

**SECURITY OF BANGLADESH:  
EXTERNAL DETERMINANTS**

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IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
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IN  
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ABBREVIATIONS

TEXT

|        |   |
|--------|---|
| ADB    | Asian Development Bank                                    |
| BBC    | British Broadcasting Centre                               |
| BCIC   | Bangladesh Chemical Industries Corporation                |
| BIDS   | Bangladesh Institute of Development Studies               |
| BBS    | Bangladesh Bureau of Statistics                           |
| BDR    | Bangladesh Rifles   |
| CDST   | Customs Duty and Sales Tax                                |
| DSR    | Debt Service Ratio  |
| DIFPP  | Dhaka Integrated Flood Protection Projects                |
| EC     | European Community  |
| FAO    | Food and Agriculture Organisation                         |
| FRG    | Federal Republic of Germany                               |
| GDR    | German Democratic Republic                                |
| GOB    | Government of Bangladesh                                  |
| GDP    | Gross Domestic Product                                    |
| GNP    | Gross National Product                                    |
| IDB    | Islamic Development Bank                                  |
| IMF    | International Monetary Fund                               |
| IS     | Import Substitution                                       |
| JMB    | Jamuna Multipurpose Bridge                                |
| LDC    | Least Developed Country                                   |
| LG     | Letter of Guarantee                                       |
| MOU    | Memorandum of Understanding                               |
| OPEC   | Organisation of the Petroleum Exporting Countries         |
| PDB    | Power Development Board                                   |
| PFDS   | Public Food Distribution System                           |
| QR     | Quota Restrictions  |
| SLR    | Sea Level Rise  |
| SSC    | Stroller Chemical Company                                 |
| SYBB   | Statistical Year Book of Bangladesh                       |
| TFYP   | Third Five Year Plan                                      |
| UNDP   | United Nations Development Programme                      |
| UNICEF | United Nations International Childrens' Emergency<br>Fund |
| USAID  | United States Agency for International Development        |
| WB     | World Bank  |
| WBDR   | World Bank Development Report                             |

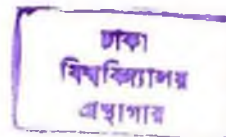


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In analyzing the sources of external security threats affecting Bangladesh, the study seeks to identify a) the inadequacy of the conventional, Westernized security concept in explaining the various security threats, especially of the developing countries; b) to develop newer/alternative conceptual model of security in place of the existing ones; and c) to examine several key areas of insecurity that threaten contemporary Bangladesh.

The findings of the study have set forth, within the analytical frame of inquiry, two issues which are likely to exacerbate tensions between the developed and the developing countries (like Bangladesh). One concerns the realities of economic life i.e. the widening economic disparity and the consequent donor-dependence, trade imbalance and of non-formal trade or smuggling; and the second relates to environmental despoliation and degradation caused at both global and regional levels and felt most severely by nations like Bangladesh.

The study views that certain, economic constraints and environmental deficiencies are producing conditions which contribute to insecurity and render conflict more likely. Because of these problems, a nation like Bangladesh, bent on protecting its perceived security interests, has to concentrate on the



economic exigencies as well as on harnessing its natural resources, harmonizing with environmental prerequisites and balancing it with military strength and strategic power potential.

## CHAPTER ONE

### INTRODUCTION

Quest for security is an age-old concern of mankind, although the concept has changed in context and focus with changes in international system as well as with changes in the domestic, social, economic and political milieu of the nation-state actors. Security of a nation-state remains an indispensable element in contemporary international relations as well.

Modern concept of security is of Western, mainly American, derivation and it has emerged in the post-World War II period. The concept evolved partly as a response to the common opposition to the growing power of the erst-while Soviet Union. In the post 1945 period, the security outlook of the Western powers has been dominated by the overriding concern of preventing another major war involving the great powers.

The idea of national security thus emerged in response to the particular nature of the international environment in which the Western states found themselves. The concept also developed as a result of the needs and conditions of the Western states. Most of

the developed nations of the West have long-standing hierarchial societies, with strong military traditions; their social situations are fairly stable in nature. Their civilization has global linkages and many of the states in the group, even smaller ones, have great power legacies. It is in this Western context and usage the term 'security', implying national security, has been linked largely to the policy of war-prevention, focusing chiefly on the military dimension.

Considerations of military threats have become so dominant that other threats to the security of nations have often been ignored. Accumulating evidence indicates that new threats are emerging, threats with which military forces cannot cope (Brown, 1984: 340). An exclusive military strategic approach to the study of national security is not only narrow but also misleading, considering the ~~the~~ fact security environment has changed in recent times (Azar & Moon, 1988: 102).

One may suggest that security in the context of smaller nation-state actors of the developing world, such as Bangladesh, does not simply refer to the military dimension as, is often assumed in general sense of the concept, but to a range of dimensions of a state's very existence or survival. To this end, one has to fully comprehend the concept of security, so that a proper understanding of the national security problems of Bangladesh can be placed in their proper context. It may also be suggested that an undeveloped/underdeveloped concept of security constitutes a substantial barrier to progress and development. The study seeks

to demonstrate how a more developed and expanded concept can lead to constructive redefinition of the security problems and issues.

Security is commonly understood as immunity of nation-state from external threats originating mainly from outside the territorial boundaries. Traditional external threats are related to military aggression. Although physical threats of aggression cannot be ruled out, security strategy, especially of a third world developing country like Bangladesh, would be more concerned with threats of non-military nature.

The country, with little natural resource endowment, have become increasingly vulnerable to economic and political dominance. While all states are committed to enhance their security, for the developing states it is of acute importance, given their general vulnerability in the international system. Their security is being threatened at all levels: domestically, by different interest and social groups competing for power in a political system where there is a dismal absence of consensus, and by the inability of the state to provide secure systems of food, employment for their people, exploitation of the natural resources; internationally, they face threat from the predatory powers (usually, but not always, great powers) and from international institutions eager to make policy decisions for third world states (Thomas, 1987: xii).

In recent times a greater awareness has been evident about the special characteristics of security in the third world developing

countries; yet the intellectual resources devoted to such an endeavour is still inadequate (Hafiz, 1987: 425).

While discussing security issues, two questions emerge: first, what is the referent object of security and, second, what are the necessary conditions for security? Security as a concept clearly requires a referent object. Unless an answer to the question can be found, 'the security of what?', the security idea would become meaningless. Here the referent object of security is the nation-state, comprising people or individuals. The security of the people in general is the object of security: if the people/masses are secure, the society and the country is likely to be secure. /)

#### **ANALYTICAL ORIENTATION**

While addressing the issues related to external determinants of the security of Bangladesh, the study seeks to examine the inadequacy of the Western notion of threats to national security for Bangladesh. Both the conceptual and functional issues are analysed. An attempt has been made to provide an alternative framework within which certain dimensions of Bangladesh's security threats can be properly identified and analysed. In the process, an analytical model of external non-military security issues has been developed in the study. A conceptual scheme of security has been advanced in essence with non-military connotation.

Security analysis can generally be made at three levels -- taking account of Kenneth Waltz's notion of three levels of analysis centred on individuals, states and the international system (Buzan, 1983: 13-14). The study primarily deals with state level analysis of the security problems. However, such a strict categorisation may not be fully adhered to, no inference should be drawn that a security determinant can be isolated, at any single level. Rationalisation for single level security policies are quite common ( Buzan, 1983: 14). The study, however, suggests that security connects across at all three levels. The academic segregation is undertaken only for the sake of convenience, to make the reassembled whole easier to understand.

#### **METHODOLOGY**

A qualitative as well as quantitative analysis is made in the study. While analysing the security threats, the inadequacies of the traditional security concepts are discussed. An analytical model of non-military aspects of external security dimensions has been developed. In analysing economic thrust, economic indicators like gross domestic product (GDP) growth, gross national product (GNP) and per capita income, unemployment figures, debt service ratio, export-import figures etc. are taken into account in assessing the aid dependence of the economy. A survey effect of smuggling on the economy of Bangladesh is made. Numerous indicators like change in sea level, flood and drought intensity, water and soil quality, temperature change and air quality etc. measure environmental threats have been identified.

The study is based on a thorough inquiry and in-depth analysis of the primary and secondary source materials on the subject. Quantitative as well as qualitative assessment has been made of the existing literature, and key personalities involved in some of the issues have been interviewed.

### PROPOSITION

The principal objective of the study is to examine some of the security issues facing Bangladesh to sharpen and deepen the existing perception of security matters of Bangladesh. Security studies in the West, as well in most of the third world countries have concentrated on strategic and military dimensions. But the conventional military-oriented definitions of security appear to have failed to come to grips with the threats confronting a developing country like Bangladesh. The concept of security as it pertains to Bangladesh needs new moorings, in view of the fact that security problems of the country appear mainly non-military in nature.

As prerequisites for the propositions, the study sets forth to examine the following issues and place them in their proper perspective:

- i) redefine the concept of security in the context of Bangladesh;

- ii) identify and discuss the main factors which impinge upon Bangladesh security;
- iii) review the various policies pursued by Bangladesh in order to tackle these problems;
- iv) provide a critical assessment of the governments handling of these security-related issues;
- v) finally, offer policy recommendations which Bangladesh might consider to enhance its security posture.

#### FORMAT

The study consists of an introduction and four other chapters, each sub-divided into appropriate sections. The second chapter undertakes an analysis of the concept of security, as it relates to a developing country like Bangladesh. Attempt is made to develop a conceptual scheme of security. Three approaches (a) traditional, (b) behaviouralist, and (c) post-behaviouralist, to the study of international relations, including security matters, are briefly discussed. The post-behaviouralist approach has been brought forward while analysing the security threats of Bangladesh. This provides an explanatory backdrop against which the rest of the chapters should be read. Then follows two chapters introducing areas of Bangladesh's security.

The third chapter discusses the economic dimensions of security



as it relates to Bangladesh. The problem of foreign aid dependence is a major threat for Bangladesh. Bangladesh's inability to come out of the vicious circle of external aid dependence is discussed. Particular attention is paid here to the current debt crisis. Bangladesh, being one of the poorest countries of the world in terms of per capita income as well as in natural resource endowment, perhaps does need external financial assistance for her socio-economic upliftment. This did not follow the assumed line. It apparently has created two problems: an increasing dependence upon flow of money from external sources and the consequent debt crisis. There is then the illegal trade or smuggling, which is one of the major setbacks to the management of the economy of Bangladesh, due to huge loss of tax revenue needed for internal resource mobilisation. There is also an ongoing trade imbalance as a result of inequitable terms of international trade and discriminatory trading system which is injurious to a country like Bangladesh. It is seen that Bangladesh's balance of payments is characterised by a massive structural trade deficit and heavy dependence on foreign aid. Various suggestions are put forth in an attempt to work towards reducing economic threats so as to achieve a healthy economic growth and sustained development of Bangladesh.

The fourth chapter discusses environmental threats. External environmental threats can be identified as global and regional. The global threats involve depletion of the ozone layer, greenhouse warming and consequent sea level rise. Waste dumping

and sea pollution are posing serious environmental hazards for living beings. The regional environmental security threats include deforestation, the adverse impact of dams and barrages constructed by the neighbouring India, unilateral withdrawing of the waters of the international rivers. In the past, a delicate balance was maintained between human power and natural environment. But the advances in modern science and technology endowed mankind with overwhelming power over nature. Yet overtaking nature appears to be quite ephemeral. Human activities can often be harmful to the continued natural stability of the ecosystem. The country is vulnerable to unpredictable weather conditions. Floods, droughts, cyclones can play havoc with the production and distribution of agricultural exports and food for domestic production, destruction of homesteads, dislocation of populations etc. Swelling body of literature and scientific findings now claim that major changes in the eco-system are causing serious disruptions in the environment. Many security issues, directly or indirectly connected with the environment, are discussed in the appropriate sections. Thus the spectre of environmental disasters about which ominous scientific predictions pouring in recent times should generate the required political will, as well as emphasise to the need for a fundamental reformulation of traditional notion of security in a country like Bangladesh.

The concluding chapter draws together threads running through the research work. Reference has been made to the grave need to enhance Bangladesh's security in an extremely insecure world.

Measures that can reduce the vulnerability and improve the security position of Bangladesh have been suggested in the changing context of global and regional scenario.

## CHAPTER TWO

### MAKING SENSE OF SECURITY: A CONCEPTUAL SCHEME

Throughout history security matters have been the main preoccupation of a nation's policy and that of its decision makers. But the question what constitutes security has changed over time. Moreover, the security issues and problems vary from country to country. Security of a developing country like Bangladesh is a complicated phenomenon. Like most other states of the contemporary world, Bangladesh is vulnerable to external threats. At the theoretical plane, the problem of external threats to a state's security is a function of the rather anarchic character of international political system. As Waltz points out, "with many sovereign states, with no system of law enforceable among them, with each state judging its grievances and ambitions according to the dictates of its own desire, conflict sometimes leading to war is bound to occur" (Waltz, 1987:11).

External threats to a nation's security originate therefore from the policies of other states. Though in theory all states may be prone to the external threats, in the real world, the weaker states are more vulnerable than the stronger ones. This is

because of the effects of their own weakness as a state and their relatively low politico-economic and military power capability. Bangladesh is economically underdeveloped. It also faces various environmental crises. The above issues have raised new kinds of questions about the country's security affairs. The traditional interpretations of security concept is not suitable for Bangladesh's present security concerns. The dynamics of political exigencies necessitate new and updated concept. The concept of security is seldom addressed in terms other than the policy interests of particular actor or group of actors. Consequently the discussions that follow retain a heavy military bias.

*debatable - why does Japan have ...*  
*the ... of ...*

The principal argument in the chapter is that the notion of security as it pertains to Bangladesh is underdeveloped and that one needs to develop a proper comprehension so as to deal effectively with the issues facing the country. A narrow definition of the security concept can mislead policy planners and decision makers, and ultimately drain away big chunks from the scarce resources of Bangladesh, thereby aggravating security problems. Therefore the chapter seeks to bring forward the difficulties of conventional application of security term in the context of Bangladesh (section 2.1), and suggest an alternative framework (section 2.2) which may offer better understanding of the particular security concerns and problems confronting the country (section 2.3). The concluding section (2.4) summarises the findings in the chapter.

## 2.1 CRITIQUE OF THE CONCEPT OF SECURITY

Contemporary security concerns of Bangladesh have become increasingly complex. Although traditional interpretations of security emphasizing on power, armaments, weaponry all remain valid, but by themselves they are no longer able to explain a nation's threats of multiple dimensions. This is because the security concept had been used in a narrower meaning and has remained underdeveloped concept in the context of Bangladesh. Before elaborating upon the issue, let us first examine the development of the concept.

Quest for security and insecurity problems have been discussed by various scholars and analysts from the developed countries. Different schools of thought have emerged explaining and analysing political phenomena including security matters. The concept of security originated in the Western literature, responding to the needs and problems of the nations of the West. These schools of thought can be broadly categorised into traditionalist, behaviouralist and post-behaviouralist school.

### 2.1.1 TRADITIONALIST SCHOOL

For long three centuries empirical research on security and international politics and security were analysed in terms of philosophical speculations. The traditional school using historical-political approach analysed security in terms of power and peace. The traditionalists tend to see security either as

power derivative, where an actor with enough power to reach a dominating position will acquire security as a result or as a consequence of peace, in the sense that lasting peace will bring security for everyone. The security concept which is a Western (mainly American) derivative, developed according to the necessities of the U.S. policy requirements. The realist interpretation of security predominated the study in the post-World War II and Cold War era.

The traditional realist approach to security has been pioneered by E.H.Carr and Hans J.Morgenthau, both of whom attempt to analyse security based on the concept of power. According to their view the concept of security plays a subsidiary role, as it is a mere derivative of power. To them security conveys physical protection of the state from external threats -- violent threats that are predominantly military in nature. External aggression involving war and border conflicts, espionage, sabotage, subversion and other threats operationalised by actual or potential adversaries are the immediate concerns of national security. They treat national security as military and political matters, and view international politics in terms of pervasive anarchy where each state pursues its own national interests. To most other political realists, like Hans J.Morgenthau, Reinhold Neibuhr, George Kennan and Henry Kissinger man was not inherently good. At best, man had equal capacities for bad and good, at worst, man had an instinctive desire to dominate his fellow man. War, therefore, was always a possibility and in many instances a probability (Papp, 1988: 10).

According to this 'realpolitik' interpretation, each nation-state was to provide for its own defense and security by the maintenance of large and capable military force. It also asserted the primacy of states as international actors and considered states to be unitary actors with a single decision-making process. They further contend that states were essentially rational in their actions. Prominent realists who made security studies are Walter Lippman, Arnold Wolfers, Fredrick H. Hartman. Lippman maintained that a state is secure to the extent to which it is not in danger of having to sacrifice core values if it wishes to avoid war, and is able, if challenged, to maintain them by victory in such a war. (Wolfers, 1962: 150). Hartman argues that 'security is the sum-total of the vital national interests of the state', amplifying that a 'vital national interest is one for which a (state) is willing to go to war either immediately or ultimately' (Hartman, 1967: 14). Wolfers maintains that 'security is a core value which a state can have more or less and which it can aspire to have in greater or lesser measure' (Wolfers, 1962: 152).

The common thread through the above definitions is that security emphasis is on the state, and also the policy demands made by the state rather than those of private individuals, pressure groups, sub-national groups or humanity as a whole. The realist view of security in terms of struggle for power was thus relevant in the extremely polarized Cold War situation. Security thus appeared to be synonymous with power, and how well any particular state or



allied group of states was succeeding in the struggle for power. To the realists, military security or strategic issues are sometimes referred to as high politics, whereas economic and social issues are viewed by many of them as the more mundane, less important or low politics (Viotti and Kauppi, 1987: 7).

One may suggest that the realist analysis of security can lead to highly polarised and conflicting prescriptions (Buzan, 1983: 2). The nature of power is being redefined as part of the more general transformations taking place in international politics. In the old, industrial, hierarchy of nations, naked military force and the characteristics of a nation that supported the use of force, were considered the essence of power. The international rules of good conduct have changed so that the naked exercise of force has become much more difficult for contemporary industrial countries. And the focus has shifted away from gain by conquest to gain through technological domination and resource manipulation.

Slowly questions being raised whether in a nuclear era, realist emphasis on the military, makes national annihilation a likely outcome? How would they explain the slow but real move in Western Europe and other regions towards transnational economic linkages? In all cases they failed to determine who within a nation-state should define the interest. Scholars have offered trenchant criticisms of the realist tradition, offering alternatives not so much because they promise better understanding through methodological innovation but because they are supposedly more

consistent with contemporary realities. The realist interpretation of security concept can lead to highly polarised and conflicting prescriptions (Holsti, 1985: 1-4). The critics of the realist school argue that more scientific and less assertive methodologies are needed to enhance the study of international politics, including security.

### 2.1.2 BEHAVIOURALIST SCHOOL

Behaviouralism refers to a way to study politics or other social phenomena that focuses on the actions and the interactions among units by using scientific methods of observation to include quantification of variables whenever possible. The behaviouralist consider only observed behaviour as relevant to the scientific enterprise and reject what they consider to be metaphysical notions of "mind" or "consciousness" (Viotti and Kauppi, 1987: 584).

Proponents of the behaviouralist methodologies, which developed during the late 1950s and 1960s, emphasised the need for a rigorous and systematic study of international relations. The behaviouralist thought emphasized that theories derived from scientific analysis they advanced be consistent with all available facts and not only with those that fit the theories. In contrast to the realist views which emphasized the relative utility of history, law, philosophy and other traditionalist methods of enquiry, behaviouralist views of the 1960s argued in favour of social science conceptualization, quantification of

variables, hypotheses testing and causal model-building. The emphasis on behaviour was meant to draw attention to the interdisciplinary nature of these studies: political, psychological, economic and all other aspects were included. The use of science was to assert the use of scientific method, and in particular the obtaining of data and their quantitative analysis as in other sciences. By quantification analysis, it is meant an analysis that is more reliable than the more usual intuitive one. It is an analysis that provides an objective check by comparison or measurement (Burton, 1971: 14).

John Herz in the early 1950s criticized the realist view of enhancement of power and coined the phrase 'security dilemma'. He states that in an anarchic international system, state 'A' may sincerely increase its level of defense spending only for defensive purposes and self-preservation, but then it is also rational for other states to assume the worst and impute aggressive intentions to state 'A'. They therefore also increase their level of arms, leading state 'A' to feel insecure and contemplate on further increase in military spending. Hence by initially trying to enhance its own security, state 'A' sets in motion a process that results ironically in its feeling less secure (Viotti and Kauppi, 1987: 603). Waltz points out that 'with many sovereign states with no system of law enforceable among them, with each state judging its grievances and ambitions according to the dictates of its own desires, conflict, sometimes leading to war, is bound to occur' (Waltz, 1987: 11).

With the economic troubles of the 1970s, scholars and academicians began to concentrate on the impact of economic issues on world politics, and thus began to see security along these viewpoints. The behaviouralist critics of realism based their notions on the concept of 'interdependence' (Buzan, 1983: 7-8). Interdependence being defined as a relation or relations between two units (a dyadic relation) or among more than two units in which one is sensitive or vulnerable to the decisions or actions of the others on the others (Viotti & Kauppi, 1987: 605).

The behaviouralists relegated the traditional, military power oriented realist model into the background, seeing its competitive, fragmented force-based approach as increasingly irrelevant to the interwoven network world of political economy. Economic issues infiltrated strategic studies in the form of concern for supplies of strategic resources. The behaviouralist pushed the military factors into the background, thereby throwing out the 'security baby with the realist bathwater'. Military considerations were seen as largely marginal to outcomes involving interdependence issues. Military matters were seen as an almost separate sector, important only as an underlying condition for interdependence, being no longer seen at the undisputed centre of high politics. However some behaviouralists believe they have moved into a post-behaviouralist era.

### 2.1.3 POST-BEHAVIOURALIST SCHOOL

To understand the security behaviour of states requires more

than merely examining factors internal to a state. One must first understand how the structure of the international system conditions and predisposes certain actors to act in certain ways. Even the former U.S. Secretary of State Henry Kissinger, himself a realist, noted that:

Progress in dealing with the traditional agenda is no longer enough . A new and unprecedented kind of issue has emerged. The problems of energy, resources, environment, pollution, the uses of space and the seas now rank with questions of military security, ideology and territorial rivalry which have traditionally made up the diplomatic agenda (Viotti and Kauppi, 1987: 9).

Little attempt was made to integrate the economic issues and the strategic studies by applying interdependence logic, via the interconnective concept of security to the problem of military power, in an era of international anarchy. The post-behaviouralist show integration can be pursued. Thus behaviouralist thought from the late 1950s to the mid-1970s, with its scientific, value-free and quantitative concerns was not suited to the universe of essential concepts.

An interest in behaviour, rather than just description, soon leads to an enquiry into the motivations and the reason why groups, governments and institutions act as they do. Governments and institutions are creations designed to serve the purposes of people; in the long-term they must reflect the motivations,

drives, fears and ambitions of people. Thus an analytical approach to world society and its issues and problems including security matters, soon lead one to consider values held by nations and people and the ways in which they perceive themselves, others and their environments generally. This emphasis is not just on the interdisciplinary approach and scientific method, but on significance, relevance and human values.

The present literature on the study of security and international relations is greatly concerned with values, authority, political participation and social revolution. Aware of these trends, and being interested in the study of the international systems and their environments, Burton asserted back in 1969 that the features of this post-behavioural revolution were:

An insistence that substance or the field of interest must be determined first, and methods and form introduced later; a questioning of the traditional hypotheses on which empirical studies are; a closer association with the real world and its problems; an acceptance of a responsibility to protect and to promote the developing values of society (Burton, 1971: 17).

The post-behaviouralist revolution did not decrease either the interdisciplinary nature or the scientific emphasis of the behavioural approach. It directed more attention to human

behaviour as such, and in particular, motivations and values underlying such behaviour. The intention of this approach is to analyse issues and problems of international relations, no matter what it turns out to be -- not just an ability to describe some contemporary event. Thus the post-behaviouralist school dominates the contemporary security paradigm. The study is an attempt to look at the non-military security threats, analyse its impact for tomorrow. Bangladesh is likely to be more different tomorrow from the present one, than is the present one from that of the past.

## 2.2 AN ALTERNATIVE CONCEPT OF SECURITY

The literature on national security is generally produced in the West, and thus the security concept of developing countries appears to suffer from relying on the Western experience. An analysis of national security literature on Bangladesh would reveal that country's security environment has been greatly influenced by the Western conventional military assessment. One may suggest that Western national security concepts cannot be entirely applied to Bangladesh. Three factors can be identified for such a view:

### Contextual

Unlike the developed Western countries, Bangladesh is a small country, economically backward with poor natural resource endowment, built-in structural rigidity, growing dependence on the international economic system which impede opportunities for

self-sustaining development.

#### Incomplete nation-building process and lack of national integration

Bangladesh is a relatively new nation-state, lacking domestic political cohesion (Hafiz and Khan, 1986: 8-39). Competing socio-political groups pursue their own interest at the expense of the common good. Failure to foster nation-building weakened the ability of the state authority to extract and mobilize resources and to coordinate the domestic political actors.

#### Lack of physical power capability

Being poor in resources and small in size, Bangladesh is unable to accumulate the physical power needed to alter or protect herself from perceived external threats. External weaknesses, combined with economic backwardness and limited adaptive capabilities clearly differentiate a Third World (such as Bangladesh) security context from that of the West (Azar & Moon, 1988: 277). Such a politico-economic setting makes Bangladesh's non-military factors of security more real and pressing than currently-perceived external military threats.

