

# Bangladesh faces economic challenge

by Susan Maitra

For several months now, Bangladesh has been engaged in a major campaign to secure foreign investment to help lift the country out of an economic devastation brought forth by the 1988 floods. The urgency of such an initiative was highlighted recently in a World Bank report which revealed that \$4.6 billion of project aid sanctioned for Bangladesh remains unused because the economy is in such a devastated state that it cannot generate the local investment "matching funds" to start the projects.

The World Bank appraisal, which appeared in early March, identified "resource constraints" and "increased revenue spending in unproductive sectors"—a reference to disaster relief?—as the main cause for the economy's slow growth. While all unproductive revenue spending surely acts as a decelerator on economic growth, it is astonishing that the World Bank chooses to underplay the devastating floods of 1988 that almost wiped out Bangladesh.

## Size of the calamity

According to official reports, the floods engulfed at some point of time at least three-fourths of the land-mass of Bangladesh, affecting about 40% of the population. Crops on 369,000 hectares of cropland were damaged, and 687 kilometers of embankments were partially destroyed. About 4 million tons of rice paddy were lost. Some 1,200 km of roads were damaged fully, and 13,400 km partially. The figures concerning damage to homes and dwellings are just as staggering.

But, perhaps because it happened to a small developing nation, a disaster of such proportions went practically unheeded. Bangladesh's plea for international assistance and regional cooperation brought only \$500 million in aid—not even 50% of the value of the crops that were lost—in sharp contrast to the generosity the international community displayed when an earthquake hit Soviet Armenia.

In spite of warnings from concerned individuals, very little was done by the international agencies and foreign governments to help alleviate the misery that befell the Bangladeshis. If that were not enough, in early December, Bangla-

desh was hit by a cyclone, whose attendant tidal waves ravaged people, cattle, and homes along the coastline of the country.

With limited financial capacity, the Bangladesh administration tried nonetheless to rehabilitate the post-flood economy through credit programs implemented by the Bangladesh Krishi Bank, nationalized commercial banks, cooperative banks, the Bangladesh Rural Development Board, the Grameen banks, and other rural credit institutions. In this way, about \$350 million worth of credit has been channeled to affected farmers.

In the industrial sector, one unofficial report claims, some \$1.0 billion was lost due to the shutdown of industrial units inundated by the flood waters. According to the government, the worst-hit industries include garments, leather, pharmaceuticals, light engineering industries, textiles, and small cottage industries. The leather, garments, and frozen food sectors' inability to produce to full capacity rebounded against foreign exchange earnings, because these items, along with tea, jute products, newsprint, and paper are the major foreign exchange earners for Bangladesh.

In spite of such dislocation, the performance of the economy was not a complete washout, even according to the grudging acknowledgement of the World Bank, which stated in its appraisal that export earnings of \$1.3 billion projected for the current fiscal year will be achieved.

According to the latest FAO forecast, Bangladesh is expected to harvest 21.7 million tons of rice paddy—about 1.4 million tons less than last year's harvest. The country will be forced to import some milled rice, but not more than 0.5 million tons. Wheat production is expected to be the usual 1.0 million tons or so.

Indeed, considering the catastrophe telescoped into the fourth quarter of 1988, Bangladesh's performance in both the industrial and agricultural sectors is a real accomplishment against steep odds.

## wooing investors

It is this message that President H.M. Ershad and Prime Minister Maudud Ahmed have been trying to get across in their recent visits to Western Europe. Prime Minister Maudud, who toured Europe this winter, pointed out that in the face of natural adversities, the benign neglect of both East and West, and the fact that the nation had been born devastated by a year-long liberation war, Bangladesh has shown that it has a will to survive. The country has resources too, not the least of which is its 100-million-plus population. Maudud said on one occasion that there were 1,001 projects under way in Bangladesh, and all these projects were focused on four priorities: self-sufficiency in food production, mass literacy, full employment, and lower rate of population growth. "If we can do these things, the alleviation of poverty is going to take place."

President Ershad's message, when he visited Britain for

five days in mid-February was the same. Ershad pointed out that the Bangladesh government is in the process of severing the "Gordian knot" which scares investors away—a reference to the extensive government ownership and control over the economy. Already 500 companies, 36 jute mills, 30 textile mills, and 18 insurance companies have been divested from the government's clutches, and investors will face free and fair competition if they choose to invest in these or other areas, Ershad reported.

