism sector is not well developed yet to meet the domestic demand. Had half of this people celebrated their Eid in domestic tourist spots, the country could save about 1 billion US dollar with huge multiplying effect in the economy. This is another example of a service sector that can promote growth in Bangladesh.

There could be so many other examples. But to identify and develop them, first of all we have to recognize the potential and importance of service-led growth in our plan. Once we do so, then the follow-up course of action is to analyze such potential and identify the actions plan for next five years. This has not been done in the past. Hopefully, the 7th Five Year Plan will do this.

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Fix Dhaka first to help our life and growth

BIRU PAKSHA PAUL

NOW Dhaka is the second worst city in the world in the global livability index just after Damascus. We must ignore the case of Damascus since it is a war zone. Then we are the 'proud owner' of the worst capital in the planet. This adds another feather to our crown already overloaded with similar laurels for judicial tardiness, bureaucratic inefficiency, and corruption. We Bengalis love to arrange numerous conferences on investment and growth, but we often forget that we have to fix our principal growth center, Dhaka, in the first place before we endeavor to stimulate investment and accelerate growth.

There is not a single example on earth to show that a nation developed well without fixing its capital. The countries like Taiwan, Korea, Singapore, Malaysia, and Thailand could never have been emerging tigers without ensuring mobility and modern transports in their capital cities. The full power of money is realized when money is multiplied with its velocity. The same is true for labor whose velocity is simply imprisoned in the traffic jam of Dhaka. Unfortunate Dhaka dwellers squander a great part of their life and youth in rickshaws and buses, reducing quality family time and thus hurting the conjugal life, parental care, and education. Our poor performance in the knowledge economy index can be greatly attributed to the miserable life of Dhaka and other megacities.

When traffic jam takes a considerable amount of time in Dhaka's everyday life, people in Dhaka have one of the shortest time spans for sleep at night – a global survey expressed 2 years ago. Dhaka has been recently branded as the 4th most polluted city in the world. Many people, being recommended by the doctors, cannot walk in the metropolitan areas

because footpaths have been usurped by petty businesses or sometimes urinals. Streets are clogged. Safety is another concern because mastans are ready with traps. Not everyone in Dhaka can eat adequate food every day, but everyone must consume an equal amount of carbon air, causing health hazards and even premature deaths.

Is this a city we should recommend to our foreign friends for direct investment? They are not that naïve to jump into Dhaka without knowing what Dhaka means. That is why our foreign direct investment is hovering around one billion dollars for the last 5 years while neighboring China and India are attracting foreign investment at a magentic speed.

Have we ever thought why writing on Dhaka generates little or no action from the government? It is a peculiar branch of social psychology where our politicians fit in. When in opposition they suffer the ordeal of congestion in Dhaka and vow to solve it. But the day they take oath and come out of *Bangabhaban* flanked by the security, they forget the torment of urban immobility. Their enjoyable city commuting is preferentially guaranteed under police escort, and hence they need not worry about something that does not hurt them right at that moment. They do not want to make the streets and footpaths clear of slow vehicles and petty businesses, because rickshaw pullers, illegal hawkers, touts, and cadres assemble a big vote bank, which they badly need to get reelected.

Our Prime Minister should convene a summit on how to streamline Dhaka by engaging lawmakers, mayors, city planners, economists, engineers, and expert expatriates. This regime has taken the case of infrastructure seriously, but all projects will go in vain until Dhaka is dynamic. From Mymensingh you can reach Dhaka's outskirts within 2 hours, but only a fortuneteller can predict

how long it will take to reach Motijheel from Joydebpur. We must get rid of the image of a dysfunctional Dhaka – which is a global notion nowadays. Once the capital is regulated, other megacities will follow the trend. Transport and communication will hit a new high, pushing national income upward.

Being surrounded by economic powerhouses like China, India, and Southeast Asia, Dhaka has enormous potentials to emerge as the hub of the Asian growth region. Space should not be the biggest excuse to make a city pulsate with motion. Strategic management is crucial to improve the productivity of the city. Our nearest megacity Kolkata is a lesson for us – which has been managed by similar Bengalis as we are. Cannot our top government officials and ministers use light helicopters to travel within the city instead of blocking our movement and taking thousands of work hours from our daily life?

A congested city is always likely to breed hijackings and crimes, because the culprits know very well that the police cannot move to the spot unless the cops have wings. Many lives would be saved if the hapless snail ambulances can move at the speed they should. Hence, an elite force for Dhaka's traffic is much warranted to keep the city running, and thus to boost business activity and augment government revenues. Reforming Dhaka's governance is of paramount importance.

Living in a densely populated country with serious land scarcity, we are pushed against the wall to fix Dhaka anyway. Otherwise growth will not be sustained and land grabbers will mutilate the city as per their agenda, making Dhaka a miserable case of human disaster.