How indeed does one pursue national security in an age when states are increasingly interdependent in economic and environmental terms, and when the power of military technology



makes them utterly dependent on the restraint of others for their survival? The basic assumption here is that national security has a meaning and that meaning is related to threats to 'national core values'. However Wolfers labelled national security as an ambiguous symbol (Wolfers, 1962: 147-65). But despite the ambiguity of the term, security of a nation is primarily about defining external threats to a socio-political entity. Manning writes that national security is 'freedom from insecurity' (Garnett, 1970: 32).

The question remains, what constitutes insecurity? Here de Madariga defined it as 'the feeling of danger that arises out of the realization that the order of things in which we live is unstable' (Garnett, 1970: 32). Another writer defines insecurity as the relative weakness, the lack of autonomy, the vulnerability and the lack of room for manoeuvre which Third World states have on economic and political as well as military levels (Thomas, 1987: 4). Bangladesh suffers from an acute lack of control over the international environment in which it must function. Her lack of control over the external environment has great implications for the ability to control the domestic economic, social and political domain. Security thus implies a state of tranquillity, an absence of fear of disturbing elements in relation to state objectives. Also R.D. McLaurin's definition of security 'as any activity, phenomenon, or course of events that poses a danger to either the existence of a form of government or the welfare of the people of a sovereign state seem to be most appropriate for a developing country like Bangladesh. Thus in the context of

Bangladesh economic and environmental problems would appear as the most substantive aspects of the security, because they are of immediate relevance to the people at large and also the state itself (Khan and Kabir, 1987: 15).

The economic posture of developing countries is by definition less advanced than that of their developed counterparts. Economic vulnerabilities are directly related to national security throughout the Third World, and in most cases much more directly related than in the developed countries. Conceptually, national security must reflect the threat posed by economic problems (McLaurin, 1988: 262-69). Most Third World countries (like Bangladesh) trapped in a complex 'vortex of local, regional and super-power rivalry are faced with a more precarious external security environment than their Western counterparts. This precarious situation is exacerbated by external weaknesses. Being poor in resources and most of them being relatively small in size, they are unable to accumulate the physical power needed to alter or protect themselves from external conditions. Such a setting makes Third World insecurity more real and pressing. External weakness is aggravated in part by economic backwardness. Also built-in structural rigidity and growing dependence on the international economic system impede opportunities for self-sustaining development (Azar & Moon, 1988: 278).

The economic role of national security is vital because of its extensive spillover effects on other national values. Persistent underdevelopment and deprivation of economic well-being degrade

national morale and can precipitate social unrest, thus furthering internal fragmentation. Such internal weaknesses can trigger hostile actions by potential or actual adversaries. Moreover, a weak economy undermines the base of the military power, which is often perceived essential for even conventional military security. In reality the blind pursuit of military power may trigger negative consequences, such as adversely affecting the economy and development of a country. Underdeveloped and/or misperceived national security considerations may lead to excessive military spending, which, in turn, can lead to distorted economic development of a country.

Scholars and analysts, who emphasize on the military threats as more significant than non-military ones, also do not deny the equal importance of economic vulnerabilities as directly related to national security throughout the Third World (McLaurin, 1988: 257). In this context Azar and Moon point out that 'an excessive military strategic approach to the study of national security is not only narrow but also misleading' (Park & Park, 1988: 102). Their contention that national security should be defined to include non-military components such as economic vulnerabilities, ecological scarcity and disruption is a healthy departure from the conventional monolithic definition based on a military-strategic thinking.

Security is a concept which does not give any meaning without some identification of threat. Security against what? In all discussions of security there is an implicit or explicit

determination of threat. Generally the political institutions (government) and elites (leaders) see threat in political-military terms. To overlook non politico-military factors that provide the very fuel on which political (and some types of military) challenges run is nevertheless a serious political error. A broader and newer concept of security requires an examination of threats. However threat itself is complicated and ambiguous and 'behaviourally speaking it is perceptual matter'. The source, type and level of threat are mostly situational and complex (Azar & Moon, 1988: 284). Buzan concisely describes such a complexity:

Threats to the states comes in diverse forms which cannot be easily weighed off against each other and which are frequently in a state of constant evolution. These threats define its insecurity and set the agenda for national security as a policy problem (Buzan, 1985: 88-89).

With what may emerge an overload of ecological problems facing Bangladesh, an expanded concept of security must also include environment as an important security consideration in view of the impending environmental crisis. The impact of environmental degradation on global and national security are enormous. It has been aptly noted by the World Commission on Environment and Development (WCED) that the whole notion of security as traditionally understood must be expanded to include the growing impacts of environmental stresses. There are no obvious military solutions to environmental security problems (WCED, 1987: 19).

## TREATMENT OF SECURITY IN BANGLADESH

Bangladesh, like all other states, is conscious of the need to make itself secure. Political, economic and social structures are weak and inflexible. This problem of internal insecurity makes the problem of external insecurity all the more acute, and vice versa (Thomas, 1987: 4).

Though the type, source and level of threat are subjective, determined by policy makers, it is not impossible to identify threats to each security dimension. In the conventional approach, the type, source and level of threat can be easily delineated as overt, external and military, coming from actual or potential adversaries. Non-military threats are less apparent, making perception and recognition difficult and controversial.

It needs to be mentioned here that factors of Bangladesh's external threats may be broadly grouped into two major headings:

- a) global actors, as the country interacts with the international community as a whole;
- b) regional actors, as it relates to its immediate neighbourhood of South Asia.

A country's external relations is a function of its domestic compulsions, and no other factor is as critical in Bangladesh's

external relations as its economic imperatives. Though <sup>this</sup> appear as a corollary, no other problem than the country's overriding aid dependence be more important in transmitting threats. Foreign aid produces security concerns as a result of its intrinsic nature of domination and manipulation by the strong partner. The inequitable terms of trade and discriminatory trading system seems to result in a terrible trade imbalance for Bangladesh. Among the regional economic threat, smuggling or illegal trade would feature prominently in the threat perception. However smuggling has international linkages as well. The trading pattern (both legal and illegal), appear to form an asymmetric economic transactions between Bangladesh and the developed countries and seemingly produce security concerns as a result of its intrinsic nature of domination and manipulation by the stronger partner. Perpetuation of structural dependence can lead to the loss of economic sovereignty.

Subtle, structural threats to economic well-being are more pervasive. These problems are related to the pattern and degree of integration in the international economic system. One noticeable threat in this regard is systemic vulnerability, which arises from the concerns of developing countries (like Bangladesh), with limited domestic policy leverage, to the transmission of external economic disturbances originating from the international economic system per se. Recent debt crises and subsequent painful adjustments typify security concerns triggered by such vulnerabilities. Structural dependence is a source of important economic threat to the Third World nations, because it

deepens structural deformation of their economies and production activities (Azar & Moon, 1988: 285).

Similarly, the environmental decline do not conform with territorial or political boundaries. The use and control of resources, as waters of international rivers, have led to tensions and conflict, as these resources are crucial for sustenance and survival. The Indo-Bangladesh ~~strained~~ relations over the proper apportionment of the water resources is a glaring example of the on-going tension in South Asia.

The environmental degradation in the South Asian region due to massive deforestation in the Himalayas and the resultant scarcity of resources has an implication for the organic survival of a national population. Organic survival differs from political survival in that security of a nation-state could be more related to an organic dependence of its population on its physical environment than on the physical protection of a nation-state from external military threats. This reasoning derived from the reality that the national population constitutes the main component of nation-state and the bulk of the population cannot survive without proper resource space to enable it to nourish itself and to expand. In keeping pace with rising domestic economic and resource demands either through external expansion of ecological space or by domestic adjustment is a crucial security issue (Azar & Moon, 1988: 281).

Due to environmental reasons, floods and drought intensified

affecting food production and agriculture. Due to food shortages and low level of technological innovation, aid dependence on the industrialised nations is growing. The deterioration of the earth's biological systems is not a peripheral issue of concern only to environmentalists. The economy of the country depends on these biological systems. Anything that threatens their viability threatens the economy of the country. Any deterioration in these systems represents a deterioration in the human prospect (Brown, 1984: 340-341). The need for Bangladesh to confront these threats and to address them suggests that the military's role in securing the nation's well-being and survival is relatively less important now than it was before.

#### CONCLUSION

The contemporary security concerns of Bangladesh emerge as a complex phenomenon. Although the conventional interpretation of security emphasizing on power, armaments, weaponry, all remain valid, but they by themselves are no longer able to explain a nation's threats of multiple dimensions. The billiard-ball model of the 'realist' tradition where nation-state is a unitary actor, and where power becomes synonymous to security is inappropriate for assessing Bangladesh's security imperatives. Also the Western behaviouralist interpretation of security of a nation-state, which is composed of the individual citizens who share a common destiny through extended nation-building cannot be readily applied to a Third World developing country like Bangladesh. Hence a newer concept of security is needed to analyse the



problem. A perspective of national security literature reveals that security environment has been greatly influenced by the conventional military assesment. Other considerations, as economic matters and environmental deterioration have not been placed in their perspective, and therefore no proper methodology has been developed to incorporate such assessment into the national security agenda. National defence establishments are useless against these new threats. Neither 'bloated military budgets nor highly sophisticated weapons systems' (Brown, 1984: 342) can halt the environmental despoliation or economic influence of the industrially advanced countries. The new threats to national security are extraordinarily complex. An alternative conceptual scheme is, therefore, suggested incorporating economic imperatives and environmental concerns to address the major security threats facing Bangladesh.

### CHAPTER THREE

#### ECONOMIC THREATS AND THE SECURITY OF BANGLADESH

The decades of Cold war had imposed the pre-eminence of political over economic considerations. With the Cold war behind us, there is a distinct trend towards the economic of international relations shaping its politics and security concerns. There is no seeming prospect for an end to what emerges<sup>as</sup> the massive current drain on the south's resources, in the form of net transfer of millions annually in debt servicing and repayment of loans, unfair terms of trade and discriminatory trading system in an inequitable international economic system.

Some threats to economic well-being and even economic sovereignty result from patterns of dependent development strategy, a product of both internal and external factors. The economic issues in national security are vital because of their spill-over effects on other national values. Persistent underdevelopment and deprivation of economic well-being can degrade national morale and precipitate social unrest, adversely affecting the socio-political system of a country. Weak political system can initiate hostile behaviour by potential or actual enemy. Economic crisis may trigger legitimacy crisis endangering the base of the ruling authority. Further, a weak economy undermines the foundation of military power, necessary for conventional national security.

The external economic threats identified here and analysed are

foreign aid dependence and the consequent debt crisis (section 3.1), illegal trade or smuggling (section 3.2), trade imbalance (section 3.3). The concluding section (3.4) summarises the findings.

### 3.1 CRISIS OF FOREIGN AID DEPENDENCE IN BANGLADESH: DONOR-RECIPIENT DISSENSION

Global threats to economic security of Bangladesh emerge from high dependence on foreign aid and technology and extreme debt burden. This section discusses the dependency issues arising out of the aid phenomena. It discusses Bangladesh's inability to come out of the vicious circle of dependence on external assistance and foreign technology. Particular attention is paid here to the current debt-crisis facing the country. It is seen that Bangladesh's aid dependence is the outcome of world system which seeks to entangle Third World countries in perpetual relation of dominance and dependency.

Bangladesh is one of the poorest countries in the world in terms of per capita income of U.S. \$ 220 and a population of about 110.6 million, squeezed into an area of 143,999 sq.km of territory. The average annual growth in the decade 1980-91 was 1.9 percent and annual average rate of inflation was 9.3 percent in the same decade (WBDR, 1993: 238). (See Table 1 below). (Also appendix 1).

Table 1: BASIC INDICATORS OF BANGLADESH

| Population | Area                    | GNP per capita | Average Annual Rate<br>of Inflation (%)    |         |         |
|------------|-------------------------|----------------|--|---------|---------|
| (million)  | (thousands<br>of sq.km) | Dollars        | Average Annu<br>-al growth(%)<br>1980-1992 | 1970-80 | 1980-91 |
| 1992       |                         | 1992           |  |         |         |
| 110.6      | 144                     | 220            | 1.9  | 20.8    | 9.3     |

Source: World Bank Development Report (WBDR) 1993, Oxford University Press, London.

Poverty is widespread on which there are differing estimates. By one count there was in 1989-90 some 42 million or 35 per cent living in conditions of poverty (Sen, 1991: 241). Bangladesh not only ranks very low among the least developed countries in terms of human resources development in terms of such indicators as

literacy, health and nutrition, but also continues to spend the least comparable share of public expenditures for human resources development, which have remained roughly constant at about 2.5 per cent of GDP between 1981-90, which is well below the amount required (World Bank, 1991 Report no.9379: 1). Public health expenditure as percentage of GNP is 0.6 percent which is lower than any other country in South Asia other than Pakistan. Public expenditure on education as percentage of GNP at 1.3 per cent in 1986 was lowest in South Asia. Judged by the share of official development assistance (ODA) spent for social investment, Bangladesh with 5.6 per cent ranks very poorly whereas countries like Bhutan and Sri Lanka spent 29.3 per cent and 38.3 per cent of the ODA for the same purpose (Iftekhharuzzaman, 1993: 33-34).

Bangladesh, being in such a predicament economically and with its poor resource endowment, needs external assistance for her economic development. The very process of development in the country has contributed to the growth of external linkages, dependency and domination of the domestic polity by decision-making authorities located outside the country. Most of the high-growth countries of the world are the industrialised countries, where population is limited. When projections for future population growth are viewed in conjunction with projections for future GNP increases, it becomes clear that although the GNP for Bangladesh is expected to expand at a more rapid rate than that of the developed states, but her lowering GNP starting points and more rapid growth of population will actually lead to a larger gap in gross per capita products between the developed states and

Bangladesh. It has been projected that in future Bangladesh, although the standard of living in absolute terms will be better in year 2000 than it is now in real terms, it will have deteriorated vis-a-vis the United States and other developed states (Papp, 1988: 482). The following table (Table-2). may clarify the point better.

TABLE 2: GNP, Population and GNP Per Capita of Bangladesh, 1975 - 2000

| 1975                                  |                        | 1975-1985    |            | 1985                                  |                         | 1985 - 2000               |                  | 2000                                  |                         |
|---------------------------------------|------------------------|--------------|------------|---------------------------------------|-------------------------|---------------------------|------------------|---------------------------------------|-------------------------|
| GNP in billions 1975 Constant Dollars | Population in millions | Growth Rates |            | GNP in billions 1975 Constant Dollars | Populations in Millions | GNP per Capita in Dollars | GNP Growth Rates | GNP in Billions 1975 Constant Dollars | Populations in Millions |
|                                       |                        | GNP          | Population |                                       |                         |                           |                  |                                       |                         |
| 9                                     | 79                     | 3.6          | 2.8        | 13                                    | 110                     | 118                       | 23               | 19                                    | 159                     |
|                                       |                        |              |            |                                       |                         |                           |                  | GNP in Populations GNP per Capita     |                         |
|                                       |                        |              |            |                                       |                         |                           |                  | Billions in Capita                    |                         |
|                                       |                        |              |            |                                       |                         |                           |                  | 1975 Millions in Dollars              |                         |
|                                       |                        |              |            |                                       |                         |                           |                  | Constant Dollars                      |                         |

Source: Global 2000 Report. (Papp, 1988)

TABLE: Gap Between Bangladesh and U.S.A.

| 1975              |                                       | 1985              |                                       | 2000              |                                       |
|-------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|
| U.S. & Bangladesh |                                       | U.S. & Bangladesh |                                       | U.S. & Bangladesh |                                       |
| Gap between       | GNP in billions 1975 Constant Dollars | Gap between       | GNP in billions 1975 Constant Dollars | Gap between       | GNP in billions 1975 Constant Dollars |
| 1,500             | 6,955                                 | 2,220             | 9,638                                 | 3,511             | 14,092                                |

Source: Derived from Table above.

On the contrary massive inflow of foreign aid far from promoting development contributed to an increased over dependence upon foreign sources of money and goods which resulted in debt crisis. Debt and their servicing have become a major burden.

Bangladesh is faced with a situation of aggravating poverty, inspite of the massive inflow of foreign aid. The aid committed for 1991-92 was U.S. \$ 2029 million (MCCI, 1993: 198). The Bangladesh Aid Group that met in Paris in April 1993 pledged a fresh aid package of U.S. \$ 2.15 billion for 1993-94 (FIB, 1993: 4). Out of the total aid pledge, U.S. \$ 1650 million would be received as project assistance, U.S. \$ 275 million as commodity aid and U.S. \$ 210 million as food aid. Despite this continuous aid flow to Bangladesh, the country's improved financial position has proven to be illusive.

Bangladesh is known as one of the poorest country<sup>ies</sup> in Asia, and also in relative terms the most indebted nation. Every planning document of Bangladesh records a commitment from policy makers to reduce her aid dependence. Yet the conclusion of each plan period records an increase in aid dependence and no reduction in the amount of aid in the subsequent plan document (Sobhan & Islam, 1988: 21). An attempt is made here to show how this aid has been used in number of significant areas in Bangladesh, and analyse the effects it has had on her developmental activities. An



evaluation of the overall purposes and problems of foreign aid policies is made.

There is sufficient evidence to confirm that the development strategy pursued by Bangladesh planners and policy makers in the past two decades at the instruction of developed countries, especially the donors of aid has not been appropriate. 1

It was presumed by the donors of the developed countries that with the resource, experience and technology transfers from them to the developing countries like Bangladesh, the development gap would be narrowed between the former and latter. Capital, the factor in short supply was conceived as the main input into the process. Internal capital would be assisted by inflow of this foreign capital and technology. The cumulative benefits of this kind of growth in the modern sector were expected to trickle down to the masses (Wigneraja, 1984: 83-84). But this entire process was wasteful in Bangladesh and has led to dependency. The theory of dependency, a concomitant concept of underdevelopment attempts to create a new paradigm. An analyst has summed up the view thus:

The major hypotheses of the theory is that 'underdevelopment' or misdevelopment of the countries has been caused by the structural relation between them and advanced countries. These structural relations are characterized by strong asymmetries in which developed states have 'hegemonic' influence and developing countries being dependent (Rahman,

1982: 3).

But this theory is not beyond criticism. It seems as a) extremely broad gauged without differentiating country variations in the nature of capital penetration; b) extremely economicistic, and c) overemphasising external forces without giving proper attention to the indigenous forces especially the class nature of the state (Rahman & Haider, 1987: 66).

However some countries, like Singapore, Taiwan, Hongkong enjoying the preferential treatment by the donors because of their own political considerations have managed to attain high growth rates, unlike a distorted process of development in countries like Bangladesh. In reality aid has perpetuated the indigenous class interests of bureaucrats and businessmen at the expense of people at large and the state itself. While taking note of the above criticisms, one should not underplay the external dimensions of the development strategy. However people at large are not beneficiaries of such a policy and hence results in political instability.

Rehman Sobhan, both an economist as well as an erstwhile policy-maker of Bangladesh, has summed up the pervasive presence of external dependence in the following words:

Today there is no sector of the economy, no department or ministry which is not dependent on external aid for the initiation and execution of its development programmes.

The dependence of the development process on foreign aid is reflected in the dependence of people and classes on aid. Today the bourgeoisie represented in the field of private industry/trade, the state machinery and instruments of coercion, academic life and the professions have the quality of their daily lives and prospects for its improvement determined by the levels of availability and access to aid (Sobhan, 1982: 9).

### 3.1.1 CONCEPT OF AID

The concept of aid or foreign aid has become a common term for Bangladesh. Before going into the effects of aid and its threat dimension in Bangladesh it is necessary to know what aid really is? What is aid and what is not aid has arisen almost entirely as the result of pressures amongst donors to establish that each nation is bearing its full 'share of the burden' of aid. This element of identifying 'the burden' has done much to vitiate the whole concept of aid.

Some analysts describe aid as a 'transfer of publicly held resources either in the form of direct funding or in commodities and goods subsidized by the donors' (Jones & Rosen, 1982: 179). Others describe aid as all resource transfers from one country to another mostly from developed to less developed nations on non-commercial and concessional terms (Todaro, 1985: 40). Economists have defined foreign aid as any flow of capital to less

developed countries (LDC) that meets two criteria:

a) its objectives should be non-commercial from the view of the donor; and

b) it should be characterized by 'concessional' terms, that is, the interest rate and repayment period for borrowed capital should be 'softer' (less stringent) than commercial terms (Bhagwati, 1981: 73).

The concept of foreign aid that is now widely used is one which encompass all official grants and concessional loans in currency or kind, and are broadly aimed at transferring resources from developed to less developed nations. Unfortunately there often is a thin line separating purely developmental grants and loans from those ultimately motivated by security and/or commercial interests (Todaro, 1985: 443). For the actual definition, meaning and motives attached to it vary from one donor nation to another and from one multilateral development assistance agency to another. Many of these aid may be multilateral and/or political in nature and have nothing to do with assisting economic development.

### 3.1.2 EVOLUTION OF AID POLICY IN BANGLADESH

Over the last two decades there has been a significant growth in Bangladesh's external dependence. Between the liberation of Bangladesh in 1971 and June 1991 U.S. \$22 billion of external

grants and loans have been committed to Bangladesh by various aid donors (World Bank Report, 1993 ). The amount is larger than the total volume of the country's economy. But still the country with its millions of poverty stricken masses are as they were two decades ago, if not worse.

Bangladesh's external dependence originated in the pre-liberation period of the 1960s. The acceleration of developmental activity in the then East Pakistan, contributed to the transformation of the economy from a net exporter of capital to West Pakistan to a net importer of capital through the medium of foreign aid receipts (Ahmed, 1989: 113-126).

Bangladesh was in a crisis situation in 1971, with a war shattered economy. It could have overcome the problem by mobilising the collective energy of the masses by following an austerity programme in order to structure the very social base. But the political leadership of that period failed to do so for fear of aggravating further dislocation that occurred during the war. Such an option for external financial assistance, ultimately resulted in a pattern of dependent development. Thus foreign aid became or appeared to have become the 'saviour' for the initial rehabilitation of the 10 million refugees displaced by the nine months of liberation war, and the presumed reconstruction of the war ravaged economy resulted in a pattern of dependent development (Sobhan, 1989: 101-102).

As the First Five Year Plan (FFYP) launched in 1973, the sheer

inadequacy of domestic resources available to the economy persuaded the then Government of Bangladesh (GOB) to accept external assistance in order to sustain some level of developmental activities. In the subsequent years, the mobilisation and influx of foreign funds into Bangladesh for financing development projects under various plans, as well as for financing the import of food items and essential commodities, has become more institutionalised (Sobhan and Bhattacharya, 1990: 179).

### 3.1.3 TYPES OF AID

Foreign aid to Bangladesh can be classified into : a) food aid, b) project aid, c) commodity aid. Each of these types of aid to Bangladesh is given through two channel : loans and grants. Loans normally have a fixed period of repayment and a fixed interest rate. Grants, on the other hand, as the term implies should involve no repayment schedule, but an important feature of grants is the tying of aid to purchases in the donor countries (Ahmed, 1986: 212-215).

In the two decades (December 1971 and June 1991) out of the \$22 billion of external grants and loans, 21 percent came as food aid, 45 percent as project aid and the rest 34 percent as non-project aid. About half of the aid 48 percent has been received as grant and the rest as loan ( SYBB BBS, 1992: 396-407; MCCI, 1993: 95). The relative share of grant in total aid disbursed has

remained more or less same during the last several years ( Figure 3 below ). (See also appendices 2 and 3).

TABLE 3: TOTAL AID RECEIVED BY BANGLADESH

| TOTAL AMOUNT<br>(in US \$)                | TIME PERIOD         | PERCENTAGE OF TOTAL IN DIFFERENT<br>AID CATEGORY |                |                    |
|---|---------------------|--|----------------|--------------------|
|   |                     | FOOD AID   | PROJECT<br>AID | NON-PROJECT<br>AID |
| a) GRANT_10.56 )<br>million(or )<br>48% ) | 1971-1991<br>(June) | 21%  | 45%            | 34%                |
| b) LOAN_11.4 )<br>million(or )<br>52% )   |                     |  |                |                    |

SOURCE: Statistical Year Book of Bangladesh, Bangladesh Bureau of Statistics, 1992. Chamber of Commerce and Industry, Dhaka Bangladesh.

**Food Aid:** This aid can be divided into two categories: food imports and Food for Works Programme (FWP). The food imports include food grains. The FWP was initiated following the 1974 flood. The idea was to utilize unemployed manpower by distributing relief food in exchange for labour. The total commitment of food aid, as of December 1992, was U.S.\$ 113.88 million (MICESB BBS, 1993: 75). (See also appendix 4).

**Commodity Aid:** The basic purpose of the commodity aid is to ease budgetary problems or a foreign exchange crisis. Aid financed imports are sold to consumers and funds within the aid receiving country, and the proceeds of the sales provide revenues to help the government frame a viable annual budget. It also supplies those commodities which the exhausted foreign exchange reserves of the country cannot purchase. The commodity aid is divided into grants and loans. The total commodity aid committed in grants, as of December 1992 by various donors, was U.S. 210.93 million. Whereas total commodity aid committed in loans, as of the same date was U.S.\$ 503.52 million (MICESB BBS, 1993: 75). (See also appendix 5).

**Project Aid:** This is used to finance infrastructural development such as building factories, electrification of the rural and urban centres, irrigation works, construction of roads, ports, bridges etc. The project aid is again divided into grants and loans. The committed project aid in the form of grants, as of December 1992, was U.S.\$ 1989.26 million, whereas loans in the



same category was U.S.\$ 3540.88 million (MICESB BBS, 1993: 75).  
(See Appendix 6).