Closer to home, Bangladesh sent an 11-member delegation headed by Salman F. Rehman, president of the Dhaka Metropolitan Chamber of Commerce and Industry, to India in late-February. Rehman, in an interview with newsmen, openly promoted Indian participation in the exploration for natural gas in Bangladesh, in building fertilizer plants, sponge iron plants, basic petrochemicals, and light engineering equipment. "There is a lot of Indian business in ASEAN countries, in Sri Lanka—why not in Bangladesh?" he asked.

According to reports, the delegation got a favorable response from the Indians on setting up a fertilizer plant in Bangladesh based on natural gas feedstock. The Bangladesh package includes: total flexibility in India's equity participation in the projects, cheap supply of natural gas, and an option to sell part of the output in that country, besides the usual incentives offered to foreign investors. The Indian government has been toying for some time with the idea of setting up fertilizer plants abroad, jointly with the host nation, to assure its own growing fertilizer demands.

### The real challenge

The biggest challenge Bangladesh faces is the fact that it has to depend heavily on foreign aid to finance its development plans. According to official estimates, Bangladesh's dependence on foreign grants to finance the First Five Year Plan (1973-78), the Two Year Plan (1978-80), and the Second Five Year Plan (1980-85), was 71.9%, 76.8%, and 63.5% respectively. In the first two years of the Third Plan (1985-90), the trend has continued. (By contrast, neighboring India depends minimally—less than 8%—on foreign assistance to finance its developmental plans.)

The bind is very real. The only way Bangladesh can develop its economy is through its capacity to regenerate resources through investments. The catch is that unless the country is able to develop the basic infrastructure to prevent natural calamities from shattering the economy almost on an annual basis and the loss of life that implies, the regeneration of resources to finance developmental plans will remain illusory. These infrastructural investments require large capital inputs over a sustained period of time, something the government cannot begin to contemplate when it is constantly forced to divert significant resources to "fire-fighting." So far, though, neither the developed nations nor the international monetary institutions have shown any comprehension or interest in this problem.

## Soviets admit AIDS peril is like 'bomb'

by Rachel Douglas

"The threat we are facing," Soviet Health Minister Yevgeni Chazov was quoted in the March 7 issue of *Izvestia*, "is in no way less than that of an ecological 'bomb' or nuclear weapon. . . . U. S. S. R. Health Ministry workers have frequently tried to inform the government that the situation is a menacing one. But eminent scientists in charge of the problem have denied the acuteness of the issue, stating that it is all false panic."

Chazov thus became the first official in the Soviet Union, and in many other countries, to echo Lyndon LaRouche's warning from 1985: "AIDS: More Dangerous Than Nuclear War."

Interviewed in the March 17, 1989 issue of *EIR*, LaRouche observed that for Chazov to adopt LaRouche's very words, on the AIDS danger, could mark a momentous shift on the part of Soviet circles, toward serious consideration of what LaRouche outlined in a 1986 memorandum, "Parameters for U. S.-Soviet Talks on the AIDS Pandemic," which identified the mortal battle against AIDS as one of those "common aims of mankind," which the U.S. government should be presenting as the proposed agenda to the Soviet government.

"Their economy is collapsing," said LaRouche, "In a physical-economic breakdown, *perestroika* cannot work, *glasnost* is the worst thing they could have done, from their standpoint, at the present time. There is nothing they could do with their present policy to save the Soviet empire from internal collapse, a spiraling collapse. Now the only thing that can save them, is a certain kind of cooperation with the West, which under certain terms they could get. For example, if I were President, they could get certain kinds of cooperation from me under certain conditions, cooperation they would need."

The official Soviet line on AIDS has changed dramatically, since the time of Moscow's first major publication on the matter, Oct. 30, 1985. On that date, an infamous article in *Literaturnaya Gazeta*, entitled "Panic in the West" blamed Western military agencies for spreading, and perhaps manufacturing, the human immunodeficiency virus.

A postscript to that article attacked LaRouche and *Exec-*