

Japanese companies prefer Bangladesh

Tackle problem areas seriously

IN its latest survey of Japanese companies operating in Asia and Oceania, Japan External Trade Organisation (JETRO) took inputs from CEOs of more than 9,500 Japanese companies in 20 countries over October and November, 2015. The results point to both favourable and unfavourable conditions. On the positive side, we find that Bangladesh leads over Vietnam, Sri Lanka, Thailand and Pakistan on cost factors and the country offers a far better wage advantage than other Asian countries like China, India to name but a few. Business confidence of Japanese firms scored a healthy 63.3 points pointing to a favourable business performance in the current fiscal. With 67 per cent of respondents stating that they are likely to expand their operations in Bangladesh over the next two years.

However, the country is perceived to be lagging behind in connectivity and problems with worker productivity have been highlighted. Lack of free trade agreements between Bangladesh and Association of South East Asian Nations (ASEAN) is seen as a hurdle since Japanese industry has a large footprint in ASEAN. Had there been such deals in place, Bangladesh could look at serious Japanese investments for producing intermediary products to be shipped to plants in ASEAN where the final products could come together.

We have our set of problems with regulatory issues where "investment friendly" policies have been highlighted as a major hindrance to Japanese FDI. These are issues that can only be addressed at policy level and doing so could open the gates for meaningful investments from Asia's second largest economy.

Unfriendly workplaces for PWDs

Employers should overcome mental barriers

THERE are ample researches and reports that clearly show that people with disabilities (PWDs) are not inefficient, rather our workplaces are poorly equipped to accommodate physically challenged people. Generally, PWDs are dedicated to their work and waste very little time in their workplace.

Lack of adequate transport, ramps, lifts and PWD friendly communication facilities hinders PWDs' access to workplaces. Most importantly, it is the mindset of the employers that is barring PWDs from getting decent jobs. Even the 10 percent quota reserved for PWDs remains unfulfilled. Being unemployed, most of them have to sit idle at home that only exacerbates their woes. If a PWD gets a decent job it contributes to the well-being of the family as well as to the economy. So we should consider it not only as a social responsibility but also an economic opportunity.

PWDs should be given the work they are comfortable with. The workplace should be constructed following the global standards to facilitate their access. There are many PWD friendly software and technologies, most of them are free, that need to be installed in the workplaces. Both the government and non-government bodies have to invest more in this regard. We should provide proper training to PWDs so that they can compete in the job market. The employers need to be made aware of the fact that PWDs are not a burden but a potential source of skilled workforce.

Regional economic integration in the Bay of Bengal

SAMAN KELEGAMA

THE Bay of Bengal is rich in natural resources and embraces both South and East Asia. Although a number of regional groupings like Bangladesh-China-India-Myanmar (BCIM) and Bangladesh-Bhutan-Nepal-India (BBNI) partially cover the region, it is the Bay of Bengal Initiative for Multi-Sectoral, Technical, and Economic Cooperation (BIMSTEC) that covers the entire region and provides a framework for regional economic integration.

BIMSTEC accounts for US\$ 2.7 trillion GDP, 21 percent of global population (1.3 billion population) and 7 percent of intra-regional trade. BIMSTEC provides South Asian countries a conduit for economic cooperation with East Asia countries and a link to East Asian production networks and value chains. It can become a building block of a future Asian community, however, the progress so far has been exceedingly slow.

Launched in 1997, BIMSTEC began as a sectoral cooperation grouping partly to better utilise the natural resources in the region and partly to quicken integration of the region. Sectoral cooperation was broadened by extending it to many selected areas normally referred to as Multi-Sectoral Cooperation. Such cooperation is government-driven in contrast to mostly market driven integration through an Free Trade Agreement (FTA). BIMSTEC has identified a number of areas for sectoral cooperation such as tourism, fisheries, transport, etc.