#### 3.1.4 SOURCES OF AID

Aid has been poured into Bangladesh from multilateral as well as and bilateral sources.

##### 3.1.4.1 MULTILATERAL AID

An analysis of total aid disbursed to Bangladesh upto June 1990 shows that the World Bank (WB) with cumulative disbursement of over \$ 3.5 billions is still the principal donor, accounting for 47 per cent of total multilateral aid and 17 per cent of total aid from all sources. Since all the World Bank aid is in the form of loan, it accounts for 63 per cent of total multilateral credit and 33 per cent of total credit from all sources received by Bangladesh so far.

The second major multilateral donor of Bangladesh is the Asian Development Bank (ADB). With cumulative aid figure of about \$1.5 billion, ADB accounts for 20 per cent of total multilateral aid and 7 per cent of total aid received by Bangladesh during this period. The other multilateral donors are the European Community (EC), the Organisation of Petroleum Exporting Countries (OPEC), the Islamic Development Bank (IDB), United Nations Development Programme (UNDP), the United Nations International Childrens' Emergency Fund (UNICEF), the Food and Agricultural Organisation

(FAO), the Ford Foundation, the United States Agency for International Development (USAID) etc.

#### **3.1.4.2 BILATERAL AID**

Among the bilateral donors Japan tops the list, with about US \$2.82 billions of total aid upto June 1990, followed by the United States with about \$2.55 billion, Canada with about \$1.37 billion, Germany (FRG and GDR together) with about \$0.86 billion and the U.K. with about \$0.86 billion which is 40 per cent of total aid and as much as 77 per cent of the total OECD aid received by Bangladesh during this period. Among the major bilateral donors mentioned here, the relative share of grant on total aid disbursed to Bangladesh is the highest for Canada 99 per cent, followed by U.K. 92 per cent, U.S.A. 70 per cent, Germany 68 per cent and Japan 27 per cent (SYBB BBS, 1992). This means that Japan has emerged as the biggest donor in the credit market for Bangladesh along with World Bank. Japan's share in total credit received so far by Bangladesh is over 20 per cent. In addition there are other bilateral donors.

#### **3.1.5 WHY DOES BANGLADESH NEED AID**

Generally aid is sought by the developing countries for the following reasons:

- a) In simple terms aid is taken by a country so as to acquire additional resources.

b) Aid policy is usually formulated by the recipient so that it benefits the needy and at the same time makes them more capable and more effective in improving their own situation by their efforts.

c) The initial motive behind a country's taking aid is that aid would serve the need of the recipient as well as it be put in more effective use.

d) It is believed aid will work towards the production of additional exports, so that total resources of the country would increase.

But an ultimate analysis would reveal that aid has not been able to fulfill these requirements in Bangladesh.

Mark Tully, a British journalist, in a BBC documentary writes that "aid has not worked in Bangladesh although for the last two decades billions have poured in. An audit would show that the average Bangladeshi is worse off than he was twenty years ago. May be it (aid) has contributed to his poverty" (Sarkar, 1992: 6-8). For the aid beneficiaries the quality of life of the peasant and the slum-dweller declined. The officers are accountable to none. Mark Tully further notes that donors are more keen to hire international consultants and enjoy comforts offered as a compensation for working in a Third World country than enjoy a better spending pattern in their own countries.

Those who talk of the nation's economic sovereignty and independence in the decision making process often forget that the critical dependence on foreign aid entails a set of stringent conditions attached to it. This is discussed in the next section.

### 3.1.6 AID CONDITIONALITIES: BANGLADESH VULNERABILITY

Aid has never been an unconditional transfer of resources, as is often presumed. The restrictive conditions imposed by the donors limit the absorptive capacity of the recipients. Aid is conditioned in some respect or another. Aid with conditions is known as tied aid. In its simplest form the 'tied aid' refers to a donor state's requirement that aid be used only in conjunction with donor state products, equipment etc. (Papp, 1988: 477). To the donors, this appears logical if aid and assistance extended, why then should a requirement not exist that it would be expended in the donor country? However for Third World country like Bangladesh this has <sup>been</sup> manifested as 'neo-colonialism'.

The IMF and other donor agencies are accused of violating the sovereign authority of the client states by imposing unwelcome conditions on the loans it makes. From the developed country's viewpoint, conditionality is of course an advantage of aid, for it allows a degree of influence over the recipient country, which can be used either for economic objectives or political influence or both. However, more and more developing countries are aware of the possibility of such an economic/political interference and have found ways to resist it. But Bangladesh

being a small LDC, has lesser capability and options than other developing countries to resist donors interferences.

There exists a significant amount of literature as to how the donors through the mechanisms of foreign aid attempt to influence the economic policies of the Third World countries. Some analysis of aid politics in the specific context of Bangladesh also exists. 2.

Development of economic infrastructure and implementation of structural reforms in Bangladesh have become difficult with the hardening of conditionalities. The economic growth of the country depends on proper disbursement of funds, but a sudden fall in disbursement of World Bank Fund in the late 1991 and 1992 had made the financial activity less certain. It is widely known that the expansion of Power Development Board (PDB) projects, railway development and inland water transport projects were hampered due to delay in disbursement of funds by World Bank since the beginning of 1992 (Economic Times, Jan. 1992).

Most of the aid to Bangladesh is tied, where the recipient is obliged to use the aid money to buy goods from the donor country only. It further constrains the bargaining capacity of the recipient. Due to this tied aid Bangladesh has no or very little possibility of procurement of local products. Tied aid is less valuable to the recipient as the country cannot purchase the most suitable product in the cheapest market, in addition to other disadvantages such as the suitability of the products,

availability of the proper installation, repair and maintenance services. The project aid is a burden for the recipient. Thus tied aid makes the country vulnerable to monopsony or collusive selling power.

Even aid which is formally untied, may have some hidden arrangements giving it, in practice, the properties of tied aid. The existence of such hidden arrangements cannot always be proven. But it can be surmised that even untied aid can be offered at discriminatory prices in contrast to cash purchase which are presumed to carry no such constraint (Sobhan & Islam, 1990: 113-114). Another point of erosion in the bargaining power of the aid receiving country may lie in the fact that aid has a lower marginal value in comparison to cash because aid financed purchases do not have opportunity cost in relation to alternative resource allocation possibilities within the recipient economy.

It has been found that aid financed imports are consistently dearer than self-financed imports in Bangladesh. For example a study shows that out of U.S.\$ 4493.8 million worth of commodity aid received by Bangladesh during 1971-83, an amount of U.S.\$ 727.968 million has been lost in the way of over-pricing; thus reducing the real value of aid to U.S.\$ 3765.8 million, which is only 83.601 per cent of the face value of the aid record by Bangladesh (Sobhan & Islam, 1990: 133).

*according to many,*  
Aid, ~~has~~ now *seems to be* burden. How heavy this burden is depends, among other factors, on the degree of project tying, on the range of goods that the donor country can offer and their prices

relative to other sources of supply and the advantage that the firms of the donor country are willing and able to take.

Thus aid conditionality, by forcing privatisation has added to the pervasive poverty and inequality without even generating economic growth. As most of the enterprises privatised have resorted to retrenchment of workers, continue to incur huge losses, and in many cases have shut down their newly owned enterprises while owing huge sum of money to the state or nationalised commercial banks. In this age of structural adjustment lending the main slogan of the donors seem to be 'privatisation' and the market economy. With this in view successive governments have handed over nationalised industries to private owners at a fraction of the actual cost of the assets and even this purchase has been financed through subsidised credit. Extremely soft loans have been given to what appears as the pseudo capitalists, to set up industrial units. The experiment has been a dismal failure. Private 'capitalists' have not gone for expanded production but instead have merely pocketed the money. What has transpired in the name of privatisation is widespread plunder of state funds. Many of the privatised industrial units now belong to the sick industries.

In the agricultural sector, privatisation has meant removal of input subsidies and letting the market determine prices. By raising costs, this has had a crippling effect on the low income and middle class peasantry who have little access to subsidized credit to fund some of the input purchases.

One may thus suggest that the politics of aid has merely created an economy of plunderers who have no stake in the development process. Foreign aid, by sponsoring and supporting the group of indentors, consultants, contractors and bureaucrats, has in the final instance, become the real obstacle to development in Bangladesh. About 75 percent of aid goes to the donors in the form of costs for procurement of project inputs and consultancy fees to foreign experts.

In such a situation, it remains a question whether Bangladesh should at all seek aid from the Western donor governments or agencies. It is reported that in some cases sixty per cent of the projects costs are eaten up by the foreign consultants alone. Nor the government or the country can derive any benefit from such projects. 3

Another irony of foreign aid is that the deficiency of foreign trade in Bangladesh is met up by foreign aid, but the result has been further dependency. The World Bank mission,s direct intervention in the operations of the various ministries of Bangladesh lead many to suggest that the World Bank is the ultimate custodian of governmental power in Bangladesh. It is this loss of sovereignty that underlines much of the threat of foreign aid.

Also in Bangladesh various conditionalities by the donors at the times of project agreements affect aid utilization. It has been



observed that the government later finds itself unable to fulfill many of these conditions, and that seriously affects aid utilization. At times conditions are not undesirable for Bangladesh, but many of the conditions are beyond the ability of the GOB to fulfill. The need for finance induces the GOB to accept the conditions, notwithstanding the difficulties in their fulfillment. In some cases, the aid contracting agency of the government agrees to conditions which lie outside its domain and the concerned agency of the government may have no incentive or lacks capability to fulfill the conditions. Aid utilization becomes the final victim (TFR, 1991: 276-277). Such as the ADB downgraded the U.S.\$ 121 million Dhaka Integrated Flood Protection Projects (DIFPP) as 'B' category project because of its lack of progress. According to the ADB's categorisation rules, downgradation of a project to 'B' implies that it has serious problems which should be resolved immediately. With further degradation, such as category 'C' the project would lose eligibility to get funds from the bank (Daily Star, Sept.21, 1993). ADB's concern was mainly due to delay in appointment of consultants for detailed engineering design, construction and supervision of the project.

Bangladesh's economy revolves round the world economic parameters. In spite of massive aid, economic growth remains uneven and the extent of poverty remains as pervasive as ever. Rehman Sobhan wrote about it in the following words:

Bangladesh's policy makers continue to wait upon

decisions in Washington, London, Tokyo, Bonn and Paris before they formulate their annual development budgets, announce an import policy, formulate a food policy or even decide how many children will be born. The decision-makers of the developed world hold the life line of any regime in Bangladesh in their hands and can visit havoc on the life of the country in a way which was inconceivable two decades ago. The sovereignty of the Bangladesh nation state, in its prevailing social configuration, is therefore, likely to remain a polite fiction which is perpetuated by the donors, as long as Bangladesh does not challenge their current strategic assumptions and ideological preconditions (Sobhan, 1992a: 4).

The degree of dependence has become even more pervasive over the years. It is now observable that this comprehensive and unremitting dependence on aid has become a critical variable in influencing the quality of governance and determining the character of the state. Aid has become the soft option in place of taking hard decisions on mobilising domestic resources and improving the yield of sunken investments. It has in the process become a vehicle for the enrichment of a class whose affluence derives from the aid programme.

The aid process in Bangladesh from the donors to the recipient involves a long and tedious bureaucratic process. Mostly there is a long gap or difference in the aid commitments from the pledged amount, and also between commitments and disbursements.

The aid pledges for 1992-93 U.S.\$ 21.5 billion, in a package of U.S. \$ 250 million as food aid, U.S. \$ 500 million as commodity aid and U.S. \$ 1400 million as project aid. How much of this pledged amount will be translated into commitments and then again how much of the committed funds will be disbursed or utilized with what speed, efficiency and real development however remains an issue for consideration and extensive debate. There will be need for speedy projectisation to get appropriate commitment. Then will follow brisk negotiations on individual projects.

The Paris Consortium, the Donor's Club, years had formally imposed in 1992 and also 1993, like previous years a number of conditionalities. Among others, the retrenchment of thousands of employees from the public sector, raising capacity utilization, reducing system losses in Power Development Board (PDB), will be a pressure on government. Already a deep recession is biting the economy, and a drought and flood had already adversely affected purchasing power of the peasants. A Memorandum of Understanding (MOU) signed with the World Bank in December 1993 stipulates retrenchment of 20,000 officers, workers and employees to bring down the total workforce of the public sector from 1,10,000 to 80,000. Jute secretary of Bangladesh, M.Akhter Ali stated that MOU though is intended to revitalise jute industry is 'a complex, sensitive and tough reform programme' (Bangladesh Observer, Dec.18, 1993).

People especially labour, are already restive. In such a

situation, any move to retrench workers and employees (however justified that may be) raising of prices of gas and electricity withdrawal of funding in the power sector and consequently continuing load shedding tend to create further tensions in the socio-political system. Government's move to implement steps to stabilise financial institutions and public sector economy would tend to destabilise the system. In such a situation sensitive policy interventions would tend to create political turmoil.

There is some need of national consensus at the Parliament before pushing the suggested reforms. Also, there arises the great question about the effectiveness of the IMF-sponsored cheap labour economic strategies. The strategies of economic stabilisation include: compression of real earnings, reinforcement of cheap labour export economy, trade liberalization and privatisation. But an acceptance of such conditions would tantamount to loss of economic sovereignty, a major (suprational) security threat for a Third World country like Bangladesh.

The demand for aid as well as the volume of aid has vastly gone up and so have donor conditionalities. Donors dictate policy formulation in the sectorial programmes such as power, agriculture and financial operations. The donors offer proposals for a variety of reforms in the economy. There are regular pressures for withdrawal of agricultural and food subsidy, input subsidy, privatisation of the economy, currency adjustment, resource mobilisation, fund allocation and budgetary deficit.

There is a long list of Do's and Don'ts. The donors are withholding support in the power sector for system loss. The decision by the government in 1991 for the exemption of agricultural credit upto Tk 5000.00 and pay raise of the government employees had annoyed the donors who had threatened to withhold credit for these (Holiday, Oct. 18, 1991). There is political agitation against retrenchment of public sector workers and withdrawal of subsidy from agriculture following pressure from the donors (The Bangladesh observer, Sept.6 1991; The Daily Star, Oct. 10, 1993).

Commenting on the conditionalities of the donors, Communications Minister of Bangladesh, Oli Ahad, felt constrained to say in a public meeting that 'we cannot lease our wives and children to World Bank and ADB and accept their conditionalities' (Economic Times, Jan.18 1992). Although sounds harsh, but the statement does reflect a sense of deep anguish felt at the decision-making level.

The WB and other donor agencies so far are known to have interfered 396 times in the different areas of policy making in Bangladesh. In 154 issues the WB have interfered the most, reports a study undertaken by Bangladesh Institute of Development Studies (BIDS) survey team. In this survey it was observed that the donor countries and agencies imposed their decision on seven areas: such agriculture and rural development, trade, business and industry, internal resource mobilisation, economic

management, family planning, domestic policy and administration (Kadir, 1993: 1)

Apart from WB, the donor countries which mostly interfered are the U.S.A., the U.K., Japan, Holland and France. The U.S.A. mostly interfered and imposed conditions in fertilizer and agricultural production sector; the U.K. in gas, electricity and railways sector; Japan in gas and electricity sector; and France in flood control and river management issues. The survey reports that these donors intervened at the level of the national policy making. The medium donors intervened in the various sectors. The smaller donors intervened in the various projects. These donors have intervened in imposing their political priorities, and as such has extended indirectly what is perceived as their neo-colonialist' policy (Kadir, 1993:1). This, therefore, constitutes a legitimate security threat in the economic and political dimensions for a developing country like Bangladesh, which loses its economic and political sovereignty.

### 3.1.7 DONOR MOTIVATION

The proclaimed rationale by donors for extending is said to two-fold: firstly, aid is solicited out of humanitarian concerns for the welfare of the people of Bangladesh; secondly, to promote economic development with a view to improve the conditions of the people of Bangladesh (Sobhan & Hashemi, 1990: 143). Almost all the donors maintain that aid is largely humanitarian in its motivations and tend to reject the idea that aid serves any sort

of ulterior motive, such as export promotion and/or political stabilisation of friendly governments.

An example of the donor's political interest in extending aid is revealed from one incidence. The pervasive dependence of foreign aid can make vulnerable in times of stress. Bangladesh was in the grip of serious floods in 1974. At a time when crops were damaged and Bangladesh was in dire necessity of food aid, the U.S. government had withheld assistance. The objective was of course, to make the GOB pay for its neutral (not totally subservient to U.S. interest) foreign policy. A U.S. ship loaded with food grains and bound for Chittagong port in 1974 suddenly changed its course and moved to another destination. A great famine stalked the land and thousands of people perished (Ahmed, 1986: 218). Since then the aid syndrome has undergone major changes over the last decade. The demand for aid as well as the volume of aid has vastly gone up and so have donor conditionalities.

However, representatives of Canada, Sweden, the Netherlands maintain that their assistance is for uplift of social groups. The Japanese and German donors claim that their aid is without any political strings and is oriented to an effective contribution to the creation of infrastructure and development of Bangladesh (Sobhan & Bhattacharya, 1990: 180-181). The officials of the USAID, describing the aims and objectives of their aid policy, stated that their aid does not buy policies and does not behave like IMF, which according to them, dictates its conditions

prior to giving its loans. They maintain that USAID wants to help Bangladesh develop and does not take a negative stand towards different GOB policies but, retains its flexibility to support those which it thinks are correct.

The IMF mission in Dhaka pointed out that theirs is an organisation which does not give aid or act as donor agency but is an international organisation which provides loans for short-term demands. Expressing the desire of the IMF to become involved in the poor and underdeveloped countries, because of humanitarian concern, they noted that their organisation usually aims at stabilising the economic situation on a short term basis. Refuting the allegation that IMF loan envisages direct conditionality, they said IMF is concerned about the financial need after thoroughly reviewing the country's economic situation, and then only IMF enter into negotiations over the terms of the loans. The IMF recommends some policy measures for the debtor country which are designed to facilitate the recovery of the country from its economic difficulties. A Dhaka based UN representative reckoned that the UN agencies (WB, IMF) and USAID and other donor agencies want to assist GOB in its developmental policies by assisting financially and technically. The WFP is said to assist the poor of the country by supplying the appropriate amount of food and by trying to help Bangladesh in building the infrastructure of the country, i.e. rural roads, canals etc. thereby creating employment opportunities for the rural people (Sobhan & Bhattacharya, 1990: 181-182).



The question whether donor can influence the domestic economic policy of a recipient country should be judged: first by asking whether the donors have the right to do so; and second by questioning the intentions of the donors. The donors often compel the recipient country to accept their terms e.g. donors insist that the shipment of the goods be done by the donor country's carrier and it happens that the bigger the donor the more the conditions imposed on the recipients. The donors seem to have the right to select which form of assistance (food aid, commodity aid, project aid) will be given to the recipient country. Some donor officials took the view that 'if you gain some you lose some' (Sobhan & Bhattacharya, 1990: 210-211).

It is apparent that a sharp difference exists between rhetoric and practice in the donors policies, which reflect a mix of both altruism and self-interest. This mix varies extensively between donors, depending on the economic stake of the particular donor and its strategic interest in Bangladesh. While the altruism of the aid policies of the donors emerges from moral and humanitarian considerations, their self-interest is dictated primarily by thin global strategic, political and military interests in Bangladesh. It has indeed been opined that whatever historic concern may compel the donors to give aid there is definitely a strong element of self-interest which in its own turn will try to influence the domestic economic and also foreign policies of the recipient country in directions congenial to the particular donor, a motive which is applicable in case of Bangladesh as well (Sobhan & Bhattacharya, 1990: 183).

### 3.1.8 FOREIGN AID AND ITS EFFECT IN BANGLADESH

The deficiency of foreign trade in Bangladesh is made up by foreign aid in Bangladesh and as a result dependency has increased. The World Bank mission's frequent direct interventions in the operations of the various sectors of the economic activity of Bangladesh lead many to suggest that the World Bank is the ultimate custodian of governmental power in Bangladesh. It is this loss of sovereignty that underlines much of the threat of foreign aid.

Thus foreign aid has become a method by which Western-led international institutions have acquired a growing stake in the industries and economies of a Third World country like Bangladesh and established a leverage over the management and running of the economy what emerges is that, instead of running the economy by direct rule as in colonialism, the interest of the government in the advanced capitalist countries can now be pursued by the the economic power wielded over the economy of Bangladesh. Most of the donor's prescriptions about economic management for Bangladesh did not work out well. An evaluation of the effect of the aid to Bangladesh presents a dismal picture of the economic situation facing the country. No other problem as much as the country's overriding aid-dependence be more important in transmitting threats. Foreign aid produces security concerns as a result of its intrinsic nature of domination and manipulation by strong partner.

### 3.1.8.1 EXTERNAL RESOURCE GAP

In spite of the massive inflow of aid, Bangladesh's external resource gap as percentage of GDP increased from 6.2 per cent in 1973-74 (Sobhan, 1982: 34) to 12 per cent in 1981-82 (WBDR 1991). Since then external resource gap averaged 6.9 per cent with a high of 8.4 per cent in 1982-83. In 1989-90 the ratio was 6.8 per cent (WBDR 1992). This massive external resource gap reveals ineffectiveness of foreign aid for Bangladesh. The resource gap means more dependence on foreign aid, which tantamounts to further security threat in the economic realm.

### 3.1.8.2 EXTERNAL DEPENDENCE OF DEVELOPMENT PROCESS

Aid dependence at the sectorial level once upon a time used to be associated with the import intensity of sector. Now this has changed and sectors which could be financed from the local budget are making claims on the aid budget in Bangladesh. The donors are now financing more in various sectors of development activity rather than extending project aid. Aid dependency has become more sectorially pervasive within the Annual Development Plan (ADP) than it used to be (Sobhan & Islam, 1990: 31).

Aid has now become a major resource for formulating development budget itself. The country is unable to produce surpluses from the revenue budget for undertaking development budget. A greater

part of national expenditures which was financed from the revenue budget is now being funded from the development budget financed by the donors under the head of reimbursable project aid. Areas like credit and input distribution costs for rural development projects, salaries of primary school teachers, health and family planning workers, rural extension workers have come under this purview. There is also a growth in external dependence for public expenditure programmes. The share of foreign financing in relation to total public expenditure has grown at a rate of 16.4 per cent a year between 1980-81 and 1987-88 compared to 13.5 per cent for domestic revenues (WBDR, 1990). As a result aid accounts for 38.6 per cent of total expenditure in 1989-90 compared to 35 per cent in 1980-81 (Sobhan, 1992b: 4). The growth in external dependence for public expenditure programmes was not matched by a change in the structure of public expenditure towards development. The recurring expenditure had risen from 41 per cent in 1980-81 to 62 per cent of total expenditure in 1990-91 and the annual development programme has fallen from 55 percent to 34 per cent in this same period (WBDR, 1992).

A large part of the taka component of the Annual Development Programme (ADP) comes from the commodity aid. The commodity aid disbursement which are converted into taka rose from 50 per cent 1983-84 to 96 per cent in 1989-90. Under such a circumstance 99 per cent of the ADP was directly under project aid and commodity aid.

The immediate past records in projectisation and disbursement are

not all that rosy. Donors, and not the GOB, have been identifying, projectising (at times over-projectising) and overseeing the implementation of many projects. Not all of them fit in quite well with the priorities of development of Bangladesh. It is therefore not surprising that donors are offering bundles of aided projects, which are being taken up in Bangladesh. In most of the Core Plan 1990-91 and 1992-93, investment target came from World Bank to the tune of Tk. 18.9 billion (Sobhan, 1992a: 4). The Third Five Year Plan (TFYP) 1985-91 was mostly funded by the donors. Thus the development planning in Bangladesh is the end-product priorities set up by the donors rather than those of the GOB.

#### 3.1.8.3 AID AND ITS IMPACT ON DOMESTIC ECONOMY

The public expenditure of Bangladesh is heavily dependent on external sources of financing, which in turn has its impact on the domestic economy (Rahman, 1990: 28). Domestic savings as a percentage of GDP has fallen from 3.8 per cent in 1970-71 to 2.3 per cent in 1989-90 but only rose to 3.2 per cent in 1990-91 (WBDR, 1993: 2). The low savings performance is reflected in low rates of gross investment which have declined steadily from 15.9 per cent in 1980-81 to 11.69 per cent in 1991-92 (MCCI, July 1993).

Politics and ideology also enter into development decisions both in donor and recipient states. Ronald Reagan, the former U.S. president, for example, complained that the World Bank was

extending too many loans to public sector projects in the Third World countries and the United States would consider reducing its commitment to the World Bank if the Bank did not expand its private sector loans (Papp, 1988: 478). With this pressure in view, successive governments in Bangladesh, since 1975, have handed over nationalised industries to private owners at fraction of the actual cost of the assets and even this purchase has been financed through subsidized credit. Extremely soft loans have been given to the entrepreneurs to set up industrial units. The experiment has not been much of a success and many of the privatised industrial units now belong to the sick industries.

#### **3.1.8.4 GROSS DEVELOPMENT PRODUCT GROWTH**

A look at the economy in relation to rates of savings, investments and the structure of the economy gives a grim picture of negative growth trend. Annual average GDP growth rates have declined over the successive time periods from 9.5 per cent in 1981 to 3.4 per cent in 1991. A good harvest in 1989-90 boosted growth to 6.6 per cent in 1990 but declined again in 1991 (WBDR, 1992). Table 4 below.