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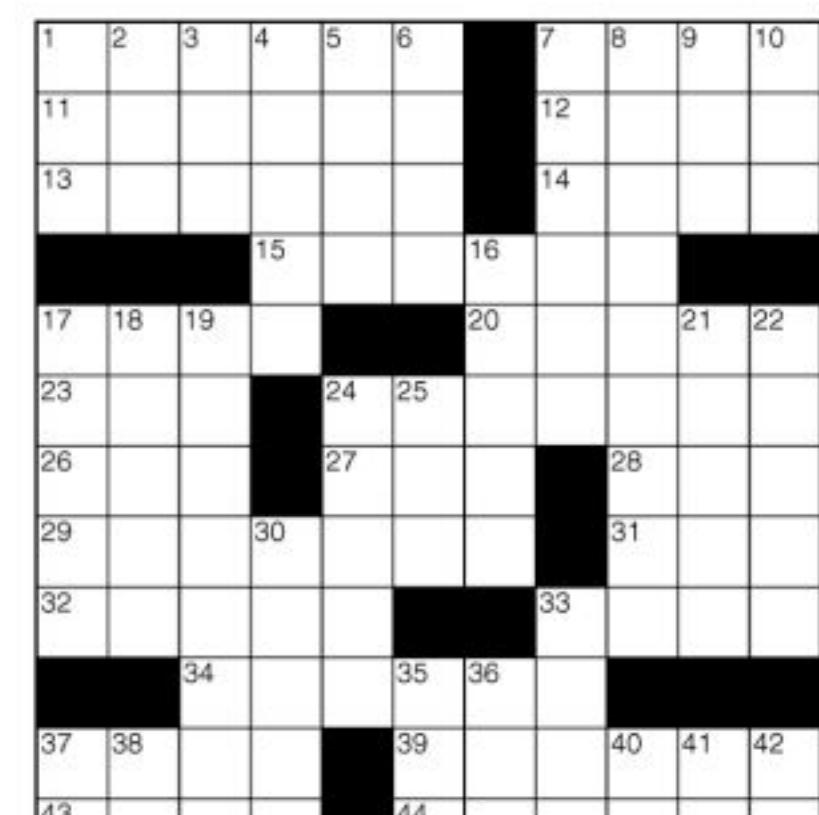
CROSSWORD by Thomas Joseph

ACROSS

- 1 Want to know
- 7 Bushy hairdo
- 11 Fit for farming
- 12 Lumox
- 13 Cheapen
- 14 Muscle quality
- 15 Inexperienced
- 17 In a frenzy
- 20 Bumbling
- 23 Settle the bill
- 24 Exclusive group
- 26 Towel word
- 27 Really impress
- 28 Outlaw
- 29 Whole number
- 31 Break off
- 32 Plow maker John
- 33 Altar exchange
- 34 Scoundrel
- 37 Long sandwiches
- 39 Dawn-to-dusk
- 43 Understanding words
- 44 Campaign event
- 45 Cincinnati team
- 46 Play parts

DOWN

- 1 Hunk of gum
- 2 Bauxite or magnetite
- 3 Collar
- 4 Arizona player, for short
- 5 "Born Free" lion
- 6 Lively folk dance
- 7 Play opener
- 8 Place for posies
- 9 Harry's friend
- 10 Pindar poem
- 11 Soda bottle size
- 12 Plant pest
- 13 Portland setting
- 14 Place for pearls
- 15 Cabaret fixture
- 16 Looks after
- 17 Pet store buys
- 18 Need to pay
- 19 Wipes out
- 20 You don't say!"
- 21 Bounders
- 22 Guinness of film
- 23 Respectful title
- 24 Employ
- 25 Football's Mariano
- 26 Had breakfast
- 27 Agreeable answer



CRYPTOQUOTE

M S H X Y I Z U J X E U Z F J D L U J X
IZUJKWSRXZJF IFD URYJI LY MFRR? DSFH
-DSF TYDSFZ

Yesterday's Cryptoquote: THE AUTHORITY OF THOSE WHO TEACH IS OFTEN AN OBSTACLE TO THOSE WHO WANT TO LEARN. -CICERO

Yesterday's answer

S	E	P	A	L		A	S	C	O	T
A	R	E	N	A		N	I	O	B	E
S	I	T	T	I		G	R	O	O	M
S	E		D	U		P				
	R		U							
A	E	S	O	P		S	N	E	E	R
C	R	O	P			J	A	V		
T	A	X	E	D		C	O	R	E	D
	D		E							
A	D	S		S						
C	U	T		I						
I	D	E		A						
D	E									

9-10

A XYDLBAAXR IS LONGFELLOW
One letter stands for another.
In this sample, A is used for the three L's, X for the two O's, etc.
Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.