BIMSTEC also envisaged a market driven integration process when it first mooted an FTA in 2004. It was supposed to be in full operation by 2011, but did not become a reality by then. This is most probably because some member countries of BIMSTEC questioned the need for another FTA when the tariff levels in the region are already low. As it is well known, via unilateral liberalisation as well as through bilateral and regional liberalisation via the existing FTAs and RTAs (regional trading arrangements) in the region, the tariff levels have come down. Despite delays, a BIMSTEC FTA still remains in its agenda.

It is argued here that the two key functional aspects of BIMSTEC, which are market-driven integration and government-driven integration, should be utilised selectively to seek quick gains to the region.

As for market integration, BIMSTEC should not have high hopes on an FTA coming into operation. Indications are that it will drag on for a long time. In this situation, more emphasis should be given on trade facilitation via liberal transit, business-friendly customs, transport corridors, etc. Such a process will partly address some of the non-tariff barriers in the region and catalyse trade. According to the ESCAP, Trade Facilitation is a more powerful driver of trade than tariff reductions when tariff

BIMSTEC is no longer a member-driven organisation, and in this context, the Secretariat becomes vital in driving the organisation.

levels are already low, and this argument is aptly applicable to BIMSTEC.

As for government-driven integration, it is prudent to focus on a few sectoral cooperation projects related to connectivity and people-to-people contact rather than spreading too thin by focusing on a large number of sectoral cooperation projects. Road, rail and sea transport facilitation through road and rail links, transport corridors, multi-modal systems, transit arrangements, etc., which have been highlighted by the 2009 ADB Study on BIMSTEC Transport Infrastructure and Logistic Study (BTLS) needs to be worked on to improve connectivity. Perhaps digital connectivity may also be considered to strengthen physical

connectivity. People-to-people contacts can be improved by improving air connectivity and tourism promotion via inter-governmental cooperation in the region. Buddhist circuit is one such example for BIMSTEC tourism promotion.

For sectoral cooperation to be effective, there needs to be strong institutions and information. Four areas need particular focus: BIMSTEC Secretariat; BIMSTEC Chamber of Commerce and Industry; external partners, viz., ADB and ESCAP; and interaction of the BIMSTEC network of think tanks with BIMSTEC officials, and BIMSTEC Chamber.

A strong Secretariat is required to push the activities of the regional grouping in between summits. The SAARC Secretariat has proved to be an ineffective body, whereas the ASEAN Secretariat has been able to drive the ASEAN agenda of the organisation more effectively. The BIMSTEC Secretariat needs to be similarly empowered like the ASEAN Secretariat, and delegated by member states to play a more proactive role in driving the BIMSTEC agenda. This becomes all the more important in the absence of a Charter for BIMSTEC.

BIMSTEC working mechanism has six layers: a leaders' summit; ministerial meetings; senior officials meeting; expert group meetings; business and economic forums; and BIMSTEC Working Group (Bwg). Basically, leaders' summit to expert group meetings are at the inter-governmental level, and the new BIMSTEC Secretariat has absorbed all the work of the BWG. The business and economic forums should basically be absorbed by the BIMSTEC Chamber of Commerce and Industry located in Colombo, Sri Lanka. The Chamber should closely coordinate with the BIMSTEC Secretariat and drive the BIMSTEC economic integration agenda. The CUTS (India) proposal to have an annual BIMSTEC economic summit should be welcomed and should be closely coordinated with the BIMSTEC Chamber.

The external funder to facilitate BIMSTEC regional integration could be the ADB. The role ADB played in sub-regional cooperation in the Greater Mekong sub-region is well known. With

the concurrence of the BIMSTEC member countries, the BTLS project can be initiated by the ADB. Thereafter, attracting additional funds to complete the project will not be a problem. However, duplication with the initiatives of BCIM and BBNI needs to be avoided. The Asian Highway that ESCAP suggested sometime back can also be part of the BIMSTEC connectivity and ESCAP can provide technical assistance to drive the project. Japan played a key role with FDI in ASEAN economic integration, likewise ADB and other external funding led connectivity improvement can catalyse BIMSTEC economic integration.