Table 4: GROSS DEVELOPMENT PRODUCT GROWTH

| Annual Average GDP Growth Rate |            |
|--------------------------------|------------|
| Years                          | Percentage |
| 1981                           | 9.5        |
| 1982                           | 3.8        |
| 1983                           | 4.6        |
| 1984                           | 4.8        |
| 1985                           | 3.9        |
| 1986                           | 4.4        |
| 1987                           | 4.1        |
| 1988                           | 2.8        |
| 1989                           | 2.5        |
| 1990                           | 6.6        |
| 1991                           | 3.4        |

Source: World Tables 1993, A World Bank Book.

#### 3.1.8.5 AID AND MANUFACTURING/INDUSTRIAL SECTOR

The area most exposed to externally imposed policy changes is

the industrial sector. The industrial sectors' contribution to growth of GDP systematically declined in 1981-91 period except in 1982 and 1984. The following table (Table-5) illustrates this.

Table 5: INDUSTRY: CONTRIBUTION TO GROWTH OF GROSS DOMESTIC PRODUCT

| Years | Percentage of Growth |
|-------|----------------------|
| 1981  | 0.5                  |
| 1982  | 0.2                  |
| 1983  | 0.2                  |
| 1984  | 1.5                  |
| 1985  | 0.4                  |
| 1986  | 0.4                  |
| 1987  | 1.2                  |
| 1988  | 0.8                  |
| 1989  | 0.7                  |
| 1990  | 1.0                  |
| 1991  | 0.7                  |

Source: World Tables 1993, World Bank Book.

A look at the recent trends in industrial production, the



performance of this sector in the 1980s has not been particularly impressive. The 1980s period is important because the period coincides with a phase of accelerated privatisation of the manufacturing sector and policy reforms by the donors designed to promote private economic activity. It is significant that the fastest growing sectors in the economy have been electricity and gas, both public utilities where large scale investment have increased production capacity, public services and private construction, financed from public sector.

There has been sluggish growth, even at the manufacturing sector. Between 1981-82 on the eve of New Industrial Policy Reforms and 1990-91, there was growth rate of 0.7 per cent. Out of 38 industries, production fell as between 1981-82 and 1990-91 in the 15 industries. Among the 23 industries, with some growth, only five -- namely flour milling, newsprint, fertilizer, lamps and bulbs, and rubber products registered sustained growth over the period (Sobhan, 1992b: 4). Other industries experienced sizable fluctuations from year to year. Given the weak performance of the industrial sector it is not surprising that the economy has experienced little structural change, even after massive amount of aid and economic policy interference by the donors.

#### 3.1.8.6 AID AND SAVINGS GAP

In Bangladesh the saving-investment gap could not match the foreign exchange gap. Donors and user agencies justify a project on the grounds that GOB will have to pick up little or no

resource for the job for all the foreign and most of the taka expenditure (Sobhan, 1992: 5). This increasing criteria for project selection with low share of the GOB contribution for resource mobilisation, making Bangladesh more and more dependent on the donors priorities and activities -- not too beneficial for the future economy of Bangladesh. The fact that Bangladesh finds it difficult to finance on her own account the local expenditure of the projects and are to seek funds from the donors for this purpose indicates that the domestic saving gap as well as the foreign exchange gap has emerged as major constraint to the development efforts in Bangladesh.

#### **3.1.8.7 AID-DEPENDENCE AND SOCIO-ECONOMIC CLASSES**

In a study for the year 1982-83, the analysis of dependence of the average household reveals the class character and class interest in Bangladesh. About 86 per cent of total household in Bangladesh live in rural areas, they share only 76.7 per cent of total foreign aided consumption and 13.8 per cent of household living in urban areas share 23 per cent of the total (Sobhan & Islam, 1990: 63). (An analysis of the recent situation could not be made due to non-availability of adequate data). Inferring from the general picture of the overall situation, the trend of dependence has not varied much in the recent years. This suggest that urban consumption among higher income groups are more aid biased than rural consumption and lower income groups in both the cases. Also a study by the Bangladesh Institute of Development Studies (BIDS) shows that as of 1989-90 some 46 million people --

35 per cent of the population still live in conditions of poverty (below subsistence level) (Sen, 1991: 241). It is feared that economic deprivation and crisis can lead to political turmoil and instability, leading to internal insecurity as in 1971 or in 1974-75.

#### 3.1.8.8 AID NEGOTIATIONS WASTING TIME OF GOVERNMENT DECISION-MAKERS

About 70 per cent of the energies of the ministers and other aid negotiators of Bangladesh are invested in planning and negotiating aid worthy projects. Another 20 per cent of bureaucratic time is spent in supervising the actual implementation of a project where aid funds are committed (Sobhan, 1992: 5). Thus aid projects face costs and time overruns. In Bangladesh the project implementation remains poor, and also review of projects outcome remains virtually non-existent. Neither the ministry of planning or any other ministry can provide any information on the fate of the projects completions or operational activity. There is no machinery in the GOB to track down the fate of the hundreds of projects with sunk investments if billions of dollars which contributes to the low rates of return on public investments and the poor capacity for domestic resource mobilisation. Further, few donors take much interest in the long-term fate of their projects, and post-project evaluation exercises (Sobhan, 1992c: 5).

The government of Bangladesh exercises little control over

foreign aid in general, and clearly this is even more true in water resources. There is no perspective plan for the development of the water sector and the aid agencies are free to implement their own policies. At present Dhaka's water bureaucracy functions largely under the dictates of several external agencies. This has led to somewhat piecemeal and haphazard planning and the formulation and implementation of projects without concurrence of the communities whose life rhythms are effected.

The WB concedes in its 1990 country paper that experience had demonstrated that the current approach of choosing water development projects on an isolated basis often suffers from a number of problems with potentially serious adverse implications for the project. But it has been hard for both the government and the donors to shake the old habit of ending one project and starting another. Much of the blame for this must be shared by the World Bank itself, which contributes more than 42 percent of aid that is given to Bangladesh in the water sector (Mirza, 1993: 7).

The experience of financing of the hundred percent export oriented Karnaphuli Fertilizer Company (KAFCO) project (funded by Japan) in Chittagong in 1990 should act as a pathetic remainder of the fragility of donor dependence, leading to a virtual collapse of decision making effort on the part of a country seeking external aid and investment for its national development. The argument over the project threatened for a while to disrupt

Dhaka-Tokyo ties and perhaps even to ruin harmonious relations developed between the two countries over the years. The agreement for the project was signed at the fag end of the Ershad regime which, for questionable reasons, accepted certain provisions widely perceived to be against the interest of the nation (The Daily Star, Nov. 3, 1991). This included supply of gas to the factory at a very artificially fixed low price -- U.S.\$ 0.75 per 1000 cft as against U.S.\$ 2.5 to U.S.\$ 3.00 per 1000 cft commercial price of gas in the international market; deferment of payment for the supply of gas; high project cost; escrow account; abnormally high loan-equity ratio; and issuance of letter of guarantee by the GOB for repayment of the entire U.S.\$ 230 million export credit from foreign banks, whereas Bangladesh Chemical Industries Corporations (BCIC) amount of share percentage was only equivalent to only U.S.\$ 35 million.

The present Bangladesh Nationalist Government (BNP), elected under a new democratic order and hence more exposed to public criticisms and scrutiny, made careful appraisal, evaluation and studies of the KAFCO agreement at various levels, and even sought the considered opinion of the three international experts dispatched by the UNDP, on request from Dhaka. Highlighting the terms and conditions of the agreement that were perceived to be against Bangladesh's interest, the GOB pleaded for a revision of the unusual and inequitable conditions of the agreement. The government specifically suggested that the financing of the project needs to be restructured to ensure the desired benefit for Bangladesh. To this effect the GOB held up the issuance of

the Letter of Guarantee (LG); following this the KAFCO authorities suspended the construction of the project (Kalam, 1993: 20).

Being an aid-recipient, Bangladesh had few bargaining chips, however; rather there was apprehension for some time about the adverse impact of KAFCO on the future of Japanese financial assistance for the vital Jamuna Multipurpose Bridge (JMB).

It would, however, be incorrect to say that aid has not benefited anyone. Various aid funded rural works programmes, as between 1990-91 for instance, gave employment on an average 1-4 million people per year (WBDR, 1991). Aid programmes from the World Food Programme (WFP) under the Public Food Distribution System (PFDS) reached food aid to an even wider constituency than the works programmes through village rationing programmes and targeted subsidised foods to non-poor such as the armed forces, government and public enterprise employees and urban middle classes. Also a class of industrialists who borrowed money from aid financed lending institutions or who run their factories on foreign exchange provided as commodity aid or programme aid financed recurring imports, commission agents for aided projects, both legal and illicit, construction contractors on aided projects, local consultants, working under various aid financed programmes of technical assistance, public sector employees whose jobs are directly related to an aided projects. But these beneficiaries survive at the expense of the interest of the community at large and the state itself. In the ultimate analysis they are perhaps a

burden and liability for the country.

Bangladesh's experience with mobilisation and coordination of external economic assistance that theoretically all donors accepted that the national priorities are for recipients to decide, but in actual practice this principle is not always honoured. Neither is it possible for donor to know the sectorial priorities of the recipient country. At times, donors try to impose their preference of ideas. While the decision lies with Bangladesh regarding choice of developmental priorities and economic policies is vested with the recipient government, as stated by the donors, again in actual practice it is not so. Though there may not be any direct imposition, there is at least an attempt at influencing the recipient with donor preference, standards or set of ideas. The inclination and capacity of the donors to intervene in domestic policy making, originates from the belief that the size and importance to Bangladesh's development efforts give them a right to dictate how it should conduct its development efforts (Sobhan & Bhattacharya, 1990: 177-178).

The international rules of good conduct have changed so that the naked exercise of force has become much more difficult for contemporary industrial countries. Thus the focus has shifted away from gain by conquest to gain through economic assistance and resource manipulation by the industrially advanced and economically more powerful countries. This constitutes a major security threat for a LLDC like Bangladesh.

### 3.1.9 FRIGHTENING GRIP OF DEBT

The economic impact of the aid burden to Bangladesh has been acutely felt in the problem of 'debt servicing'. International aid has become costly for Bangladesh because of growing debt servicing liabilities. In the early seventies, the main flow of aid was in the form of grants and concessionary loans. Subsequently, however, as less and less grants were offered loans turned out to be more important feature of foreign aid.

Since most of the aid to Bangladesh is interest bearing the country has to perpetually find the means to pay off the annual interest charges. The interest rate varies from a rate as low as 0.75 per cent to a rate as high as 12 per cent (Sobhan & Islam, 1990: 90). The overall cost of loans to Bangladesh and its dynamics depends on the relative share of different donors in the country's loan portfolio. The total debt burden which is equal to the principal plus interest, increases as the repayment period increases. There is a grace period, which is defined to be the period of time upto which repayment of the first instalment is deferred. Interest on the principal during this is however not exempted; it is just carried over to the subsequent periods. While the debt and debt service burden remain a function of the structure in terms on which loans have been contracted in the past, the actual capacity of the Bangladesh economy to service these loans remains a function of the economy and more specifically of the export earning capacity of the economy.



The rise in debt repayments has also not been matched by the growth in the export earning of Bangladesh. Development was thought of as an instantaneous process! All that was needed was the money and given the money, productivity would rise in no time, enabling the borrower to repay without much trouble. This has not happened, for development effort to be initiated, it is necessary to make substantial investment in the socio-economic infrastructure (e.g. schools, hospitals, roads, housing for low income groups); and projects of this nature have long gestation.

Aid was given without much consideration about the repayment burden and capacity of the recipient, and partly as a result of this the debt burden has increased alarmingly. Bangladesh is the most indebted nation in Asia, excepting Sri Lanka, the external debt being 53.5 per cent of her GNP (WBDR, 1993: 284). The situation turned worse as loans are becoming mature for repayment to an increasing extent and the consequent debt-service liabilities are going up. A look at total outstanding short(S) and long(L) term gives a staggering figure. Table-6 below:

Table 6: TOTAL EXTERNAL DEBT OF BANGLADESH

| Long Term Debt million of \$ |        | Use of IMF Credit million of \$ |      | Short Term debt million of \$ |      | Total External debt million of \$ |        | Total Arrears on LDOD million of |      | Ratio % value to nominal value debt |
|------------------------------|--------|---------------------------------|------|-------------------------------|------|-----------------------------------|--------|----------------------------------|------|-------------------------------------|
| 1981                         | 1991   | 1980                            | 1991 | 1980                          | 1991 | 1980                              | 1991   | 1980                             | 1991 | 1991                                |
| 3147                         | 12,103 | 424                             | 727  | 212                           | 221  | 4,053                             | 13,051 | 0                                | 18   | 49.1                                |

Source: World Bank Development Report, 1993

The debt service ratio (DSR) of the economy defined as the repayment of debt as percentage of the total export earnings in a particular year. The Table-7 shows total external debt ratios of Bangladesh.

Table 7: TOTAL EXTERNAL DEBT RATIOS OF BANGLADESH

| Total External Debt<br>As % of   |       | Total Debt<br>Service %<br>of Export<br>of Goods &<br>Services |      | Interest<br>Payment<br>as % of<br>Export<br>Goods &<br>Services |      | Concessional<br>Debt as % of<br>Total Exter-<br>nal Debt |      | Multilate-<br>ral Debt<br>as % of<br>Total Ex-<br>ternal |      |      |      |
|----------------------------------|-------|--|------|---|------|--|------|--|------|------|------|
| 1980                             | 1991  | 1980   | 1991 | 1980  | 1991 | 1980   | 1991 | 1980   | 1991 | 1980 | 1991 |
| Export of<br>goods &<br>Services | GNP   |  |      |   |      |  |      |  |      |      |      |
| 345.3                            | 443.7 | 31.3   | 56.0 | 23.2  | 19.9 | 6.4  | 6.4  | 82.4   | 91.0 | 30.3 | 53.6 |

Source: World Bank Development Report, 1993.

With the burden going up debt servicing repayments have also

risen. In 1989-90 repayments of M & LT external loans totalled \$290 million -- \$176 million for debt amortization (repayments of the principal amounts) and \$ 114 million in interest charges. The amount was 19.5 per cent of total export receipts of \$ 1486 million. Debt servicing liabilities involved \$93.3 million (\$43.3 million as interest and \$50.3 million) as debt amortization in 1979-80, which was 13 per cent of total export earnings of that year. The amount increased to \$170 million ( \$64 million as interest payments and \$106 million as debt amortization) in 1984-85, representing 18.1 per cent of total export earnings. The debt service of M & LT loans grew at an average annual rate of 11.3 per cent in 1985-90, when export earnings rose by 10.2 per cent a year in nominal terms. This increased the pressure of the capacity of the country to repay its debt obligations.

A representative of an international agency termed the donor agencies as the creations of the socio-politically developed and technically advanced countries (Sobhan & Bhattacharya, 1990: 211). The donor agencies have little idea about Bangladesh society. Thus if Bangladesh accepts all their recommendations it could have an harmful effect on the country's economic situation. Therefore Bangladesh should select only those forms of aid which will be beneficial to her and must not take every form of aid. Because if a country accepts all such aid, then the donor agencies can exert pressure to accept their terms and conditions. As a result the recipient country loses power to seek remedy of its own problems.

Sobhan and Bhattacharya in an extensive interview found out that WB, USAID, ADB were donors who contribute aid on relatively harder terms or are more assertive about their perception. The U.K. donates the minimum and extracts the maximum benefit. Regarding the Scandinavian countries it is said that these countries are basically interested in social activities and are not interested in development in the wider sense. The IMF dictates their terms so they put their conditions.

Some debt relief announced by the donors in recent years reduced repayment obligations. Despite the debt relief the repayment liability has continued to mount, which is due to meagre export earnings. 4

It is worth noting that Bangladesh started repaying her external debt in 1973-74; amount amortized that year was U.S. \$ 667 million, which includes about U.S. \$ 478 million as principal and U.S. \$ 189 million as interest. While debt servicing liabilities are increasing, the capacity for amortization has not been expanding to the same extent. The national expenditure on debt servicing has increased by 350 per cent during the eighties (1980-1990). But export earning has increased only by 210 per cent.

In 1983 the Bank for International Settlements argued that difficulties experienced by the LDC's in servicing their debt were more due to the deterioration in the international macro-

economic environment than to failures in domestic management and resource allocation (Singer and Anasari, 1992: 223)

Whatever was the utilization of the foreign aid, Bangladesh has been pushed more and more towards poverty. Against this background, the coming years will put more stress on Bangladesh's small stock of foreign exchange. Either development options will become limited or fresh credit will be sought for debt servicing. Hence it is likely that the country will be more vulnerable to the donor pressure and conditionalities and bearing the burden of dependency. In the context of looming threat to the country's economic security and survival certain suggestions are put forth to improve the aid syndrome in Bangladesh.

### 3.1.10 SUGGESTIONS TOWARDS REDUCING AID-DEPENDENCE

It is said that aid is being provided by the donors with the objective of eliminating poverty in Bangladesh. But it appears this objective is rarely pursued in the aid programmes of any of the major donors in a consistent manner. The restrictive conditions imposed by the donors limit the absorptive capacity of the recipient. To increase absorptive capability it is necessary to abolish or modify these restrictions. Efforts must be made towards reduction of the tying element of the aid programmes. If international assistance is given without regard to the relative needs of the recipient, it would be self-defeating because its contribution to the development of the

recipient country is most unlikely to be very fruitful. The contribution of the rich economies towards the development requirements of Bangladesh should be geared to the development needs of the later and not to the interests, both political and economic, of the rich countries themselves.

Insecurity or lack of security, as already mentioned, referred to the relative weakness, lack of autonomy, the vulnerability and the lack of room for manoeuvre, the negative attributes all of which Bangladesh as a developing country at both economic and political levels. The country suffers from an acute lack of control over the international environment in which it must function. Her lack of control over the external environment has great implications for the ability to control the domestic, economic, social and political domains.

Naturally Bangladesh is dominated by the donor influenced power-play as the determinant of investment priority. Donors inject their own priorities into project selection with their own preferences. It appears that over the past two decades the donor encroachments into the process of managing the economy of Bangladesh derives largely from Bangladesh's failure of governance, a major threat to the economic security of a small and weak nation like Bangladesh.

The question remains how much Bangladesh can at this critical developmental stage assert her own authority in relations with the donors? Can Bangladesh risk saying no to projects and

policy advice if they remain contrary to Bangladesh's national interest and priorities? Such questions are critical in the context of donor-dependence relations and choices are difficult indeed. To face up to the donor's choice the GOB risks aid being cut off, reduced or delayed by an offended donor. At this stage improving use in industry could significantly increase growth rates of manufacturing output. What is happening because of this scale of dependence on aid is the progressive erosion on the capacity to use resources more efficiently and to mobilise domestic resources. Aid programmes which provide power distribution equipment, expatriate technical assistance could be funding import of goods and services wherein domestic capacity is at hand. In most cases the project specifications preclude use of domestic capacities. In most technical project budget foreign consultants rather than local ones spell out a job specifications, without assessing whether the local expertise can do the job, in certain cases perhaps with equal or even greater competence.

It is not surprising that some 90 per cent of the expatriate consultants could be substituted by local professionals and experts (after short training if necessary), thereby saving millions of hard earned foreign-exchange. To an extent technical assistance is a form of tied aid where Bangladesh either takes it in the form of expatriate consultants with high salary or do not get the technical assistance. Similarly, where aid funds import of goods which are locally available, more effort must be made by the GOB to convince the use of local goods or goods at



competitive price elsewhere.

For aid to be an agent of development it is necessary that it should be given in such a way that it attacks certain key steps towards the achievement of structural change in the donor-recipient policies, such as increased food production and rural development, industrial infrastructure development, strengthening of technological capacities and so on.

For the moment the most obvious policy options to emerge relate to the enhancement of import substituting domestic production. This applies to such areas as domestic production of food grains, edible oil, cloth, transport equipment etc. using latest technology. Production of grains could be realised by enhanced productivity and available production capacity, through both enhanced capacity utilisation and improved efficiency of labour management. Though this would also require some imports in the way of spare-parts and intermediate imports needed to sustain fuller capacity utilisation. Further, aid could be used to stimulate trade. Among aid financed projects those with an export potential could be specifically emphasized and technical assistance on export promotion could be given. Also aid could be given on a more regional basis for multilateral projects or group of projects, thus encouraging developing countries trade (South Asian and South East Asian). This could be associated with the regional bank. Aid may also be linked to a reform of the whole international trade and monetary system.

Moreover, aid allocation (at least in short and medium run sense) must be determined by the requirements of the recipient country. The aid consortia and other forms of aid coordination body can do a great deal to reduce the burden of aid tying on the recipient. For instance, by allocating to each donor those types of projects in which the donor is best equipped, in terms of price and suitability to provide the relevant equipment and other inputs, the burden of tying would be reduced. It is hoped that more progress will be made towards aid tying and aid increasingly will take the form of free foreign exchange placed at the disposal of Bangladesh, so as to make effective use of this aid on the basis of mutually agreed policies and development plans. Also special aid should be given to counteract unpredictable losses in the export earnings of Bangladesh due to drop in the prices of commodities, sudden crop failures, political emergencies etc. Further aid commitments could be made on a longer than yearly basis, e.g. for five years, tying in with the country's development plans or preferably on a rolling basis for five years ahead. Such measures, if taken with a hindsight of pitfalls of the past experience, may help avoid the negative side of the donor-recipient relations and stabilise the current economic security concerns of Bangladesh.

### 3.2 SMUGGLING: PROBLEMS OF ECONOMIC MANAGEMENT

Smuggling, which refers to the on-going illegal trade mainly across border, constitutes another major threat having a serious adverse effect on the economy of Bangladesh and hence to its security. Reports of consumer goods being smuggled into Bangladesh from across the border is a cause of concern not only for market managers and planners in the country but also for the government, now embarked on revamping the national economy by all feasible means. Although takes place regionally there is an international link to it, as smuggled goods from different countries of the world are pouring into Bangladesh. However smuggling between India and Bangladesh has become an insurmountable problem for Bangladesh.

Smuggling has been defined 'as conveying goods clandestinely into ( or out of ) a country in order to avoid payment of legal duties, or in contravention of some enactment'. (Oxford Little Dictioanry, 1989). Trading countries often impose bans, limitations or taxes on certain goods, the evasion of which provides an incentive for smugglers. Various reasons can be identified for this illegal trade. Although in legal terms it is a malpractice, smuggling, especially in the context of Bangladesh, seems to have an economic rationale as good as that of trade -- profit maximisation behaviour of unscrupulous people. It flourishes in a situation where the methods of enforcement are lax, the frontiers many and large, and the rewards from illegal activity high relative to the returns from legal activity.

(Bhagwati, 1974: 1).

### 3.2.1 REASONS FOR SMUGGLING

With the signing of a trade agreement with India on 28 March 1972 smuggling became a frequent affair in the socio-economic system of Bangladesh from the early 1970s. This agreement accentuated the problem of smuggling that was going on small scale since 1947 with the partition of India (Hussain, 1989: 14). The agreement envisaged two types of trade: a border trade between the two countries, whereby permits would be issued to people living upto 16 kilometres on either side of the border to dispose of their goods on a day-to-day basis, and a balanced trade worth Indian Rs 250 million (U.S. \$ 35 million) each way. The border trade was kept free of customs and currency regulations (Hassan, 1982: 143). This trade agreement paved the way for rampant smuggling in the subsequent years in Bangladesh.

The trade agreement of 1972 produced negative effects on the people. The flight of essential items like fish, rice, poultry etc. to India resulted in the scarcity of goods and the resulting price rise and one of the prime causes of the disruption of the country's nascent economy. An England-based independent study of the problems came to the conclusion that

food prices were soaring in Bangladesh chiefly because of suppliers sent in from abroad to relieve widespread hunger were being smuggled out to the Indian market (Nuruzzaman, 1991: 400). Although the border agreement has been canceled much earlier, persistent smuggling still threatens the economy of Bangladesh.

Bangladesh with its stagnant economy had failed to create sufficient employment opportunities in the industrial, commercial and other sectors for the ever increasing labour force. Unemployment figures are rising both in the rural and urban areas. In such a situation illegal trade seems to offer a lucrative opportunity to the unemployed people, where small operators as well as hired labourers can earn substantially higher returns or wages in the border areas from illegal trade than from legal professions. Further, the main operators in smuggling business are operating from a distance through a vast network of small agents and sub-agents (Mahmud, 1993c, 21).

The main reason for smuggling, from the viewpoint of the operator, appears to be maximisation of profit by evading or minimising taxes and duties that are levied on the traded goods. Thus the illegal importer is able to offer his goods at a lower price than what others, who have paid the legal taxes, would be able to give. By smuggling foreign goods, for which there is a demand, the illegal traders usually undercuts the local manufacturers of similar goods, which are generally of inferior quality and need some protection in order to be competitive

(Gafur, Islam & Faiz, 1990: 14).