BEETLE BAILEY

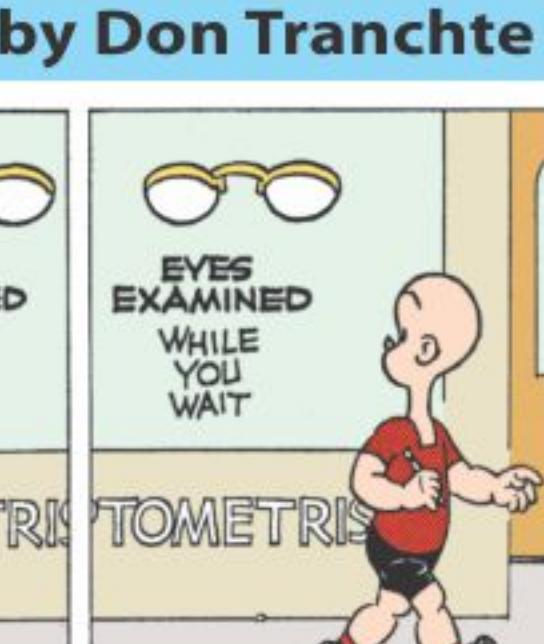


by Mort Walker

HENRY



by Don Trachte



Japan has little choice but to restart nuclear reactors

MUSHFIQUR RAHMAN

MEDIA reports (AFP, The Guardian, September 10, 2014) suggest that Japan is planning to re-start at least two nuclear power plants within the end of the current year. The Japan's Nuclear Regulatory Authority (NRA) already accorded permission for switching two nuclear reactors at the Sendai plant in South-western Japan. NRA reviewed detailed safety reports followed by public consultations before allowing the go ahead to the reactors at Sendai. Two nuclear reactors in Japan briefly started last year.

It may be mentioned that Japan was forced to shut down its 54 nuclear reactors after the May 2011 Fukushima Dai Chii nuclear accidents (which killed no one) mainly caused by the massive earthquake (magnitude 9 at Richter scale) and tsunami. The earthquake and tsunami disaster killed nearly 19,000 people in northern Japan and triggered world's worst nuclear accidents since Chernobyl (in 1986) at the age old Fukushima Nuclear Power Plant. The March 2011 Fukushima accident set back public perception of nuclear safety, despite there being no deaths or serious radiation exposure from it.

Despite the prevailing public concerns on safety aspects of the nuclear power plant operations the communities living close to the nuclear power plants generally are sympathetic to the nuclear power plants restarting initiatives as they depend for employment and business opportunities and receive grants from nuclear power utility companies. The sense of uncertainty among 120,000 evacuees from the Fukushima Dai Chii region still exists as many of them are compelled to live at the temporary housing complexes in isolation from their ancestral homes and close family members who used to live together in large rural homes before the Fukushima disaster. So far a few hundred people from two neighbouring districts of evacuation zone received permission to return their original place of living permanently. The rest of the evacuees still do not know when they will receive the decisions for safe return to their place of living adjacent to Fukushima Dai Chii plant site.

Since the shutdown of nuclear power plants Japan had to rely more on imported fossil fuels, especially on natural gas (Liquid Natural Gas) for meeting the electric power generation requirements. Japan now depends on fuel imports for approximately 84% of its primary energy needs. Japan had rigorously exercised and tried to employ energy efficiency measures to reduce demands for electric power. Also, Japan invested a lot of efforts to develop and utilize various renewable (solar, wind, biomass, geothermal) energy options but its energy cost continued to escalate with increased payments of electrical bills (nearly 12% more bills compared to pre-nuclear power plants shut down levels) for consumers. Those who favour the re-starting of nuclear power generation facilities emphasize that the third largest economy of the world (Japan) cannot afford to replace 30% of its electric power generation facilities dependent on nuclear energy.

In the meantime, The NRA of Japan methodically continued to run rigorous stress tests (nuclear risk and safety reassessments) as per new safety regulations for nuclear power plants to try to ensure that the nuclear power plants can survive massive natural disasters including severe earthquake and tsunami. Japanese policymakers try to remind that for nearly four decades Japan used nuclear power plants as reliable, efficient power generation units which could run at 90 plus percent capacity rates (more than any other electric generation facilities can deliver) and delivered cheap and steady baseload power. And there were no major accidents in the nuclear power plants before the unprecedented natural disaster hit at Fukushima. Japan intended to reduce 54% CO2 emissions (from 2000 levels) within 2050 leading to 90% reduction by 2100 provided it could accomplish its plans for enhanced nuclear power generation contributing about 60% of its energy needs. Following its commitments for Green House Gas emission reduction targets set by Kyoto Protocol Japanese government announced in 2002 that it would rely heavily on nuclear energy; but the tsunami disaster compelled the country to write off its Fukushima Dai Chii nuclear power units and temporarily shut down other nuclear reactors following the growing concerns among the people on nuclear safety.

As per published statistics, Japan generated 1,033 billion kWh (TWh) electric energy(gross) in 2012 of which 292 TWh was generated from coal, 42