Finally, the role of think tanks cannot be overlooked in regional economic integration. They can play a crucial role as knowledge-partners of BIMSTEC. It is understood that there is both a Track 1 and Track 2 think tank networks for BIMSTEC. Both these tracks can interact with each other and network with the BIMSTEC senior officials and private sector to bring about necessary policy changes to activate sectoral cooperation.

When BIMSTEC started, India's "Look East" policy coincided with Thailand's "Look West" policy and there was much enthusiasm to drive the organisation by these two member countries to integrate a part of South Asia to the growing economies of East Asia. But since then, India and Thailand had embarked on an FTA and India and ASEAN had worked out an FTA. Thus both these member countries do not have the same enthusiasm to push the organisation for deeper integration as before. The other member countries are less powerful and passive partners of BIMSTEC. Thus BIMSTEC is no longer a member-driven organisation, and in this context, the Secretariat becomes vital in driving the organisation. Clearly, empowering the BIMSTEC Secretariat should become a priority of the member countries to keep the BIMSTEC Work Programme moving and producing gains to the people of the Bay of Bengal region.

(Synopsis of the Lecture delivered at the BIMSTEC Secretariat, Dhaka, on 19th February 2016.)

The writer is the Executive Director of the Institute of Policy Studies of Sri Lanka.

ECONOMIC OUTLOOK

Can we get rid of this mood of "gloom and doom"?

DR. ABDULLAH SHIBLI

IS the world economy coming to a catastrophic, grinding crash? Would we see a global meltdown with GDP in a tailspin, investment going down sharply, and unemployment levels on a scale last seen during the 2008-09 financial crisis? The short answer is a "no". According to all major economic models, neither the world economy nor the economic situation in any single country is veering towards a major recession. It cannot be gainsaid that some countries, particularly the oil-exporting countries such as Nigeria, Ecuador, or Russia, might need to tighten their belts a little more and for a longer time period unless the price of crude oil bounces back soon, which is unlikely. And, some of the larger developed economies will possibly experience economic growth which may be slower than expected than only last December. But that is all. A majority of forecasts I have seen so far predict that the financial sector will bounce back by mid-year, inflation should hold steady, and the largest problem child, the Chinese economy, shall recover by 2018 from the turbulence of the last six months.

Why am I so optimistic? Well, first of all as we all know, the glass may be considered half-empty or half-full depending on your perspective. The recent decline in oil prices (which has been going on since 2014) has caused some moods to sour, and bankrupted some free-wheeling oil-exporting countries. Add to that, a string of bad news coming out of the China, which appears to point to endless rounds of fits and starts, had caused economic forecasters to earlier raise an "amber alert". Undoubtedly, this means that we might experience some extra months of economic slowdowns. But slowdowns do not portend "hand-landing". The current crisis, if we can call it that, has been coming for months, and the system has been preparing for it, and is well capable of handling the problems they could cause. For example, Saudi Arabia and the Gulf countries have sufficient reserves to handle any financial ripples caused by budgetary shortfalls. China has predicted that while its economy is

progressing only gradually on the path of structural changes, it is on its way to 6 percent economic growth.

Secondly, oil prices really have hit rock bottom, and it is bouncing back. While nobody expects the price of crude oil to go back to the \$80-90 range in the next few years, by mid-summer, it will hover around the \$50 mark. Demand would have picked up by then and the glut in the oil market will be less egregious. Automobiles, tourism, travel, and the Summer Olympics will give most countries a shot in the arm.

Thirdly, it is expected that the expansionary measures taken by central banks in EU, Japan, and China will manifest itself in robust housing and manufacturing growth. European Central Bank President Mario Draghi, a

expected to grow at a rate of an average of 4.7 percent a year from 2015 to 2020, a significant jump from the 3.9 percent average annual rate of growth seen in the past decade. GDP forecasts for 2016 indicate that all the fast-growing countries in Asia will maintain a 6 percent or over growth rate. Outside the region, Morocco and Egypt are expected to grow at more than 4 percent, according to IMF estimates.