Also the market price variation between Bangladesh and India (from where most of the smuggled goods are pouring into Bangladesh) also provides an important incentive to unscrupulous traders to take advantage of the price differentials. Local high prices of many a consumer item plus local scarcity and shrinkage of production have been among other inducements for the smuggler to be so active. Border areas have developed into a spacious market for such smuggled goods. For most of the smuggled items, the Bangladeshi prices are higher, which is consistent with the fact that more goods are smuggled into the country than smuggled out of it (Mahmud, 1993c: 23). Smuggling in Bangladesh takes place along the Indo-Bangladesh border and coastal areas. From India cotton sarees, cattle, medicine, cosmetics and toiletries etc. are smuggled in (Bichitra, March 9, 1990). The textile market apart, items of common consumption such as vegetables and even eggs are said to be recently entering into Bangladesh at a rate never known before. One simple effect of this is that the customers are attracted to these goods on an offer at a reduced price. As for the inflow of agricultural products from across the border the smugglers take advantage of the relative fall in their production in Bangladesh due to prolonged drought as it happened in 1991-92 (Bangladesh Observer, Oct.9, 1992). As also when goods are smuggled out of the country, the prices of those in the local market tend to increase, adversely affecting the purchasing capability of the masses.

Smuggling between Bangladesh and India have been rampant mainly for two reasons:

a) First, bilateral trade at official level did not take place in a smooth-balanced way, although both governments agreed to do so. The officials of both the countries could not agree on prices for state controlled trade. Indian coal could not be exchanged with jute because of the failure on pricing of the two commodities (Franda, 1982: 137). Further, the GOB's decision to lift the ban on export of raw jute and jute goods to India acted as an opportunity to the spurious smugglers as the border remained open for a long time (Ahmed, 1983: 183-184). In 1992 alone Indian goods worth Tk 1600 crore have got into Bangladesh through unauthorised channel (Haider, 1993: 19).

b) Second, the artificial fixation of one to one exchange between taka currency of Bangladesh and Indian rupees rendered the entire one way smuggling highly profitable for the Indian smugglers (Rahman, 1989: 93). Even the recent convertibility of taka currency of Bangladesh did not contribute to the improvevent of the situation.

Smuggling seems to have become a profitable means of profession/business (illegal of course) carried on by a network of underground gangs. Most of the principal operators are big businessmen/financier with political influence in the two main cities, Dhaka and Chittagong. There exists a network of

of several tiers of command and control which extend up to the border, one of the channels for smuggling.

The main operators operate from a distance, the headloaders or 'coolies', the cycle-riding carriers, the 'baggage parties' on motor cycles operate in the borders. The main operators finance the illegal trade from the trading centres of Dhaka, Chittagong, Khulna, Jessore, Rajshahi, Ishwardi, Sylhet, Comilla or Narayanganj. The field operators ordinarily operate in liaison with the law enforcing agencies. These field-level operators, who may or may not be actual carrier of goods, operate mostly as a gang and are sometimes supplied with firearms. Most of them are influential persons in their locality. Due to the nature of the operation, most of the occupational hazards are directed against the actual carriers who are ordinary individuals attracted by wage. But in case of breach of understanding at any point of the chain-process, these petty operators seems to bear the brunt of law enforcement. This extra-risk is more than compensated by the higher than formal market wage or return the operators normally can earn as a routine. Also the nature of the activity ensures that the carriers (as well as peddlers of smuggled goods) have little information to divulge to the law enforcing agencies whenever arrested. They seem to be the only layer of operators who receive any punishment. But the operators at the apex are rarely ever touched even during investigation or anti-smuggling drives.



### 3.2.2 SMUGGLING ROUTE/CHANNELS

In Bangladesh smuggling routes are identified as: smuggling through border points all along Indian and Mynmar borders; through legal ports like Chittagong, Chalna, Mongla and Benapole; through coastal regions; and through airports like Dhaka, Chittagong and Sylhet having influential international and regional links. Smuggled goods have been coming into Bangladesh mainly from Singapore, Thailand, Hongkong, Burma, India, Pakistan and Sri Lanka. Ocean-going vessels waiting in the outer anchorages of Chittagong port and in the Kutubdia-Moheskhali channel are also a familiar source of entry of smuggled goods. Trawlers, engine boats and small sea going coasters are used for carrying the goods upto coastal points situated all along the coastal belt. Organized gangs of operators dominate in and around the port and anchorage areas. In the land and river routes, both individual petty operators and organized gangs share the traffic. Ships anchored at the Chalna anchorage are used as convenient carriers because of a lax of security system. This sector is increasingly being used for bringing in illegally imported goods to Bangladesh, perhaps for illegal re-export to India. For onward distribution throughout the country, the riverine routes and the Dhaka-Chittagong highway are mainly used (Mahmud, 1993c: 22).

Modern communication facilities like telex, fax and international dialing are increasingly used. Coded messages are frequently used. The geographical feature of Bangladesh border however makes it difficult to obstruct flow of smuggled goods. There are also

allegations that smuggling is carried on in connivance with a good section of Bangladesh Rifles (BDR), customs and police force (Mahmud, 1993c: 22).

Smuggling through legal points takes many forms. Passengers arriving by air from various countries frequently bring, in accompanied and unaccompanied baggages, either restricted items or legally importables far beyond their legal entitlement. It is alleged that much of these merchandise are cleared on terms mutually acceptable to the passengers and members of law enforcing agencies with or without payment of Custom Duty and Sales Tax (CDST). In many instances it has been alleged that a number of consignments, imported through seaports of Chittagong and Chalna ports, as well as Dhaka airport, containing both restricted and legally importables and which are under assessed and/or cleared on payment of bribe to some of the relevant officials (Gafur, Islam & Faiz, 1990: 18).

### 3.2.3 MODES OF SMUGGLERS FINANCING

The sources of financing are merchant capital, local finance, non-local finance (with and without local agents), fund generated through illegal trade, and funds borrowed from banks or money lenders. A wide variety of payment method is used in settling illegal trade transactions e.g. cash, 'hundi', cash/credit, barter, advance/credit. The most common means of payment is cash which is estimated to be used in half of all illegal trade

transactions. In smuggling operations with India the currencies most commonly used are Taka and Indian Rupees. In some cases foreign currencies such as Dollars and Sterling-Pounds are also known to be in use. The bulk of capital used in smuggling comes from quick gains made in illegal trade itself, although merchant capital in the legal trade sector is also an important source of financing unlawful transactions.

#### 3.2.4 ADVERSE EFFECTS OF SMUGGLING

Smuggling is one of the major setback to the management of the economy of Bangladesh. The following adverse effects of smuggling can be identified.

##### 3.2.4.1 REDUCTION IN GOVERNMENT TARIFF AND REVENUE

The malpractice of evasion of taxes and duties means the government is losing tariff and other tax revenue. This leads to the increases in the cost of government services as the government has to look for relatively inefficient or less productive sources of revenue.

##### 3.2.4.2 AFFECTS LOCAL INDUSTRIES AND SOCIAL GROUPS

Local producers complain that smuggling of foreign goods into Bangladesh leads to reduction in demand for similar kinds of domestically produced goods. Consequently the process of industrialization is adversely affected. The reverse is also true. If industrialisation does not take place, smuggling effects industries which have been chosen for protection by the government. These industries are endangered by the inflow of smuggled goods, which are priced much lower than what would have been if they were legally imported. Also smuggling in of heroine and other drugs are affecting especially the youth, making them disaffected and thereby creating a social menace.

#### 3.2.4.3 AFFECTS GOVERNMENT IMPORT SUBSTITUTION POLICY

Smuggled goods are generally sold at prices lower than the duty paid value of the goods legally imported. It thus adversely affects the government's import substitution policy, as government is often involved in importing from higher cost sources.

#### 3.2.4.4 DETERIORATION IN TERMS OF TRADE

Since smuggling is more profitable to legal import, where the legal trader has to import from higher cost source, it affects the terms of trade. This results in a gross loss for the economy.

#### 3.2.4.5 FLIGHT OF CAPITAL AND DETERIORATION OF BALANCE OF PAYMENTS AND FISCAL STRUCTURE

Smuggling leads to flight of capital. Capital flight refers to a process involving money that 'runs away' or 'flees'. It has been defined as abnormal flows propelled from a country by any one or more of a complex list of fears and suspicions. Bangladesh has a low saving rate. The Gross National Saving rate has been around 5 percent in recent years. To accelerate economic growth, the country has been a net importer of capital mainly in the form of foreign aid. Capital flight is a perverse exportation of domestic saving and foreign exchange that hinders the process of growth. Capital flight contributes to the deterioration of balance of payments and fiscal structure. Capital flight takes place mainly through over-invoicing of import; under-invoicing of export; smuggling out of gold, cash, other financial assets, and commodities; hundi etc.

#### 3.2.4.6 INCREASE OF BLACK MONEY

Smuggling is the main source of 'black money' or illegal money in the economy, affecting the economic infrastructure. The existence of the black money in the economy in Bangladesh prevents the growth of industrialisation and export promotion, necessary for economic development of the country. Such a view is expressed by Dr. A.R. Bhuyan, an economist of Bangladesh. 5

### 3.2.5 EFFORTS TO CURB SMUGGLING

It has been observed that law enforcement measures do not provide mechanisms to punish the real operators who are financing and managing the smuggling operations from the main cities and business centres. Tightening of the existing measures has to be considered in the light of the fact that it will bring only temporary relief to the actual problems. The root of smuggling which lies at the very heart of the body-politic of economic management of the country has to be severely dealt with.

There appears to be a genuine problem regarding overlapping and demarcation of powers, jurisdiction among BDR, customs and police. The relationship between the customs and the BDR creates a lot of tensions. They tend to accuse each other for the failure in the region for their common jurisdiction. For example, the customs complain that BDR unnecessarily harass genuine importers whether they carry or not valid documents and customs receipt in order to extort bribes. Therefore feel discouraged to use the legal channels of import. Proper administrative measures can do away with this anomaly. By strengthening the customs vigilance and intelligence units with the help of armed police, the function can be entrusted to the customs so that accountability can be established. This would also serve as a major step toward ensuring economic security or self-reliance of the country.

### 3.3 TRADE IMBALANCE

The realities of economic compulsion drives a country like Bangladesh to build up close ties with other countries. But while pursuing economic ties with other countries, Bangladesh has been facing severe balance of payments difficulties as it always has an imbalance of trade. The underlying reason is that the country is dependent on foreign import not only for its development activities but also for meeting her demand for food and other commodities. The export was mainly dominated by raw jute and its products, until very recent garment products. On the other hand, the country's import bill has been rising. Bangladesh's balance-of-payments is characterised by a massive structural trade deficit and heavy dependence on foreign aid. Export earnings, only 7 percent of GDP in 1989/90 could pay for only 40 percent of the import bill. As a consequence the country has to suffer from chronic negative resource balance, which has remained around 9-10 percent of GDP in recent years (Bhuyan & Rashid, 1993: 2).

Adverse terms of trade movement around the second half of the 1980s and rapid and large growth of imports relative to exports are major factors behind the deterioration in the current account balance (Bhuyan & Rashid, 1993: 30-31).

Bangladesh's market is fairly flooded with imported luxury goods, apart from common essential ones. Cars, televisions and other imported gadgets have a good market (as is evident from the purchasing power of a growing richer segment of the population). This trend has nothing to do with the needs of the common consumer whose purchasing capacity is falling in relation to the rise in that of their richer counterpart in society.

There is a big gap in the external trade sector of Bangladesh. Table 8 below (next page) illustrates this.

Bangladesh is principally an exporter of primary products. In 1989 primary goods accounted for 29 per cent of Bangladesh's exports. On the other hand, capital goods and other manufactures formed 63 percent of the country's imports. Bulk of the manufactured exports of Bangladesh is in the form of textiles and clothing which in 1989 formed 58 percent (Bhuyan, 1992: 206). This is indicative of how greatly exports of Bangladesh is affected by the restrictive provisions of the multi-agreements concluded between Bangladesh and the developed importing countries. As regards the direction of trade, Bangladesh over the recent years has become increasingly dependent upon the industrial countries for both exports and imports.



TABLE 8: BANGLADESH BALANCE OF TRADE (MILLION TAKA)

| Year    | Exports | Imports  | Balance     |
|---------|---------|----------|-------------|
| 1973-74 | 2974.1  | 7320.0   | (-) 4345.9  |
| 1974-75 | 3061.4  | 10842.4  | (-) 7781.0  |
| 1975-76 | 5516.8  | 14703.2  | (-) 8186.4  |
| 1976-77 | 6255.0  | 13993.0  | (-) 7738.0  |
| 1977-78 | 7178.1  | 18216.3  | (-) 10810.2 |
| 1978-79 | 9632.2  | 22073.4  | (-) 12441.2 |
| 1979-80 | 10997.0 | 30525.0  | (-) 19528.0 |
| 1980-81 | 11484.0 | 37288.0  | (-) 25804.0 |
| 1981-82 | 12387.0 | 38729.0  | (-) 26342.0 |
| 1982-83 | 18016.2 | 45265.4  | (-) 27249.2 |
| 1983-84 | 20136.3 | 50874.5  | (-) 30738.2 |
| 1984-85 | 26225.1 | 68263.4  | (-) 42038.3 |
| 1985-86 | 27396.5 | 62929.6  | (-) 35533.1 |
| 1986-87 | 33682.3 | 68496.8  | (-) 34814.5 |
| 1987-88 | 41161.2 | 91588.4  | (-) 50427.2 |
| 1988-89 | 42686.3 | 95075.4  | (-) 52389.1 |
| 1989-90 | 51415.0 | 113305.9 | (-) 61890.9 |
| 1990-91 | 60271.6 | 111551.9 | (-) 51280.3 |

(Provisional)

Source: Bangladesh Economic Survey 1990/91, Ministry of Finance, Government of Bangladesh. Statistical Year Book 1992, Bangladesh Bureau of Statistics.

A case study of Bangladesh India trade pattern may illustrate better the position of the country's trade imbalance. A one year trade agreement was first signed between India and Bangladesh on March 28, 1972 which envisaged two types of trades: a border trade and a balanced trade of each way of Tk 250 million. During this one year Bangladesh's trade imbalance was estimated at about Rs 40 million. India had exported to Bangladesh goods worth of Rs 100 million, while Bangladesh's exports to India stood at about Rs 60 million (Hossain, 1989: 15).

Balance-of-trade of Bangladesh remained unfavourable even after a new trade agreement was signed in 1974. Until September 27, 1974 the trade between the two countries would have been to the tune of 600 million and each way. But during that period India exported Tk 100 million and Bangladesh exported Tk 30.5 million worth of items (Holiday, Oct.23, 1992). Looking at the cumulative deficit of Bangladesh in its bilateral trade with India reveals a highly unbalanced situation. Bangladesh imported commodities worth Tk 39.91 billion from India and exported commodities worth Tk 5.83 billion to that country during 1975-92, showing the trade deficit at Tk 34.08 billion (Holiday, Oct.23, 1992).

In 1990-92 fiscal year the trade ratio between Bangladesh and India was approximately 1: 73. Another report states that Bangladesh imports about 11 times more from India than what India imports from Bangladesh (Mahmud, 1993c: 23). India has made further in-roads into Bangladesh markets in 1991-92 by widening

the surplus in the bilateral trade operations. This imbalance is against Bangladesh in formal (that does not include cross border illegal trading or smuggling operations discussed above) exchanges or trade with India. Dhaka's trade deficit with New Delhi stood at Tk 8.25 billion in 1991-92. The amount was about 15 per cent higher than the deficit recorded in the previous 1990-91 period. Exports by Bangladesh totaled Tk 292 million, while imports from India stood at Tk 8.28 billion in the bilateral trade between the two countries in 1991-92 (Holiday, Oct.23, 1992). Thus the trade imbalance against Bangladesh was minimum in fiscal year 1972-73 -- Tk 330.72 million, when formal trade between the two countries began. However in the fiscal year 1992-93 the imbalance was expected to exceed the Tk 8696 million figure (Financial Express, Nov. 12, 1993).

In the context of yawning imbalances against Bangladesh in its trade with India, it is worthwhile to take into consideration the quantitative restrictions and trade barriers by New Delhi on imports that has adversely effected Dhaka's exports. Bangladesh's Finance Minister M. Saifur Rahman, and Commerce Minister M.K. Anwar reportedly told the New Delhi authorities, during their visit to India in August 1992, that such restrictions and barriers inhibited the flow of some merchandise to India. (Financial Express, Nov.12 1993). While India has put various quantitative restrictions and tariff barriers on imports, Bangladesh allowed almost unrestrained entry of Indian goods. Liberalising imports of goods and services from Bangladesh, by New Delhi, could reduce the existing trade imbalance against

Dhaka. The Finance Minister said that what Bangladesh seeks from India is fairness in trading terms and open market without restrictions, which has already been implemented by Dhaka. He pointed out that the Indian tariff structure is far higher compared to Bangladesh's (The Daily Star, Dec. 23, 1993). The Indian tariff should be progressively reduced so that Bangladesh can have a fair chance to export to India. An equitable business climate based on reciprocity is necessary.

Whatever the course of Indo-Bangladesh bilateral relations, the existing trade imbalance against Bangladesh provides a cause for considerable concern. The existing bilateral trade relations with Bangladesh importing many times more than what it exports to India are certainly not going to be sustainable for long. The New Delhi leadership will have to appreciate this while taking actions to redeem their pledges to help reduce the existing trade deficit. On Bangladesh side it is imperative that efforts are taken to expand and diversify its export base and make more exportable surplus at competitive international prices available.

Trade generally with the South Asian countries fluctuates greatly from year to year. Trade with these countries is mainly governed by trade agreement and protocols signed periodically and is the major cause of fluctuations year to year. Bangladesh's export with South Asia shows that after liberation, India and Sri Lanka could offer a foreign market for Bangladeshi products in the region. After the emergence of Pakistan as the trading partner from 1976, and with the signing of trade agreements in 1985,

Maldives and Nepal emerged as export market of Bangladesh. From then onwards the share of India and Sri Lanka declined. Pakistan emerged as the dominant export market for Bangladesh with its highest share of 63 per cent, followed by India about 25 per cent, Nepal 11.51 per cent, Sri Lanka 0.45 per cent and Maldives 0.2 per cent till 1987. In terms of import with South Asia, Bangladesh is largely dependent on India ( 64 per cent in 1987). Pakistan had emerged as a major supplier to Bangladesh from a small share of 11 per cent in 1974 to a significant share of 31 per cent in 1987, whereas Sri Lanka and Nepal were minor suppliers. Trade data between Bangladesh and Pakistan, another major trading partner indicate that barring 1980-81 fiscal year, from the year 1976/77 upto 1986/87, balance of trade was favourable for Bangladesh. By contrast Bangladesh has been suffering an adverse balance-of trade with Pakistan for the last five fiscal year 1986/87 to 1991/92 upto December 1991 at a stretch. This imbalance in trade may be attributed to the import of rice, textile fibres and yarn in large quantity from Pakistan as well as reduction of tea export to Pakistan during the said period (Iftekhharuzzaman & Ahmed, 1992: 85).

Bangladesh faces trade deficit with almost all of its major trading partners. China is a major trading partner of Bangladesh. Trade relations between Bangladesh and China began to develop after 1975. The chinese bought from Bangladesh products like sugar and newsprint. To the advantage of both the countries, a large volume of trade took place on barter terms. Bangladesh's total imports from China during 1979-82 amounted to U.S.\$ 284.52

million, while exports from Bangladesh to China amounted to U.S.\$ 65.98 million. Thus trade imbalance against Bangladesh amounted to U.S.\$ 218.54 million (Ahmed, 1992: 82).

Competitiveness and complementary activity are also matters for consideration while reviewing the operational aspects of Indo-Bangladesh bilateral trade. Actual export capacity of Bangladesh and the availability of tea, exportable surplus in the country in relation to demand factors in India are certainly issues which cannot be left out of any discussion in this context. But the relatively weaker base of the Bangladesh economy and its distorted fiscal structure, tariff and monetary policies, particularly from the implementation side cannot be overlooked while only programme for concessionary trade cooperation among the South Asian countries is finalised and okayed. Otherwise Bangladesh will simply be swallowed by the larger partner with its relative advantage or leverage. The low freight costs of trade operation have already offered the Indian supplies an added advantage in marketing their products or commodities in Bangladesh with ease.

It can be inferred from the awing trade imbalance the disadvantaged position and consequent insecurity of Bangladesh in the international trade system. Over the years this imbalance instead of decreasing is rather on the increase. The major exports of Bangladesh are traditional agricultural products of Bangladesh which are subject to instability with respect to prices and supplies. There is also inelastic demand conditions in

the international markets and some of them have experienced decreasing marginal output in production. Some agricultural products like fruits and vegetables could be saved reducing domestic consumption but cannot be transformed into foreign exchange due to export limitations. The manufactured goods export from Bangladesh, forming a very small proportion of total world supply, face elastic demand abroad. But the limiting factors to such exports are the supply constraints and trade restrictions from the developed countries. Furthermore, in accordance with the representative demand theory of Linder, the demand structure of an economy determines whether a production for a specific commodity is advantageous or not (Ahmad, 1992: 8). Since Bangladesh is one of the poorest countries of the world having a per capita income of around U.S.\$ 220 its demand structure diverse greatly from the developed countries and other developing ones. Perhaps for this reason, some of the manufactured goods produced in Bangladesh may face difficulties to be exported.

Bangladesh on the other hand, requires a minimum level of imports of intermediate and capital goods for capacity utilization and realization of growth potentials. It has to import huge amount of food grains from abroad, until recently, to satisfy the increased demand associated with a high rate of growth of population. As a result its imports are growing at a relatively higher rate.

However, apart from decrease of some export of some export items, there seems to be a slow improvement in imbalance of trade situation. In 1990-91 fiscal year export compared to import was

56 percent. But in 1991-92 export compared to import rose to 61 percent. Thus export earning in 1991-92 rose by 16.04 percent compared to 1990-91. In 1990-91 fiscal year the traditional exports contributed to 34 percent of the total export. In 1991-92 fiscal year this has decreased to 26 percent (Mahmud, 1993b: 26).

A Bangladeshi economist, Dr. A.R. Bhuyan suggests that import under the barter finance are sometimes of inferior quality. He opines that reform in the trade policy of Bangladesh is necessary to reduce trade imbalance situation. In Bangladesh trade liberalisation be so designed that the smaller and relatively less developed partners in the trade mechanism are provided with adequate safeguards and benefits distributed equitably among both the trading partners. Industrialization is a central element in the development policy of all countries that strive to reduce her dependence on its industrialised countries for resources and also reduce trade imbalances. In so far as limited national market constitute a handicap to the creation of optimum industrial capacities, regional cooperation for expansion of markets via the reduction of trade barrier becomes indispensable. High quality industry is the main dynamic of all sectors in modern economy. Dr. Bhuyan opines that, although in recent years significant progress has been made in trade policy for moving towards a favourable environment for industrial growth, but further reform in this area is urgently called for, if the pace of industrial growth in Bangladesh is to be accelerated. 6

Regional trade cooperation by way of removal of tariff and non-



tariff concessions is preferred in the changing global situation, but trade concessions must be based on mutuality of interests. They must harness the full potentials for economic growth and development of all the concerned countries. Trade concessions without anti-dumping laws will lead to distorted practices. India has been resorting to dumping on a large scale in its trade (both formal and informal) operations with Bangladesh. This has acted as the great deterrent to utilization of installed productive capacity in many sectors such as textile, small and light engineering etc. in full and also to the expansion of new capacity in new potential sectors.

#### 3.4 CONCLUSION

Economic tribulations are said to be one of the most substantive aspects of the security of Bangladesh. Threat to economic security arises due to meagre resource base and high dependence on foreign assistance and subsequent debt service liability. Aid dependence has eroded the sovereign power of Bangladesh in the economic realm. Due to faster growth of imports relative to exports, the balance-of-trade was highly unfavourable every year in the post liberation period giving rise to a gap in foreign trade. Thus the trade imbalance which Bangladesh has long been experiencing has adversely affected the economy. Smuggling has further intensified the imbalance in trade. Thus the economic policy has to take into account all these factors while thinking of economic recovery and consequently ensuring economic security of the country.

NOTES

1. See Ahmed, Qazi Kholiquzzaman, Counting the Cost of Foreign Aid to Bangladesh in M.A. Hafiz & A.R. Khan, Nation- Building in Bangladesh: Retrospect and Prospect. Bangladesh Institute of International and Strategic Studies, Dhaka 1986, pp.142-151. Also Rehman Sobhan & Nazrul Islam, The Role of Foreign Aid in Financing Sectorial Programmes under the ADP. UPL, Dhaka 1990. pp.7-31.
2. See for e.g. Just Faaland, et al Aid and influence: The Case of Bangladesh. MacMillan, London. 1989. Rehman Sobhan, The Crisis of External Dependence: The Political Economy of Foreign Aid to Bangladesh, UPL Dhaka. 1985.
3. Interview with an official of the External Resource Division, Ministry of Finance (requesting anonymity).
4. The total debt relief upto June 1990 has been estimated at U.S.\$ 1.4 billion. This accounts for about 14 per cent of the total bilateral and multilateral outstanding loans of over U.S.\$ 9.8 billion (Financial Indicators of Bangladesh, 1992, p.4).
5. Interview with Dr. Ayubur Rahman Bhuyian, Professor of the Department of Economics, Dhaka University.

6. Interview with Dr. Ayubur Rahman Bhuyan. Dr. Bhuyan believes that in Bangladesh a restrictive trade regime has spawned the growth of a primary import-substituting (IS) industrial sector which has generally made inefficient use of domestic resources. Export incentives have been weak, and hence exports have generally received considerably less effective assistance compared to import substitutes. He feels that the widespread use of bans and quota restrictions (QRs), instead of helping industrial development necessary for growth of export, has actually impeded such development, by raising the cost of inputs to user industries, with comparative disadvantage which have often turned out to be net losers of foreign exchange. Policy discrimination against export must be removed if export is to be accelerated, opined Dr. Bhuyian.