Now, let me turn to some of the potential dangers lurking behind the curtains as we go full throttle into 2016. Both financial and commodities markets are very volatile nowadays. Price of stocks and oil, in particular, are exhibiting constant upswings and downswings. One must point out that there is also an extra element of

or negative 1.1 percent. In other words, for more than 40 years, oil and stock prices have usually moved independent of each other."

There is also a small group of economists who are pessimistic that we will see the like of sustained average 2-4 percent growth seen in the last decade. In a recent op-ed in this newspaper, Joseph Stiglitz and Hamid Rashid identified three negative drivers: lower level of investment, adverse impact of fiscal and monetary policy, and rise in inequality. They also point to greater volatility in growth rates in advanced countries. Such concerns have also been voiced by Jeffrey Sachs (who nonetheless mocks the "secular stagnationists", or gloom and doom theorists) and Mohammed El-Arian. In his new book, *The Only Game in Town: Central Banks, Instability and Avoiding the Next Collapse*, El-Arian is very cautious about the effectiveness of the central bank to leverage monetary policy in steering the economy. He cited the theme of "fundamentals pushing markets down and liquidity not being there" to prop them back up. A path of "liquidity-supported growth" driven by years of easy Fed policy will "likely end," El-Arian contended. Some of the recent stock market decline seems to fit into this narrative, with Down Jones down 9 percent and possibly signaling a bear market.

Confounding the scenario is the muddle that economists and statisticians have created with "Lies, damn lies, and statistics". Economists often look at the same data and draw conflicting opinions. For example, the GDP last year increased or decreased depending on what price index you use: Euro, Dollar, or PPP. Measured in dollars, GDP declined by 5 percent from \$77.3 trillion to 73.5 trillion last year. However, if GDP is recomputed in Euros, it increased by 13.6 percent. On the other hand, using PPP, the International Monetary Fund found world output grew by 3.1 percent. Can you imagine a doctor telling a patient she has flu depending on whether Celsius or Fahrenheit is the measure used to measure body temperature?

The writer is an economist and the author of a recent book *Economics is Fun: Short Essays for the Masses*.



firm believer in activist monetary policy, recently reiterated ECB policy to use quantitative easing (QE) and added, "if these developments change in directions that make it necessary to respond again, we are of course ready at any time to adjust this array of tools". ECB is currently carrying on a strategy of stimulus with \$67 billion per month of QE and a deposit rate minus 0.3 percent.

Finally, the world economy now has a cluster of "emerging markets" (EM) that has a powerful influence on economic and trade movements, and research shows that consumer spending is accelerating in the oil importing EM. Capital Economics, a consulting group, estimates that in the EM of Asia, excluding China, consumer spending is

uncertainty injected by the lower oil prices and higher volatility in the global commodities market. This uncertainty emanates from the "shocks" we witnessed in the recent past: downward spiraling oil and commodity prices; China's uncertain economic prospects; and increased and sustained swings in global stock prices. It is clear that lower oil price is dragging the financial market down. According to Dow Jones data, since August 19 last year, oil has moved in the same direction as the Dow more than 72 percent of the time, compared with 51.98 percent for all of 2014 and more than 57 percent in 2015. "This isn't the typical relationship between the two assets. The long term correlation between oil prices and stocks going back to 1973 has been almost zero

LETTERS TO THE EDITOR

letters@thedailystar.net

Censorship at the book fair

It is extremely disturbing that last week the Ekushey Book Fair authorities shut down a stall for displaying and selling a controversial book and later on, police arrested three people including the publisher because the book could 'hurt religious sentiments'.

The book fair is supposed to provide a platform for people to exchange ideas without fear, not dictate what people can and cannot say, can and cannot think. How can a society move ahead if it suppresses different ideas and opinions?

 Mrittika Anan Rahman
Dhaka

COMMENTS

"Punitive actions must be taken if any doctor at the grassroots remains absent at his workplace."

- Mohammed Nasim, Health Minister

Ashiq Imon

Sounds good but we want to see some action.

Lili

We don't want mere words; we want to see official actions against those who neglect the patients by remaining absent.