## CHAPTER FOUR

### ENVIRONMENTAL THREATS TO THE SECURITY OF BANGLADESH

With the end of cold war, a 'green war' is being waged worldwide against what is often perceived as ecological destruction and environmental degradation. Human beings live in a present day world of unique moment of historical existence where traditional military conflict, tensions and mistrust are entwined with environmental threats which affect security. Access to resources and degradation of the global environmental services appears as a central problem of politics and security. Control or use of scarce resources has become a major motive underlying tensions, mistrust or conflicts, because such resources are essential to economic prosperity. The global environmental problems do not conform with territorial or political boundaries.

World concern for the environment began two decades ago, which culminated in the Stockholm Conference on the Environment on 1972. The United Nations Environment Programme (UNEP) was established as recommended by that conference. Since then the information about the environmental degradation have been accumulating. This has led to a series of seminars, workshops, and conferences worldwide -- about forest destruction, greenhouse

effect and global warming, stratospheric ozone layer depletion, violent fluctuation in the weather patterns leading to severe periodic occurrence of floods, droughts and an acceleration of desertification. These problems have spurred intolerable environmental costs and possibly ecological catastrophe. The stage is thus set for a global struggle against continuing misery, despair and frustration for many -- and inevitably against social and political unrest. The greenhouse phenomena could bring more misery and deprivation to more people in Bangladesh than anywhere else in the world. Of all the countries the aggregate loss of Bangladesh is likely to be the highest in human terms.

Yet until recently, in Bangladesh the political priorities seemed to remain remarkably unchanged. Environmental considerations, if they have been taken into account at all, have usually taken second place to the conventional politico-strategic requirements. The seeming consequence of this neglect has been environmental deterioration. The global environment has become an issue of international and national security. It is now apparent that certain regional and global environmental deficiencies are producing conditions which render conflict more likely (Gleick, 1991: 19). Because of these problems a nation bent on protecting its perceived security at present and in future will have to concern itself as much, if not more, with the ecological/environmental destruction as much as with military arsenals of destruction.

This chapter aims to bring to light how environment has become an issue of national security of Bangladesh. To this end the analytical issue is divided into the following sections: first of all, an attempt is made to focus on the lack of environmental awareness in Bangladesh (section 4.1); there is then, the context of worldwide environmental awareness which created a response in Bangladesh (section 4.2); next the sources and effects of environmental threats are elaborated, with particular reference to the environmental security predicament of Bangladesh (section 4.3); efforts to deal with environmental problems, both globally as well as regionally, are then discussed and a number of policy recommendations made in section 4.4; and finally, the concluding section (4.5) briefly reflects on the overall findings.

The Economic and Social Commission for Asia and Pacific (ESCAP) conference in 1991 summarises the view that man-made disasters in Asia are on the increase, rivalling the damage inflicted by natural disasters in terms of lives lost and property destroyed. It suggested that man-made disasters were having just a big an impact in Asia as the annual string of natural disasters. Man-made disasters include deforestation, environmental pollution, the use and trafficking in toxic chemicals and dumping of hazardous chemicals and wastes, dams and barrages etc., which are increasing throughout the Asian region. Devastating typhoons, floods, droughts, tidal waves etc. occur frequently in the South Asian region. The ESCAP conference declaration further said that business was the most flagrant despoiler of the environment. Companies in Asia had promoted the commercialisation of

agriculture at the expense of the land and zealously expanded industrial production and introduced new technologies irrespective of the environmental pollution generated ( ESCAP News, 1988). However, inspite of the gravity of the situation widely felt elsewhere, there has not been much concern in Bangladesh about the environmental issues/problems and their impact. The reasons are not far to seek.

#### 4.1 REASONS FOR LACK OF ENVIRONMENTAL AWARENESS IN BANGLADESH

- i) Industrial development did not take place sufficiently in Bangladesh to produce the similar concern as in the developed West.
- ii) Environmental conscious-oriented public interest and pressure groups were almost non-existent, because of low level of literacy rate and poor mass participation in matters of public interest.
- iii) Until recently media, mostly being controlled by an autocratic type of ruling regime which restricted publicity of problems and issues of public interest, such as environment.
- iv) Socio-economic development was among the list of priorities of national policy ignoring any environmental impacts.
- v) Indifference of the masses whose priority is survival even

at the expense of the environment.

The frequent natural calamities (floods and periods of droughts, cyclones, tidal waves, tornado) of the past few decades and unpredictable weather conditions left many homeless with massive destruction of life and property, including effects on agricultural land and crops. The people in the affected areas subsequently moved into the urban areas seeking food and jobs, thereby creating socio-economic problems in the already over-populated and over-burdened few urban centres. Urban slums continued to grow, especially after the 1974 famine and food scarcity, and they associated with other social, economic and political problems.

These socio-economically dislocated masses become the easy victims of contending political groups. These 'environmental refugees and migrants' are mostly the victims of environmental dislocations, which have their origin mostly outside Bangladesh's territorial boundary (discussed later). Of late there has been some awareness of these problems which have spurred interest in 'environmental' or 'ecological' security; but there is still some confusion about how these problems should be addressed or dealt with.

#### 4.2 WORLDWIDE ENVIRONMENTAL AWARENESS: RESPONSE IN BANGLADESH

The rapid growth of the industrialisation and socio-economic



development in the West and its subsequent impact on the environment brought the issue of environment to the forefront. The United Nations Secretary General's several public lectures about environmental degradation followed by the June 1972 UN Conference on the Human Environment in Stockholm created some awareness about the the global environmental hazards both in the developed and developing countries (Hassan, 1991: 3). The UNEP came into being as recommended by that conference. Following the Stockholm conference many conferences were held on various environmental issues under the auspices of UN as well as other international and regional organisations and at country levels. As the process gained momentum, the UN set up in 1983 a World Commission on Environment and Development (WCED) to review and analyze all relevant environmental problems facing the world and offer prescriptions for their solution (Ahmed, 1991: 5).

Environmental decline had been occurring for decades in the South Asian region but the problem remained unnoticed. The frequent natural calamities, floods and crop destruction, famine and unpredictable weather conditions in the recent past brought to limelight environmental issues. The September 1988 Dagomy's Declaration called on all scientists of the World to expand their `concerns to a broader set of inter-related dangers: destruction of the environment on a global scale and denial of basic needs for a growing majority of human kind.....We must recognize that environmental degradation and large scale impoverishment are already facts and can lead to massive catastrophe even if nuclear war is averted'. The declaration further added, `These linked

environmental matters effect all nations' (Kabir, 1988: 3).

People today are much less dependent on the vicissitudes of global climate than their ancestors were. Nevertheless climate has always had an impact upon global political system and the security of international actors. Modern societies are now more complex, better organized, characteristics that have safeguarded the effects of environmental stress and strains. But still societies have become mere victims of environmental upheavals that can be quite alarming. For e.g. U.S. News and World Report noted 'the 1988 monsoon flood waters in Bangladesh' killed several thousand people, leveled 2 million homes, devastated 4 million acres of crop land, disrupted 25 million lives and cost the impoverished nation \$ 1.5 billion. Had this destruction been wrought by invasion, Bangladesh would have gone to war. It was instead an 'environmental blitzkrieg' (Gray & Rivkin, 1991: 47).

Thus the environmental problems of Bangladesh were brought to the notice of the world during the successive major floods of 1987 and 1988 in Bangladesh. The GOB declared the year 1990 as the 'Year of the Environment' and the 1990s as the 'Decade of Environment'. This was also lauded by the Parliament, whose members strongly reiterated the necessity for measures to ameliorate the environmental degradation (DEP GOB, 1990: 2). A draft environmental policy was also made in Bangladesh in 1990, whose seven main objectives are as follows:

- i) To make the people, the government planners and development

practioners conscious of the environment.

- ii) To ensure sustainable development of all natural resources and their conservation which is essential for the life support systems of the biosphere.
- iii) To identify sectorial problems on a geographical basis and suggest sector-wise policy guidelines for the necessary course of action.
- iv) To specify the role of the public sector, particularly of the various ministries, department and government agencies involved in the natural resources.
- v) To specify the role of the private sector, including the NGOs involved in development activities.
- vi) To assist in the preparation of appropriate environmental laws by highlighting the shortcomings of the present system of natural resources management and pollution control.
- vii) To suggest an institutional framework for implementation.

Thus the Environment Policy enunciated, highlights Bangladesh perception of the situation ( DEP, GOB, 1990: 2-3 ). An understanding of the sources of external ecological security threats of Bangladesh is therefore essential.

#### 4.3 SOURCES OF ENVIRONMENTAL THREATS OF BANGLADESH AND SECURITY IMPLICATIONS

Environmental threats are perceived externally from two levels: a) global environmental threats, the north south conflict and its impact on Bangladesh; b) regional environmental threats and Indo-Bangladesh conflict.

##### 4.3.1 GLOBAL ENVIRONMENTAL CONFLICT AND THREATS TO THE SECURITY OF BANGLADESH

Science today is more developed than its was before, with more accuracies for mankind to plan for its own survival on the earth. The earth itself is on the whole exposed to horrifying changes due to socio-economic activities by the human being at the cost of the environment.

Access to, or proper use of natural resources degradation of the global environmental services are central problems of politics and security in the contemporary international system. The global environmental deteriorations and the related problems do not conform with territorial or political boundaries. Of the two issues which are likely to exacerbate tensions between 'haves' and 'have nots': one is the growing gap between rich and poor

nations, characterized by enormous per-capita differences in resource consumption; the second issue, less perceived before, is the growing global environmental degradation caused by industrialised nations but felt most severely by poorer countries like Bangladesh. Bangladesh as a developing country is not only less responsible for them, it is also less able to adapt economically or to prevent their worst impacts.

Use of energy is considered largely responsible for such disparity. Industrialised nations use energy at nearly 10 times the rate, per person, of developing countries (Gleick, 1991: 19). An LLDC like Bangladesh is unlikely to escape from poverty, unless this gap is diminished (Holdren, 1990: 156-63). But the industrial nations' massive use of fossil fuels is primarily responsible for a wide range of global environmental problems, particularly the greenhouse phenomena. The stage is thus set for continuing misery, despair and frustration for billions of people and, inevitably, social and political unrest. Concern for the deteriorating natural world is widespread. The global environment has become an issue of security.

#### 4.3.1.1 THE PRICE OF DEVELOPMENT: AN ENVIRONMENT IN CRISIS

The immediate effects of environmentally irresponsible forms of development have reached a point where they cannot be ignored.

Indeed, environmental deterioration now presses the limits of human beings' physical tolerance. When billions of people are affected all over the world by its consequences from air and water pollution, chemical and waste dumping a change of attitude eventually occurs and ultimately influences the political agenda with increasing force and effectiveness. There is a need for tempering development on behalf of the environment. Economic development based on unrestrained exploitation of the environment bring with it long-term economic penalties which will soon impose themselves. The environmental threats of global warming and the related problem of widespread climatic change endangers human survival. It is increasingly clear that this will be one of the penalties for unrestrained economic development in the developed countries. Thus without radical changes in the methods of development the consequences of man's present actions will be severe enough to threaten security.

Human disregard for the general condition of the natural resources has resulted in a perturbing list of ailments, now affecting the planet earth. As such the threatened natural environment has been a great concern for all nations of the world, separately and collectively, Bangladesh is no exception to it. Human activities since the industrial revolution have dramatically altered the composition of the global atmosphere. The continued dumping of industrial by-products into the atmosphere and loss of forest on a massive scale has led to dramatic global change. There are enough scientific evidence

which shows that world climate patterns would be in a state of turmoil. Emissions of natural and synthetic gases are increasing the heat-trapping capacity of the atmosphere through a phenomena known as the 'greenhouse effect'.

The projected impacts of this world-wide climatic disruptions would overshadow many of the environmental problems of the past and augur political, economic disruption on an enormous scale. Global warming due to greenhouse effect could have catastrophic consequences for the habitability and productivity of the whole planet. The accompanying strain and upheaval on the international scene in turn could have serious consequences for foreign policy and security concerns.

Broad scientific agreement exists on the underlying theory of climate change, although the nature and effects of future consequences from greenhouse warming remains in debate. Nonetheless, the range of outcome is sufficiently clear and the magnitude of the resources at stake so enormous that policy actions are required urgently.

#### 4.3.1.2 GREENHOUSE EFFECT

Although the theory of greenhouse warming has been accepted for about a century, policy makers have only recently become aware

of its significance for the global environment. A number of gases, emitted in small but significant amounts, absorbs infrared radiation reflected from the surface of the earth. As the concentrations of these heat absorbing gases increases, average global temperature will rise.

Emissions of carbon dioxide are the single largest of elevated terrestrial temperatures from the greenhouse effect accounting for approximately one half of the problem. Concentrations of carbon dioxide in the range of 280 parts per million (ppm) together with water vapour in the atmosphere, established the pre-industrial equilibrium temperature of the planet. Since the middle of the 19th century, atmospheric carbon dioxide levels have increased by about 25 per cent to approximately 350 ppm and are continuing to rise by approximately 0.4 per cent per year. Elevated carbon dioxide concentrations result primarily from the intensified burning of fossil fuels -- coal, oil and natural gas -- which liberates the chemical in varying amounts (Writh, 1989: 4).

The World's forests are vast storehouses or 'sinks' for carbon. World wide loss of forest cover, by releasing this vast stockpile of carbon into the atmosphere, as carbon dioxide aggravates the greenhouse problem. The deforestation in the Third World countries, including the Himalayan forest, exceeding 10 million hectares annually is aggravating the greenhouse problem. The release of carbon dioxide in the atmosphere as a result of



deforestation amounts to 2 to 10 billion tons annually (Writh, 1989: 4-5). Reversing deforestation and creating new forested areas and planting more trees everywhere will help to offset current levels of carbon dioxide from the air during photosynthesis. This will contribute to climate stabilisation by serving as supplementary reservoirs of carbon. Aggressive policies to conserve forests will yield other significant environmental benefits including soil erosion control. Since the industrial revolution in the developed West, the atmospheric concentrations of several greenhouse gases has been increasing primarily due to human activities.

Concentrations of a second major important greenhouse gas, nitrous oxide, have also been rising, probably because of heavier fossil fuel use, greater agricultural activity and other ecological disturbances. Average global atmospheric levels of nitrous oxide at the end of 1985 were approximately 300 parts per thousand billion (ppb) and are increasing at an annual rate of 0.2 per cent. Both the carbon dioxide and nitrous oxide are very stable compounds; carbon dioxide remains in the upper atmosphere for decades after its release and nitrous oxide for considerably more than a century. Without major reductions in emissions of these gases, their concentrations will continue to grow.

A group of volatile chemicals known as the chlorofluorocarbons (CFCs) is believed to be currently responsible for 15 to 20

percent of global warming trend. These synthetic chemicals are used as refrigerants, propellants, solvents and thermal insulators. A related class of bromine containing chemicals called "halons" is found in fire extinguishing systems. In 1985 average global atmosphere concentrations of CFC-11 and CFC-12, two of the most commercially important CFCs, were 0.22 ppb and 1.30 ppb, respectively. Atmospheric concentrations of CFCs are growing at rate of more than 7 percent annually as a result of increased world production in recent years. Although their concentrations are small, relative to that of carbon dioxide CFC's are upto 10,000 times more potent in absorbing infrared radiation. After release, CFCs and halons reside in the atmosphere for a century or more because of their stability at low altitudes. Consequently an immediate 85 percent reduction in emissions of CFCs would be necessary merely to stabilise their atmospheric life times. CFCs and halons eventually reach the atmosphere and causes loss of the protective stratospheric ozone layer, which shields life on earth from harmful levels of ultra-violet solar radiation.

Scientists say that the rapid depletion of the ozone layer, now thinning fast over large part of the world would greatly increase skin cancer and blindness and threaten fish stocks and agricultural crops. Methane, the principal component of natural gas, is another significant climate modifying chemical. It has an atmospheric residual time of about 11 years. Average global concentrations of methane were approximately 1,700 ppb at the end

of 1985 and are increasing by about 1 per cent per year (Writh, 1989: 5-7). Animal husbandry and rice cultivation, coal mining and land-fills have been identified as major sources of increased methane emissions.

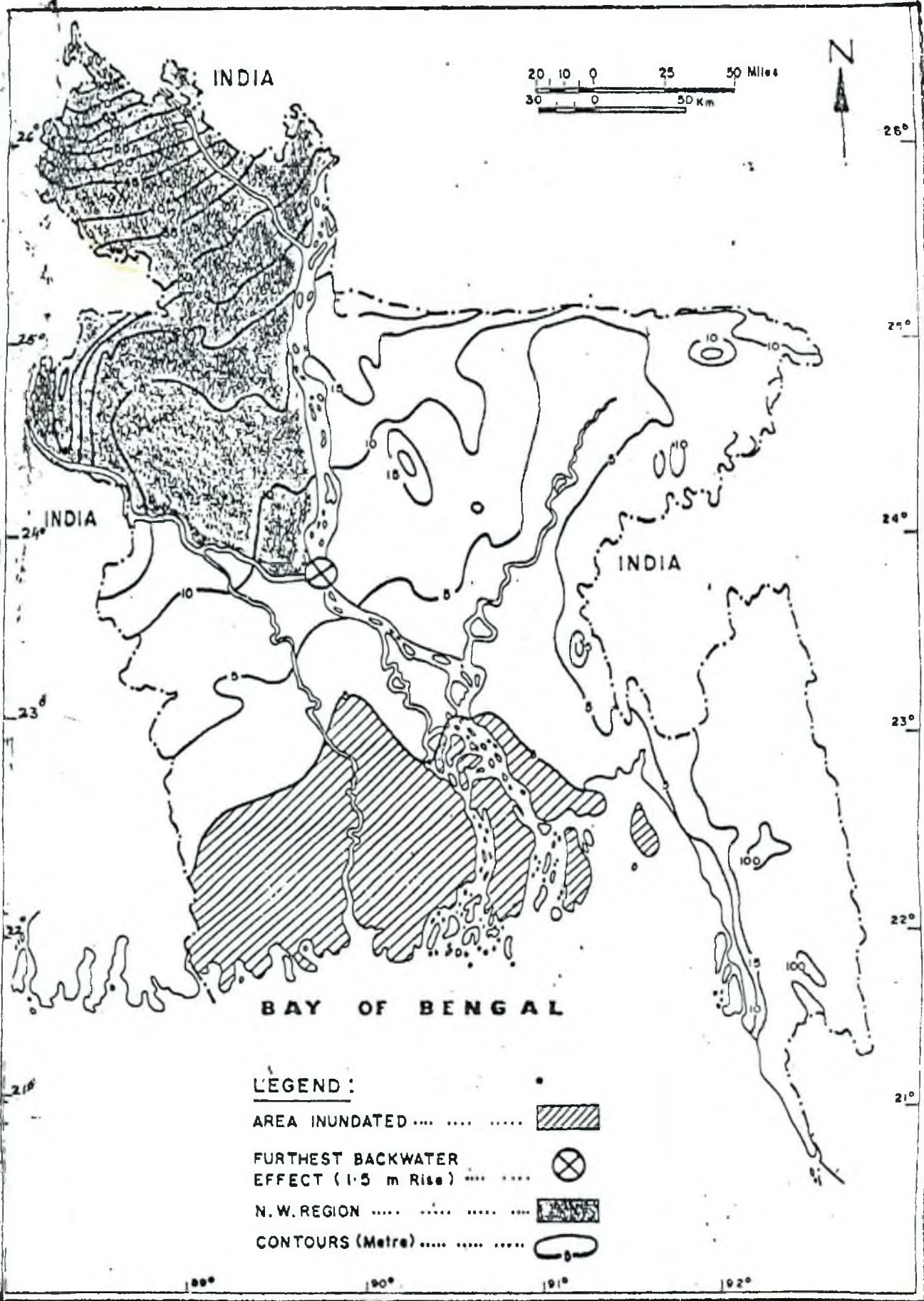
Although the greenhouse gases are mostly produced in the industrial countries, they are dispersed relatively quickly throughout the global atmosphere after release, thereby polluting the entire environment. Although Bangladesh contributes very little to the anthropogenic emissions of greenhouse gases in the atmosphere, but she has to suffer the consequences of the act of others. According to an estimate of World Research Institute (WRI) of 1987, the share of the developed countries to the total production of greenhouse gases was 87 per cent compared to 1.6 per cent contributed by the developing countries. Bangladesh is known to have produced only 0.4 per cent of greenhouse gases in the same year (Mirza, 1992: 4). The picture may have changed a little in the recent years. The consequences of greenhouse phenomena and climatic disruptions will be characterized with complete certainty only after significant damage has already occurred. The global circulation models (GCM) predicts a rise of global average temperature of 1.5 degree centigrade to 5.5 degree centigrade for an effective doubling of carbon dioxide over the pre-industrial era. The realized warming predicted by the IPCC scientist is about 10 centigrade above the present level by year 2023 and 30 centigrade by the end of the century.

Among the most probable effects is an unprecedented rise in sea level resulting from thermal expansion of the oceans and melting of glaciers and polar ice. A large of the West Antarctica ice sheet, containing an amount of ice equivalent to about 5 cm of global sea level is grounded far below sea level. A sudden flow of this ice may result from global warming and raise sea level quickly and substantially (Rahman, 1992: 8). It is apprehended that in the next 80 years due to the greenhouse effect, there will be 5 degree centigrade rise in global temperature and there is likely to be ecological imbalance. The end of the past ice age has been due to similar rise in temperature and this occurred in thousand of years. But due to the effect of greenhouse warming in the next 80 years, the flood prone areas could expand even five times faster than the present rate of expansion (Ahmed, 1992: 43).

Bangladesh as a developing country should be aware that any rise of sea level due to greenhouse effect would bring misery and disruption to more people in Bangladesh than anywhere in the world, as the country is mostly a very low lying river delta. A recent study by the Bangladesh Centre for Advanced Studies (BCAS) has been identified the following major impacts of a one metre sea level rise (SLR), some of which are corroborated by other studies as well. ( MAP - 1 ).

# MAP - I

## AREA AFFECTED BY A ONE METRE RISE IN SEALEVEL



#### 4.3.1.2.1 POPULATION DISPLACEMENT

Over 11 per cent of the population (more than 13 million) will be displaced by only the coastal effects of a one metre SLR and a new class of refugees — environmental refugees — will flee their homes, aggravating further social, economic, and political problem for the country. Migrating populations in search of more benevolent environmental and social conditions, beyond the territorial boundary of the country, may undermine regional peace and security.

#### 4.3.1.2.2 AREA INUNDATION

More than 17.5 per cent of the total land area (over 25,000 sq.km) will be totally inundated. There will also be reduction of an already minimal land person ratio and an increased pressure on the natural resources.

#### 4.3.1.2 EXISTING INFRASTRUCTURE AFFECTED

Some 85 cities and towns, one major port ( Mongla port) over 800 km of roads, 28 km of railways, 4,200 km of coastal embankment and over 7,500 km of poldered area will be affected.

#### 4.3.1.2.4 ECOSYSTEM DESTRUCTION

The Sundarbans, one of the world's largest of mangrove forest

(5,770 sq.km) will be threatened with extinction by sea level rise.

#### 4.3.1.2.5 COASTAL ISLANDS THREATENED

Many coastal islands covering an area of 3,500 sq.km will be inundated. These islands, already vulnerable to cyclones and tidal waves, will face extinction due to global warming.

#### 4.3.1.2.6 AGRICULTURE PRODUCTION LOSS

Over 3 million acres of bread basket land consisting of 21 per cent of the country's monsoon rice land, producing 16 per cent of the country's monsoon rice land, producing 16 per cent of the country's rice will be lost due to inundation. Less agricultural produce will adversely effect the GDP level by as much as 13 percent. This in turn would affect the per capita income level, already one of the lowest in the world.

#### 4.3.1.2.7 AFFECTS ON COASTAL SHRIMP PRODUCTION

Shrimp production in Bangladesh earns millions of dollars in exports. A one metre SLR will destroy this aquatic resource.

#### 4.3.1.2.8 ABATEMENT COST

The BCAS study undertook an assesment of the abatement costs to give the minimum protection against a one metre SLR. Bangladesh

will have to embark 715 km of coastal island perimetres 370 km of coast line and 7,600 km of river banks. New embankments would be required. This will cost Bangladesh over U.S. \$ 10 billion at current rates. Bangladesh being highly dependent on foreign aid is in no position to bear this monstrous cost. This will put further pressure on her heavily indebted economy.

Thus the increase in the elevation of oceans will threaten 8 percent of the annual gross national product (GNP) of Bangladesh. Natural disasters such as recurrent flood could become more common (Writh, 1989: 8-10). Saline intrusion into surface water and ground water could have disastrous effects. Loss of coastal ecosystem would threaten fishing resources. Much of Bangladesh beaches could be lost causing severe economic and social disruptions. Salt brackish and fresh marshes as well as mangrove and other swamps would be lost due to inundation and erosion (Rahman, 1992:4).

The BCAS study also reported that global temperature increase may cause greater melting of the Himalayan ice and thereby increasing the water flow. Increasing SLR will decrease the gradient of flow and thus will spread the excess water causing more flooding. In addition to predictions that forests, agriculture, infrastructure, coastal aquaculture, and fauna and flora changes, there will be rise in the frequency and intensity of tropical cyclones, increase in flooding severity and greater desertification in the northern Bangladesh (WMO, ED 1992: 11).



It is however believed that the catastrophe from global climatic change will be slow at first, but will then accelerate and in forty years time one-fourth of the country may be drowned by the rising oceans (DEP, GOB, 1990: 3). In addition, it is apprehended that the flow and movement of the various rivers may alter, salinity in the coastal regions are likely to increase and destruction of the mangrove forests is most likely to be imminent (Paribesh Barta GOB, 1991: 3).

Writh predicts that effects of environmental havocs will be that potentially fuelling turbulent regional conflicts could upset the existing global balance of power. Loss of low lying territory could create refugee problems of an unprecedented scale, requiring relocations of millions (Writh, 1989: 12 ). Competition over territory and natural resources launched by those displaced by sea level rise could heighten tensions. Famine created by greenhouse drawn crop failures could also generate regional clashes that might encourage the major powers to take sides. Such an acceleration in showdowns among the major powers would destabilize the global or regional political balance in highly unpredictable ways.

#### 4.3.1.3 WASTE DUMPING AND SEA POLLUTION

The Bay of Bengal, forming an 'elbow point' or 'underbelly' of Bangladesh, seems to have been turned into a dumping ground for harmful industrial wastes and other pollutants by the foreign ships. Industrial countries now a days face a deep crisis in

eliminating their refuse and there are only two possibilities given to deal with the aggravating situation. Either waste materials, domestic or industrial, are burnt or carefully deposited. But incineration or any other kind of waste processing requires a high degree of technology to avoid the disastrous consequences for the biosphere, which are too expensive and uneconomical, even for affluent nations. This is why wastes are rather being dumped on especially equipped sites. Such dumping sites are located at a secure distance from drinking water reservoirs, farmlands and residential areas and are constructed with an impermeable underground as well as with drainage systems, so that leakages in to the soil become most unlikely.

Due to critical shortages of dumping sites in all industrialised countries or zones in their periphery, the producers search for exporting the potentially most dangerous wastes into the countries which are, unaware of the severe consequences and financially exploitable.

The example of an American ship named 'Felishia' may be referred to illustrate the point. It entered into Bangladesh waters in 1989 with hazardous toxic waste, without permission of the Bangladesh Government, inevitably with the object of dumping these wastes into the Bay of Bengal (Courier, Sept 23, 1989). Bangladesh does not have enough means to monitor such illegal activities. The disposal of the wastes in the air may deplete the ozone layer and would expose the whole human race to cancer from the deadly ultra-violet rays. If these were disposed in the sea

under water food chain would be destroyed and the entire animal and mammal species would be destroyed or poisoned. If it is disposed underground there is likelihood that all plants might be radiated. That is why the big powers planned to ship such hazardous wastes to a third world country like Bangladesh, where the people appear nothing but as guinea pigs. Due to media awareness the said ship could not dump its wastes in the waters of Bangladesh, but it may have then dumped in the mid ocean, as proper monitoring system does not exist in Bangladesh.

It may be mentioned that there is an agreement reached at the U.N. system on toxic material shipment of hazardous materials could be made without the consent of the country of destination. (Karim, 1989:2). The UNEP conference on the Control of Border-Crossing of Hazardous Waste on March 21 1989 in Basel, Switzerland declares:

— waste-export must not become a long term solution,

— principally, the problem of waste must be solved in the country producing (Franke, M.K., 1989: 5).

Another such incident involved the 40 mile oil slick caused by spill from a crude oil tanker in February 1992. Reports have it that about 100 tons of waste matters were jettisoned from foreign ships at Mongla port sometime between November 1991 to January 1992. The oil slick over a wide area advanced inexorably towards the Sundarbans forests with the dangerous prospects of wrecking

havoc with the flora fauna of the Sundarbans (The Daily Star, February 18, 1992). As for the oil slick, Bangladesh's indigenous technology is inadequate to cope with the problem. In that case Bangladesh surely has to look for international help. Sea pollution, after all, is not a localised issue; it is global in nature and therefore effort should be taken to deal with it through international cooperation. If the country continues to face such environmental threats, it would lose export markets of frozen fish. Any loss of this export market would be fatal to the economy, as it will take a long time to regain the confidence of the health-conscious buyers of the developed countries. The shrimp culture in the coastal belt, now a major source of the country's foreign exchange earning, will also be hit hard hard due to such oils pollution in the sea.

There was another alarming news of toxic dust mixed with genuine fertiliser and despatched to Bangladesh from U.S.A. under its guise and reached the country in January 1, 1992. The U.S. enterprise, Stroller Chemical Co. (SCC), had 1,000 tons of waste that is classified as 'hazardous' under U.S. law, due to high levels of lead and cadmium. SCC illegally mixed the hazardous waste with fertilizer and, without notifying the GOB, illegally exported it to Bangladesh. The toxic substance with lead and cadmium are said to cause brain damage and affecting growth among children. Once in the food chain, however these substances will be less discriminating and will affect everything and everybody. Run offs from this dubious 'fertilizer' will affect fish and pollute water, if it gets into the rivers and underground

aquifers (Bangladesh Observer, July 7, 1992). The U.S. government indicted SCC and other companies involved for illegal treatment and export of hazardous waste (Dhaka Courier, Jan. 8, 1993). There are reports that toxic wastes are being dumped in Bangladesh territories secretly by foreigners (Majumder, 1989: 14-15). UBNIG, a local NGO warned that Bangladesh is in a vulnerable position of becoming a secret ground of toxic wastes. Between January and August 1993 at least five shipments of plastic waste of 148,537 pounds and two shipments of metal waste of 79,798 pounds were shipped to Bangladesh from the United States. After 103 less-industrialized countries banned waste imports, South Asia has become the new target of the waste traders, called as the 'toxic colonizers' or 'toxic terrorists' (The Daily Star, Dec. 23, 1993).

Needless to say that foreign ships have been polluting the sea in contravention of national and international laws. Vandana Shiva, an environmentalist writing about new dangers for the Third World mentions that 'with the end of tensions between the East and the West, Third World will become the dump for the hazardous wastes of the North' (Shiva, 1990: 5).

Not surprisingly, reaction to the dumping issue had been sharp and vociferous from the conscious quarters in Bangladesh. Both immediate and long-term impacts of this illegal practice are going to prove devastating for the environment of this country, in particular, and that of the region in general. However, the sea pollution is global as far as its deleterious impacts are

concerned. In this respect, the damage being wrought to the unique sundarbans due to sea pollution is already heavy. Fishes are said to be endangered due to this.

The international movement of the hazardous bi-products of industrialisation is dictated by economic forces which drive wastes from the richer nations of the world toward those people who are less equipped to reject the short-term economic savings of other promised benefits of importing waste or waste-contaminated products. The wastes tend to be shipped to countries where disposal or processing costs are lower largely due to weaker public health and environmental protection laws. This was certainly the case with the contaminated fertilizer secretly shipped from one of the world's richest, most technologically developed countries to one of the world's poorest, least technologically developed countries. This is crime of serious nature. Since the treaty regulating across border trade in toxic chemicals came into effect in 1990, individuals and countries attempting to send toxic wastes to other countries are in theory at least, subject to stricter terms and conditions governing its despatch and control. However, like most international treaties and agreements, this is more dependent on an individual nations good intent than through effective international policing and strict application of the law. And such incidents often get unnoticed and untraced. The UNEP responsible for the care and protection of the environment, which initiated the treaty, is however, fully aware that most Third World countries, like Bangladesh, are likely to fall victim of

such consignments either through fraud or ignorance ( Dhaka Courier, Dec.18, 1992).

Stern action should be taken by the GOB to keep the sea environment free from pollution in order to maintain the proper safe catches. Drastic measures have to be taken to plug the source of pollution. The ships and tankers that have proved to be villain, by profusely contributing to the oil spill in Bangladesh territorial waters should be banned once for all from entering the Bangladesh ports or water area. Also strict regulations should be enforced to control the dumping of harmful matters in the water. For activities like oil slick and waste dumping, offending party should be made to pay for the damage; Bangladesh cannot afford to be an international dustbin. She will have to import or develop expertise and equipment from abroad to deal with the problem. International help and cooperation should be welcomed in this matter. As they constitute serious hazards to country's environment and consequently pose a threat to health of the people, hampering security, import of hazardous wastes or their dumping must be prohibited by law. There is lack of legislation against the entry of toxic wastes, and there are inadequate environmental laws in Bangladesh. The country's conventional security forces such as Bangladesh Navy and Air Force may be strengthened and made more vigilant; the GOB and the people should be more cautious against such activities, hampering safe and secure environment.

#### 4.3.2 REGIONAL ENVIRONMENTAL THREATS AND INDO-BANGLADESH CONFLICT

Regional level environmental security threats emanate from the South Asian region itself. At the regional level Bangladesh is exposed to insecurity because of its geographical location which is very much vulnerable to any imbalance in the nature, which may come about as deliberate policy decisions. In the regional context Bangladesh is vulnerable to annual floods, droughts because of the various development and socio-economic activities undertaken by other countries of the region. There is an alarming scene prospect due to deforestation, erection of dams and barrages, and unilateral control of water of the international rivers by the upstream countries. When environmental matters become a cross-border issue, they affect the domestic politics as well as embitter the bilateral relations, giving rise to new contentious issues of strategic nature.

The South Asian sub-continent is one of the poorest regions of the world. In an area of 144, 000 sq. km of Bangladesh live over 110 million people; of 141, 000 sq.km of Nepal live about 15 million people; and of 3288,000 sq.km of India live about 700 million. The region is densely populated. The population growth rate of each of these countries is quite high, with low per capita income. Food crisis, illiteracy, unemployment etc. are some common features of these countries and all these determine the behaviour of the apolitical and political men of the region. There can be no denying the fact that man now interferes with the normal processes of nature in their choice for survival,



though quite often such interferences prove to be undue and may be suicidal in the long run.

A serious affliction which confronts South Asia refers to problems of degradation of physical environment which transcend national borders. Situated in close proximity to each other the countries of the South Asian region share the same ecology governed by the mighty Himalayas. There is danger of deterioration of this Himalayan ecosystem to which Bangladesh belongs. Apart from natural cycle of events man is held responsible for the environmental changes and degradation. An analysis on this issue indicates that floods, droughts and other natural calamities of the recent times, which are thought of as the vagaries of nature are in fact the effects of certain other causes. The human activities disturbs the balance of nature; the socio-economic condition and political decisions at national level in each country are responsible for the environmental havocs.

Deforestation in the South Asian region is a major issue that needs to be controlled. Deforestation in the Himalayan and hill areas of India and Nepal have their impact on Bangladesh with severe security implications.

#### 4.3.2.1 DEFORESTATION IN SOUTH ASIA AND ITS EFFECT IN BANGLADESH

Forest are indispensable for ecological, social and economic

reasons. Trees are indispensable for maintaining the biodiversity. Vast numbers of people in the region depend on the trees for fruit, fibre, medicine, firewood, timber, housing etc. Trees are said to conserve the soil, maintain its fertility, store water. Also trees purify the atmospheric air by absorbing carbon dioxide and releasing life saving oxygen and plays a vital role in regulating the climate.

The term 'deforestation' is defined as devastating of forest or trees (New Websters Dictionary, 1975). Deforestation includes such activities as cutting down of trees for fuel, commercial logging, shifting cultivation, forest clearing, for cropping or grazing. However the beneficial effect of live trees in the forest is now clear to most people. Therefore there is a widespread concern at the rate in which forest are presently being destroyed in the South Asian region. In South Asia mainly the less affluent people thrive on the forests either to find out for themselves more land for cultivation to meet the challenge of food crisis, or for expanding the adjacent village areas for accommodating the ever increasing number of their progeny or for some additional means for livelihood. In vast areas of South Asia, 90 per cent of the fuel come from forest wood and cow-dung (Hassan, 1991: 5) To feed their livestock, forest areas are used extensively for grazing throughout the year. As a result the grass or other sorts of vegetative cover of the field and the growth prospects of the young plants of the forests get damaged. In the absence of alternative source of energy people depend entirely on the forests for firewood.

In a study in 1974 (Begum, 1990: 5) it was found that over 90 percent of wood extraction for the forest in the Kalinshawk area of Nepal was for fuel purposes. In the central Himalayas (eastern Nepal) about 70 cubic metres of valuable wood was logged per house, although less than 20 cubic metres would suffice if properly and efficiently utilized. The increasing pressure of the population growth in the hills made the situation more and more critical. The people began to migrate to the "TERAI" region at the foot of the Himalayas which bore its pressure on the good farmlands. In Nepal actual tree cover is estimated to be over 34 per cent of the country's land. The lowland region of the Terai appears to be most depleted, approximately one hectare of forest land is lost for every two persons migrating south (Hassan, 1991: 13). The annual rate of deforestation in Nepal is 4.3 per cent, caused mainly by human activity. Also the tectonic movements in the Himalayas sometimes bring mass destruction when parts or entire mountain range collapse and slide down hill, affecting the forests, rivers etc.

In India the National Forest Policy (passed in 1952) stipulated that 60 per cent of the hill and mountain regions and 33 per cent of the rest of the country should be under forest cover. According to a 1980 Food and Agriculture Organization (FAO) report incessant lopping of graziers has reduced vast forested areas to an unstable low scrub in the Himalayan zone. (Hassan, 1991: 16). India's natural environmentalists blame the India's

Forest Department for its increasing commercial outlook, which considers the forest only as a revenue earning resource.

Owing to deforestation, infiltration of water into the soil has also reduced the ground water level. It is believed that the normal rate of precipitation which with forest coverage in the catchment areas will not cause any flood in Bangladesh, but may create an abnormal flood stage due to deforestation and other changes of environment in the upper reaches of the region.

FAO report of Forest Resources of Tropical Asia 1981 warned that the region is faced with a serious depletion in its forest stock. The report says 'the rate of depletion of forests in the Himalayan ranges is so great that this mighty mountain could become barren by first half of the next century'. A 1988 survey of the Bangkok based Economic Commission for Asia and Pacific (ESCAP) wrote 'floods, mudslides, even earthquakes and the droughts can be directly related to deforestation' (Begum, 1990a: 5). It is also reported that Himalayan deforestation is to a great extent responsible for soil erosion and siltation in Bangladesh area. Naturally all these would appear as environmental security concerns of Bangladesh. What is more, direct manipulation of resources or environmental services can be used as political threats.

#### 4.3.2.2 DISPUTE WITH INDIA OVER DAMS AND BARRAGES, AND UNILATERAL CONTROL OF INTERNATIONAL RIVERS

The prevailing perception in Bangladesh is that water of international rivers has been used by India for political purpose. While fresh water resources are renewable, in practice they are finite, unevenly distributed, and often subject to national or regional control. In future it is conceivable that a country could go to war over access to water (Gleick, 1991: 19).

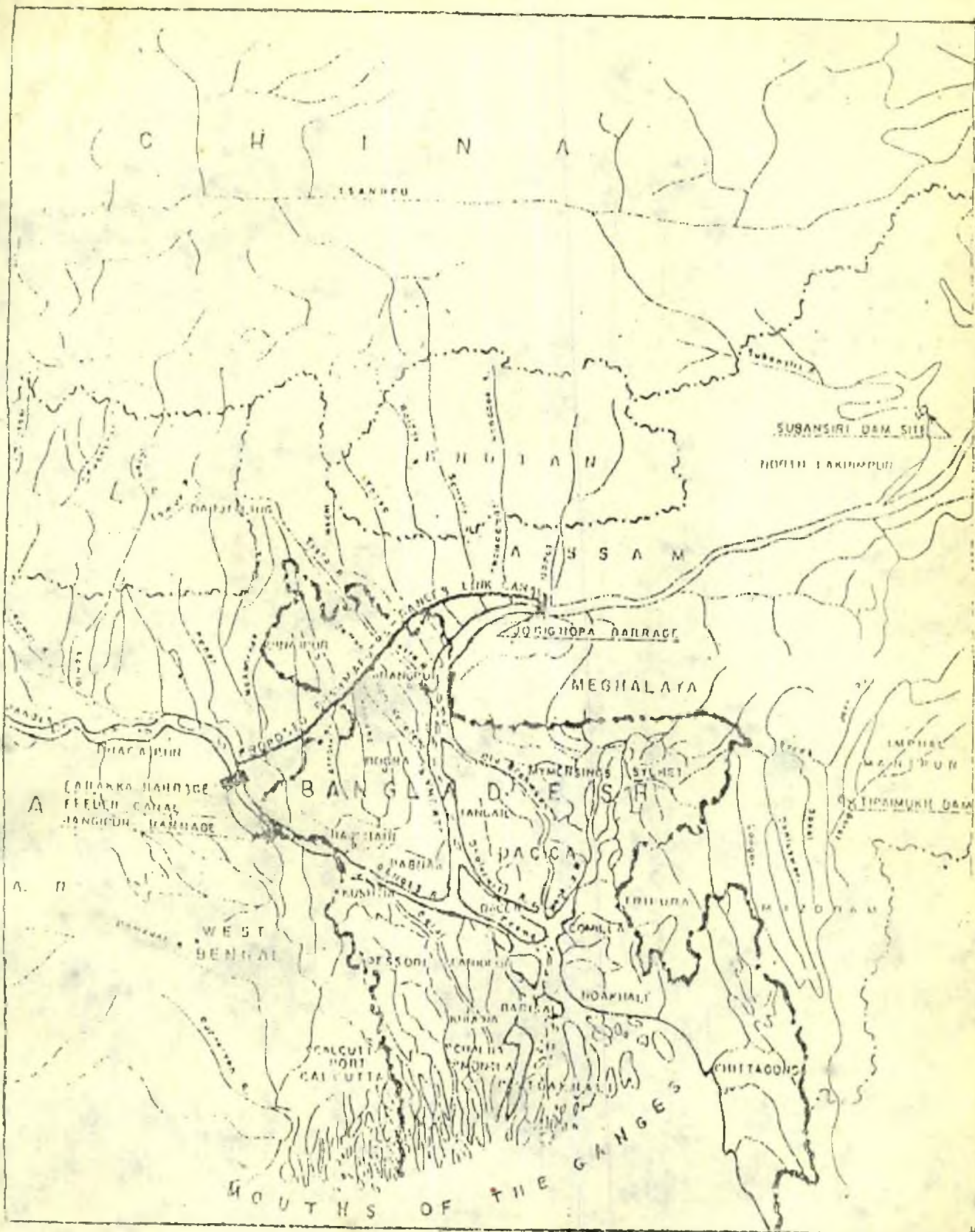
Water is absolutely necessary for Bangladesh to maintain the level of its ground water (which is lowered during season), for agricultural usage, for fish cultivation, for navigation, for domestic use etc. There is decline in fish catches (which is 9 percent of the GDP earning). It also reduced the crop intensity by 50 percent in the effected areas (Daily Star, Sept. 9, 1992). Decline in inland river commerce leads to unemployment of millions. Reduction in fish supply affects protein intake, fish alone meets 70 percent to 80 percent of the protein need of the people in Bangladesh. The inland fisheries sector provides regular employment to 0.8 million families and secondary employment to millions more (Holiday, Aug.2, 1991).

Bangladesh is the lower riparian of the common rivers shared by

the upper riparian states, India and Nepal. Development activities in the upper reaches have their consequences on the downstream countries. Bangladesh is situated in the belt of the Himalayan ecosystem; the countries of the sub-continent share more or less the same river system originating mostly from the Himalayas. Bangladesh shares 54 rivers with India. India and Bangladesh, though are allies since the signing of the bilateral accord of 1972, have been in feud over the Farakka Barrage and sharing of river waters. This situation of conflict has been made worse by other contentious issues such as traditional and historical mistrust between big power and small country neighbour, endemic tensions and occasional hostilities that characterizes bilateral relations in the South Asian region.

In 1970 India built the Farakka barrage to divert the Ganges water, from the main flow into Bangladesh ( MAP -2). The increasing withdrawal of the water of the Ganges to meet the expanding industrial and agricultural needs of the upper riparian country (India) reduced the ability of the river to flush down silt in the Hoogly river on which the port city of Calcutta is situated. The dam was constructed to compensate for West Bengal,s loss. In the 1970s only the Farakka barrage existed. Today there are barrages on the Teesta and the Gumti; and construction and planning is underway on most other common rivers between Bangladesh and India (Bangladesh Times, Nov. 10, 1993).

# MAP-2



LOCATION OF FARAKKA BARRAGE

India started constructing barrages and other works on the major rivers to divert or impede their natural flow, though both the governments are committed, at the the highest level since 1972, to agree to an equitable allocation of the Ganges water before commissioning of the Farakka Barrage, that would divert a part of the Ganges water to the feeder canal. In 1974 there was meeting about the flow of the Ganges during the dry season. Bangladesh and India, however, made two different proposals which are still now unacceptable to either side.

a) Bangladesh proposed for the construction of a storage reservoir in Nepal and India. Bangladesh's insistence to include Nepal in the water discussion is completely rejected by India.

b) India, on the other hand, proposed construction of a link canal, connecting Bhramaputra with the Ganges, and continues to insist on this. Bangladesh rejects this, as this would involve huge financial costs and socio-economic disruptions (Abbas, 1990: 6).

Also Bangladesh rejected Indian proposal on the ground that the link canal would divide Bangladesh, it would take away much of her precious land and would also cause a damage to the ecological balance of the country, especially dislocating population of the densely inhabited area along the proposed canal. A huge chunk of land will be isolated from the main land since both the ends of the link canal will be within the Indian territory, thereby



giving India an added politico-military advantages over Bangladesh in case of such an exigency. It would also push the line of defense of Bangladesh more inside her territory. On the other, India rejected Bangladesh proposal, as she declared, that as a matter of policy she would not accept the inclusion of third party, Nepal. 1. Moreover, India thinks it would open the door for third party involvement, like the IMF (Islam, 1991: 11).

In April 1975 the two countries agreed to the test run of the feeder canal from April 21 to May 31, 1975 with discharges into the canal varying from 11,000 cusecs to 16,000 cusecs in 10 day periods and ensuring the remaining flow into Bangladesh. The following year, however, without renewing or entering into a fresh agreement, India unilaterally continues to divert the Ganges water at Farakka to the full capacity of the canal i.e. 40,000 cusecs. Dr. Ainun Nishat, a water-expert engineer is of the opinion that Bangladesh seems to have made a mistake by allowing to agree for the test run in 1975, without first agreeing on a permanent solution to the sharing of the flow. Bangladesh had agreed on good faith, but India seemed to have failed to reciprocate the good neighbourly gesture of the then government of Bangladesh and continues to ignore all norms of international law. 2.

Following Bangladesh's attempt to internationalize the issue and protracted negotiations which followed thereafter between the two countries, a five-year agreement was signed on November 5, 1977. The agreement stipulated sharing of the Ganges water

between the two countries for the lean season from January to May on a roughly 60:40 basis between Bangladesh and India. The agreement also called upon the two sides to make appropriate recommendations for augmenting the flow of Ganges at Farakka in order to meet the needs of Calcutta port and the full requirements of Bangladesh (EPB GOB, 1990: 1).

With the expiry of the 1977 agreement a Memorandum of Understanding (MOU) was signed between the two countries for sharing the dry season flows of the Ganges for 1983 and 1984. There was no sharing agreement during the 1985 dry season when India unilaterally made substantial withdrawals at Farakka. Another MOU was signed in November 1985 which stipulated sharing of the Ganges flows for 3 dry seasons, 1986 to 1988. A MOU for 18 months was signed in 1988, but the exclusion of the important 1977 guarantee clause providing for 80 per cent of the flow to Bangladesh, meant India could withdraw water according to its own desire, which was detrimental to Bangladesh's interest (Abbas, 1990: 6). During the visit of the Indian External Affairs Minister to Dhaka, February 16-18, 1990, it was decided to revive the Joint River Commission (JRC) and also to renew the tenure of the Task Force of Flood Management and Water flows set up in 1988 to finalise its report by June 1990 (EPB GOB, 1990: 2).

The unilateral withdrawal of the Ganges flow during the dry season is fast transforming one fourth of the fertile agricultural land of Bangladesh into waste land and affecting three million lives due to environmental and economic ruin. As a

result of this, Bangladesh is suffering annual loss of over half a billion dollars in agriculture, fisheries, navigation and industries. Besides Bangladesh is threatened with frequent flooding during the monsoon due to environmental imbalance and changes in the natural flow of the rivers by the upper riparian country (Haider, 1993: 18).

The water issue emerges as the most disturbing element in Indo-Bangladesh relations. Water is critical to Bangladesh's national environmental security. Due to the effects of Farakka water management, the key to agricultural development, became more acute in recent years. The water issue has brought miseries to the people of Bangladesh by keeping half of the country under water round the year due to water-logging, and rendering the remaining half to suffer from scarcity of water and drought (The Daily Star, Sept.9, 1992).

Millions of Bangladeshi farmer and fishermen now face occupational displacement. Decline in water supply in the dry season damages mangrove forests of Bangladesh. The adverse impact of water on agriculture is significant, as agriculture accounts for 41 per cent of the labour force (Hassan, 1990: 35).

Because of Bangladesh's heavy dependence on water, its decline has a severe socio-economic effect with a serious policy implications for the country. The frustration arising from the inability to control the flow and the difficulties in the water management strategies have thus reinforced the feeling among most

Bangladeshi's that India is attempting to cripple Bangladesh economically. For the last 20 years scores of meetings at various levels between New Delhi and Dhaka had been held without much success. The acrimonious debate characterising these negotiating sessions further hardened each other's stand.

The adverse impact of this withdrawal of water has led to intrusion of salinity, siltation, soil erosion, floods, and droughts and desertification in Bangladesh. All these points need a little more elucidation.

#### 4.3.2.2.1 SALINITY

In the dry season toward the end of March 1992 the river Ganges had registered a sharp drop. Water level at Hardinge Bridge near Ishurdi was 14812 cusecs, which was much lower than the figures recorded in March 1979, when it was put at at 15470 cusecs. (The Bangladesh Observer, April 2, 1992). With the recession of flow of the Ganges river following the construction of the Farakka barrage, Khulna and other neighbouring districts such as Kushtia, Jessore, Faridpur and Barisal have been hit hard particularly during the dry season. During these times the content of salinity creeps into the rivers and streams at alarming rate bringing the agricultural and industrial activities almost at naught (Shahjahan, 1993: 4).

Most of the industrial units consuming water face a severe

difficulty to put their units running. The Khulna Newsprint Mill (KNM) which requires about 400 tons sweet water every day to run its boiler has to spend extra amount of five hundred to ten hundred thousand taka every year to carry sweet water on barges from a river on the upstream about thirty miles off Khulna (The Bangladesh Observer, April 2, 1992).

A senior official of the KNM maintains that salinity in the river Bhairab, on whose bank the Mill is situated, steadily increased as the dry season launches. The content of salinity in the river water recorded by the mill in March 1991 was 2100 ppm (parts per million) which reached 7600 ppm at maximum during 1992 dry season. During the five-year period 1985-90 maximum salinity was recorded at 8200 ppm. The Bangladesh Water Development Board (BWDB) which monitors content of salinity in the river waters in Khulna in micromose put it between 8000 and 25000 micromose (The Bangladesh Observer, April 2, 1992).

Meanwhile, increasing salinity has adversely affected flora and fauna at the Sundarbans forest where certain types of trees, particularly Sundari trees are dying prematurely due to a disease known as 'top dying'. Experts apprehend that salinity was behind the dreaded disease as its outbreak concentrated in saline prone eastern part of the forest. The disease spreads fast as the saline area expands. As a result concerned authorities are forced to extract the disease infected trees much before their prime, despite a total ban on felling the trees until the year 2000. (EN IEDS, Jan.-Feb.: 6). Forest experts did not rule out eventual

extinction of the Sundari species unless salinity is checked. Cultivable lands in coastal areas in Khulna, Sathkhira and Bagerhat have also been hit by the salinity. It has affected the cultivation of shrimps.

Experts believe that soil character of a vast area of the 2,300 sq.mile of forest in Bangladesh is undergoing changes because of siltation and salinity, making many of its precious mangrove species vulnerable (EN IEDS, Jan.-Feb.1992: 6). Saline zone is expanding fast in many of the rivers and rivulets criss-crossing the Sundari, particularly on the Eastern part of the forest.

Thus water-logging inside the forest area is becoming a regular phenomena now in the Sundarbans. Experts said stagnated waters submerge the respiratory roots of the mangrove trees, seriously disrupting their respirational activity. Seed germination is also being seriously hampered because of water stagnation and thus natural regeneration of trees has come to a standstill in these areas. To check the salinity the forest department is digging canals with the assistance from the World Bank, an extra pressure on the hard earned foreign assistance to drain out stagnated waters from the inside of the forest areas.

#### 4.3.2.2.2 SILTATION

Each river has its own capacity to carry silt and when the rivers have to carry additional loads of silt or water in monsoon, they start erosion of banks. Erection of barrages and sluice gates in

India on the upstream of the rivers have intensified the problem (The Bangladesh Observer, Aug.4, 1992). Heavy siltation caused by dwindling upstream flow along side the rivers and streams and the resulting water-logging inside the forest is another threat to the mangrove species. (Bangladesh Observer; Feb.29,1992). Siltation leads to the raising of the river banks and as a result water, which is used to burst the banks and flush the forest during high tide, cannot come out of it during low tide.

Due to the tectonic activities of the Himalayas about two billion tons of silt are transported to the sea each year by the Ganges, Brahmaputra and the Meghna -- the rivers that merge at the centre of Bangladesh and flowing south to the Bay of Bengal. Each river has its own capacity to carry silt. Rivers in Bangladesh carry high silt loads. Environmental degradation and soil conditions upstream have aggravated the siltation problem in most rivers flowing into the country. The morphological characteristics of Bangladesh add further complications. A study on river characteristics, including determination of silt load has been incorporated in large-scale flood control measures which was undertaken in the River Survey Programme of the Flood Plan Coordination (FPCO).

Silt brought in from the flow of water usually raises the river beds and causes floods by overflow of water (WMO Climate Change, 1992: 16). The flat topography (sea level ranges between 3m to 60m) small gradients, of rivers and siltation also make the Brahmaputra, Meghna and the Ganges basins vulnerable to floods

(Bangladesh Times, Nov.11, 1991). This southward flow of silt is washed down, causing flash floods in Bangladesh. The bed of the Ganges has risen by 0.5 metre in the past few years, while those of the rivers in the TERRAI region are rising at the rate of 15-30 cm per year.

The downstream consequences of siltation include choking of estuaries and harbours, land formations in the Bay of Bengal -- dislocating normal socio-economic activity such as navigation, business and commerce in riverine Bangladesh. The political impact of this land formations in the Bay of Bengal creates conflict between Bangladesh and India. Also, contrary to the general belief, silt deposited by receding flood waters does not necessarily enrich the lower plains where it is deposited and pre-flood soil fertility cannot be restored until the deposited silt is scooped away. This has been a serious problem, as experience after the 1987 and 1988 floods in eastern Bangladesh has shown.

#### 4.3.2.2.3 SOIL EROSION

Soil erosion in the great plains of the sub-continent is largely the result of man's activity, whereas the primary cause of soil erosion in the northern highland is the tectonic movements in the Himalayas, the youngest mountain range in the world (Hassan, 1991: 16).



#### 4.3.2.2.4 FLOODS

The water dispute between India and Bangladesh concerns not only sharing of the rivers, it is also linked to the issue of flood and drought in Bangladesh. There is sufficient evidence that the recurrent flood in Bangladesh are no longer a domestic but a regional problem. While the topography of Bangladesh make the country prone to floods it is now evident that partial blame for increased flooding is related to deforestation in the lower Himalayas (Rahman, 1989: 112). The increase in frequency and severity of floods in Bangladesh is caused due to man's considerable interference with the river systems of the sub-continent. Each year about 26,000 sq. km or 18 percent of the total land area of Bangladesh is flooded and during severe floods the effected area can be twice as much and nearly 60 percent the net cultivable area (Hassan, 1991: 19).

The country faced devastating floods as many as 14 times over the last ~~last~~ 40 years (Bangladesh Times, Nov.11 1991). Every year the floods cause damage to crops, homesteads, roads and highways, culverts, railways and embankments. Losses to human life, livestock and poultry are also recurrent. Damages to roads seriously affect transport of various commodities and destabilize marketing systems and commodity prices. Quick recovery after recession of flood water is not possible due to lack of fund and credit facilities. As a result flood has cumulative effect on the

economic conditions of the rural people.

It seems that by constructing flood control embankment in the upper reaches of the rivers Ganges, Brahmaputra and Meghna -- which are the major problems of flood -- can the flood prone agricultural land in Bangladesh be protected (Abbas, 1991: 5). Obviously Bangladesh has to find a solution to the problem of recurrent flooding, but collaboration with India, which is essential, is major obstacle. The two countries have not been able to reach a satisfactory agreement on the issue of regulating Ganges water in the monsoon, nor on the issue of sharing in the lean season when droughts appear.

India is totally opposed to multilateral problem-solving in the region and is deeply suspicious of Dhaka's internationalisation of the issue.

#### 4.3.2.2.5 DROUGHTS AND DESERTIFICATION

In Bangladesh there is a serious water shortage in the north western and lower delta areas during the dry season and conditions are exacerbated when there is water withdrawal upstream. The distressing drought of 1989 added a new dimension to the situation, after the two successive floods of 1987 and 1988 which caused terrible havoc in Bangladesh. The areas hit by drought were the south-western region as well as 16 other northern districts of the country. The situation deteriorated in the wake of the lowest stream flows in the Ganges and its

tributaries and the resultant impact on the ground water level of the adjoining areas. It was accompanied by the fast depletion of the ground water level in the south-west and the northern regions of the country.

The entire south western parts of the country covering greater Kushtia, Jessore, Faridpur, Barisal and Khulna districts have been hit by drought, following the withdrawal of the Ganges water by India at Farakka. It has adverse impact on drinking water supply in the region. The drought of 1989 in the country is considered as the longest one in the last 40 years. Since the middle of February 1989 Bangladesh had received no rainfall, and the drought went on from mid-April and the spell continued unabated till May. Even there were reports of deaths of about 80 people (Shailo, 1992: 5). The normal flow of life came to a standstill. Farmers stopped working in the field, school and college-goers abstained from classes. Schools and madrasahs were closed down by the government order. Less availability of food supplies led to astronomical rise in prices of essentials. The worst hit was Pirganj (upazila) thana, where a group of people reduced to destitution led to stage a demonstration and gheraoed of the office of the upazila nirbahi officer (UNO), demanding food and emergency relief (Shailo, 1992: 5). The navigability of domestic waterways in the rivers of Choto Jamuna river at Naogaon, Mahananda river at Chapai Nawabganj, Atrai river at Rajshahi and other small beels and haors were literally lost.

The drought caused farm crops in the affected areas to wither and

die. Irrigation was far from possible, and caused damage and loss to agricultural production. According to Government estimate, the loss of agriculture due to 1989 drought amounted to 2.5 million tons. Food grains production declined to 13.15 million tons in 1989 from 16.15 million tons in 1988 (Shailo, 1992: 5). Following the droughts the prices of food grains shot up throughout the country. The post-flood agricultural recovery programme received a severe jolt due to protracted drought covering a large part of the country.

The mid-term evaluation of the Third Five Year Plan (TFYP) revealed that the growth on agricultural sector was only 1.5 per cent annually as against the revised target of 4.5 per cent. The persistent drought especially affected the jute and aus variety of rice cultivation in the country. Further, the drought had extensively damaged the subsistence crops, including the summer vegetables and fruits.

According to the Department of Public Health Engineering (DPHE), the ground water level in 80 per cent of the country went down in the wake of the drought of 1992, rendering shallow tube-wells ineffective. Experts consider the following reason for the fall of the of the ground water level: siltation of rivers, over-use of ground water for irrigation purposes, drought, deforestation and drop in rainfall. Harvesting of tea was affected due to the decrease in water level and young trees planted since 1985 were almost dried up. The drought had destroyed IRRI rice crops in vast areas of land. Summer vegetables and mango production had

been affected in 1992 (Shailo, 1992: 5).

The pattern of agriculture in Bangladesh depends mainly on rainfall. Rainfall in this country is generated due to oceanic currents in the south and south-east part of the Bay of Bengal, water content in the existing rivers and bodies of water, and to some extent, on the trees and forests. Due to warming of the atmosphere and withdrawal of water upstream, the seasonal pattern in the northern part of Bangladesh has been severely affected. The region has to depend mainly on the intensity of rainfall and large-scale draw-down of aquifers in the lean period. This causes primary signs of desertification in this region (WMO E & D, 1992: 15).

The water issue has serious politico-security implication for Bangladesh. The GOB's failure to resolve the problem with India is always a matter of public resentment and has led to 'competitive extremism' vis-a-vis India. The politicians of Bangladesh knowing very well the prevalence of this feeling among the general masses, tried to capitalize on this. 'Solution of Farakka Barrage problem' is one of the common issues in the political sloganisings in Bangladesh. But the irony is that for the government in power, effort to solve the problem is constrained by Indian 'principled' position of bilateralism rather than regional and comprehensive approach. As a result anti-Indianism continues to grow among the people, which instead of solving the problem further complicates it (Islam, 1991: 17).

Tension particularly grew in Bangladesh due to India's disagreement to work towards a multilateral solution after the severe floods of 1988 in Bangladesh. As already mentioned, Bangladesh wanted the inclusion of Nepal in a trilateral dialogue for augmentation of water flow in Ganges, but India continues to refuse (EPB, GOB). The Indian policy of bilateralism on the water issue ( where Nepal is also involved as a co-riparian nation) created a great deal of ill feeling among most Bangladeshis' towards Indian activities.

In this context one sees the reasoning why did Bangladesh feel constrained to internationalise the issue. It appears that India would not easily acquiesce to demand of a smaller less powerful neighbour. Considering India's own socio-economic pressures and demand on the environmental resources, it will not be easy to stop such pressures, comments an anonymous political analyst. Actually, India needs more emphasis on alternative ways and means of sustainable development policy to prevent/check environmental havocs in the South Asian region. Bangladesh in the recent past has suffered millions of takas due to the adverse impact of Farakka and India's unilateral control water of the international river system.

From the Bangladesh's point of view there is clearly defined international code of conduct that is supposed to regulate the behaviour of government with respect to common river-sharing. It is felt that interventions on common river by upper riparian countries should not be at the expense of lower riparians. Over

the last two decades, however, India had shown scant regard for fairness and justice when withdrawing the waters of the Ganges via Farakka during the dry season and releasing the excess during the floods. 4

One of the achievements of the World Conference at Rio de Janeiro in June 1992 (the Earth Summit) was the Agenda 21 of the conference, where it was suggested that the interests of the lower riparian countries should be preserved from the environmental point of view. Till this agenda, the issue of common rivers concerned only sharing of waters for agriculture and it was for the first time that the concern for environment had been established (Bangladesh Observer, July 8, 1992). Thus the environmental concern for management of common rivers may bring a basic change in the attitudes of the concerned countries. Bangladesh now tends to perceive a greater scope to raise the issue of sharing and management of common rivers at the international forums.

On the question of transit facilities or any concession, which India might expect in exchange for water sharing, Dr. Ainun Nishat believes, perhaps quite rightly, that water issue should not be linked to any thing else. He makes no secret of the fact that India has been demanding navigation, railway and gas (which Dr. Nishat coins as NRG) facilities from Bangladesh. He contends that water issue is creating severe environmental and ecological problem in Bangladesh, which cannot be compensated or exchanged for any thing else by Bangladesh, and India should appreciate the

environmental impact of the Farakka issue. He is of the opinion that India has never been keen to handle the issue at the technical level, but was bent on using it for political ends, which was unacceptable for Bangladesh.

It is no longer secret that the Farakka issue has heightened tensions between India and Bangladesh and created a lot of mutual distrust and suspicion. New Delhi has reacted sharply when the Bangladesh Prime Minister, Khaleda Zia in the course of her address to the UN General Assembly on October 1, 1993 suggested it as a 'life and death' question; her speech reportedly has infuriated the Indians. The Indians stressing on bilateralism tend to feel that the issue has thus been internationalized. 5

But it seems that if Bangladesh seeks solution of this outstanding problem, she has to pursue a careful diplomacy and patiently negotiate with the Indians for the solution of this long-standing festering problem. Efforts towards internationalisation of the issue appears as a merely a diplomatic manoeuvre to put friendly pressure on New Delhi to start a meaningful negotiation with Dhaka for sharing the dry month's flow of the Ganges.

New Delhi's share of the Ganges flow with Bangladesh will have to be viewed in the backdrop of overall Indo-Bangladesh relationship. The relationship of the two neighbours becomes strong and stable when it is founded on the sound basis of give-



and-take policy to the mutual benefit of both. It would seem futile to work on the principle of equity involved in sharing the flow of an international river, particularly when a weak, lower riparian is required to deal from a receiving end with a more powerful and assertive upper riparian. It would, therefore, be profitable for Bangladesh to build Indo-Bangladesh relationship within a regional co-operative framework on the basis of give-and-take policy.

It is the prime responsibility of every government and every nation for the care of the natural resources and waters within national jurisdiction. International laws and regulations for the proper use should be upheld with an enlightened view of environmental considerations and subjects must be exposed to required training so that they can utilize resources to the best of their ability as well as most economic and ecologically safe.

#### 4.4 EFFORTS TO DEAL WITH ENVIRONMENTAL PROBLEMS

The signs of environmental degradation and the depletion of the natural resource-base of Bangladesh are clear. Both nature-wise as well as by policy pursuits they were brought to the notice of the world community during the successive major floods of 1987 and 1988 in Bangladesh. The lack of comprehensive environmental laws and institutional inadequacies are major reasons why it has not been possible to halt and reverse the process of degradation, both due to external and internal factors. There is a greater need to promulgate environmental laws to reduce pollution and

also to safeguard natural resources to ecological structure. It is also equally necessary to strengthen the institutions, such as the Department of Environment, which will enforce these laws and thus bring about an optimum balance between degradation, depletion and resource replenishment.

At the regional level, the 3rd SAARC summit in Kathmandu in November 1987 first took up the issue of the environment. This was the first regional collective effort taken towards the protection of the natural environment of South Asia. The Summit adopted a resolution requiring each country to complete a survey on the state of its own environment and on its capacity to respond to environmental stress, on the basis of which the SAARC Secretary General would produce a regional report. The recommendations of the Group of Experts meeting in July 1988, included identification of specific areas of national priority requiring action and common areas of regional concern. The 1988 Bangladesh floods were in the top of the agenda of the fourth SAARC summit in December 1988. Bangladesh, in cooperation with other SAARC members should make greater use of their expertise and combined resources to work towards resolution of the environment related dispute. The declaration of 1992 as the SAARC Year of Environment was a wise approach. The first meeting of the SAARC committee on environment was held in February 1992. The Environment, Forest, Fisheries and Livestock Minister of Bangladesh, Abdullah Al Noman, pointed out that damages to ecosystem and pollution, originating from different development activities of a country affects other countries also. He said

there was no other alternative to expansion of regional cooperation for Strengthening the combined capabilities of the states to deal with these environmental issues (The Daily Star, Feb. 18, 1992 ).

But since mistrust and apprehension dominate the region, the SAARC forum could play a leading role in discussing the issues and these countries could work towards joint collaborative actions against environment-related problems. The SAARC countries should work out plans to create environmental awareness among the masses about over-exploitation of the environmental resources. The SAARC meeting should make alternative Programme for environmentally sustainable development activities in the region. The regional entity can form an environment -oriented army or 'green force', with specialists from various disciplines and departments to work towards the preservation of the environment. It may may seek cooperation with other international organizations as the EC, ASEAN, UNEP, etc., in order marshall efforts towards protecting the global environment. A free flow of technical and scientific information among the SAARC countries about the environment management issue would be beneficial for the region, especially for the co-riparian countries.

An extra-regional effort with specialists drawn from other countries beyond South Asia, may be made to deal with environmental issues like water-management, flood control etc., in Bangladesh. Their findings should forwarded to the SAARC secretariat as well as be disseminated among the other nations

of the regions, which might allay any Indian suspicion about the genuineness of Bangladesh's concern. The Sino-Bangladesh study of flood control by present Zia administration may be kept in this purview. Also protection from floods requires addressing the deforestation issue in the Himalayas by Nepal and India. The countries, through the SAARC, should build up links and information exchange networks as well as organize for the pooling of information about the damages being done to the region's environment.

Also the green agenda should be at the top of the U.N. activity and should top the policy issues of every country. Urgent global effective effort is required to deal with this world-wide hazard. Bangladesh is a member of the United Nations Environment Programme (UNEP) and South Asian Co-operatives of Environment Programme (SACEP). In this regard, Bangladesh should make proper cooperative effort with these bodies for the purpose of ensuring the security of the country from ecological threats. Like other countries, Bangladesh has been observing 5th June as the World Environment Day. Moreover, Bangladesh maintains active links International Environment Information System. The Asian Development Bank has rightly proposed that poor nations of the region should be 'rewarded' with grants and debt relief for not destroying their natural resources and also, the developing countries should be compensated by the developed North for the damages they caused to global ecology and environment.

However the worst effects of a greenhouse-induced climate

cataclysm can be averted. And the sooner action is taken the more effective it will be. CFCs and halons are by far the easiest component of the greenhouse problem to eliminate. Motivated by concerns over the unique role these chemicals play in depleting the stratospheric ozone layer, 45 countries and one international organisation have signed the Montreal Protocol (1987) on substances that deplete the ozone layer (Writh, 1989: 13). Aside from representing a diplomatic milestone for international co-operation on environmental problems, this Protocol is an important precedent for a multilateral strategy on the more challenging issue on greenhouse warming. The protocol requires an incremental reduction in the consumption of ozone depleting CFCs by the end of the century. However there are loopholes and leakages built into the document of this protocol and the actual reductions in the emissions of substances controlled by the protocol will be only about one-third under the most optimistic assumptions. It is now clear that emissions of CFCs and halons must be virtually eliminated because of the overwhelming risks these chemicals pose to climate and the stratospheric ozone.

A trust fund, Global Environmental Facility (GEF) was constituted at the end of 1990 to extend financial support to environmental projects in the developing countries concerned areas. The GEF is administered by the WB assisted by the UNEP and the UNDP. According to the WB, the GEF is a pilot scheme for helping the developing countries to contribute towards solving global environmental problems (Mirza, 1992: 5).

At the Earth Summit at Rio in June 1992, attended by 185 countries, it was agreed that conservation of the environment is necessary. The participants, however, disagreed over how to save the planet's resources and who would foot the bill. The finance issue being the core of the North-South bargain struck at Rio and also the link between environment and development. The global economic adjustment needed to resolve the ecological crises ought to be conducted in a fair and equitable way, so that poors were not to suffer even more. The rich countries have to reduce such activity which depletes and pollutes resources. There must exist the principle of North-South partnership.

At the summit U.S.A. refused to foot the bill for the major environmental disorder. The proposed U.S. \$ 125 billion fund to help the poorer countries in their efforts to sustain development projects through 'environmentally friendly' projects were not acceptable (Khor, 1993: 5). The U.S.A. favours a policy in which states and people accept the fact that all share a common goal and therefore a common responsibility to undertake environmentally sound sustainable development. A doubling of U.S. and Japanese development assistance would have changed the global scenario, if funds would have been spent in the field of environment related issues. Agenda 21 of the UNECD is a blue print of 900 pages which covers all areas where development and environment and economic policies intersect. The EEC countries played very significant role regarding upholding their commitments for the developing countries. But resource flow as

per commitment of EEC countries will not fulfill the requirement of the agenda 21 (Qader, 1992: 4).

Efficient investments represent a major opportunity for the donors like the U.S. and the WB to assist developing countries in making energy choices that both avoid mistakes made earlier in the developed world and reduce risks to the entire planet from greenhouse warming and other environment related problems (such as erosion, floods etc. Thus in South Asia forest conservation is another area where development assistance can provide benefits to the countries in the region while simultaneously cutting emissions of greenhouse gases.

Then there is international tension, lack of understanding, even mistrust prevailing among the developed and developing countries, which can be avoided through co-operation and communication. The northern governments have to usher into a new era of cooperation with the south instead of the present state of confrontation. The economic growth is very vital issue for a developing country like Bangladesh for her survival. In the convention signed at Rio in 1992, sustained economic growth and eradication of poverty have been made conditional with climate change which is quite unfair. The concept of 'sustainable development' is a relative term -- it means different things for the north and for a third world country like Bangladesh. For Bangladesh it is to ensure a plate of rice and curry the bare minimum level of requirements which can be ensured through judicious use of their natural resources and economic development, while for the north

'sustainable development' means sustenance of their luxury and overuse of resources. In the convention, the economic growth has been made restricted through allowing increase of emission for 'short-term'. If Bangladesh is not allowed to ensure economic growth how can she ensure sustainable growth for her people.

The finance and technology and other resources needed are under control of the industrial world, and after the Rio Summit it appears that these seem unlikely to be forthcoming for a developing country like Bangladesh. Even at the summit there were no promises or commitments on new and additional financial resource transfers, non-promises and non-commitments which will enable the rich to preserve their status quo of dominant order and continue to ignore the unfulfilled promises made two decades ago at stockholm (Raghavan, 1992: 2).

Unless the attitudes of the peoples and their government, particularly of the powerful North change, they and their status quo order will collapse in the ecological crisis and social disorders that will envelope the planet. There are apprehension, particularly among the people of Bangladesh and other Third World countries that the international financial and trading institutions controlled by the powerful countries of the north would force the Third World countries to change their priorities to comply with the environmental concerns and needs of the North -- a new environmental adjustment on top of the old structural reality.



Given the resource predicaments and fuller achievement of objectives as enshrined in the Earth Summit would depend on how best the developed world cooperate with the developing world in terms of making adequate financial and technological assistance available on concessional and non-commercial terms. Foreign Minister of Bangladesh, who had drawn the attention of the world community at the Rio Earth Summit to the environmental hazards faced by Bangladesh, sought necessary support so that such problems are minimised for the survival of the country. The fact that Bangladesh faces many a problem and many of these stem from the stresses on the environment had been reiterated by him. He also mentioned how global warming and the consequent rise in the sea level is of serious concern for the country, because this would lead to a reduction of an already minimal land-person ratio and to an increased pressure on natural resources, leading to further environmental degradation (The Daily Star, Nov.18, 1993).

#### 4.5 CONCLUSION

The foregoing analysis make it abundantly clear that relationship of man to nature is no less under serious threat than that of relationship of nation to nation touching on traditional military security. There is ample evidence to suggest that in Bangladesh environment related issues have triggered bilateral disputes with neighbouring India and heightened regional political tensions, in as much as causes of the country's environmental deterioration originate outside its territorial borders. There is little doubt that environmental degradations disrupt socio-economic and

political system of a country, thereby endangering the security (non-military ones) posture of the nation especially as the predicament of Bangladesh shows. Environmental issues can reduce economic facilities and benefits which may gradually affect political process and functioning. Social and economic dislocation due to environmental disorder affects national, regional and even international security. The analysis in this chapter provides such an understanding, although there may be other factors in combination with these, which lead to greater insecurity. Unlike threat to military insecurity, environmental vulnerabilities may not be easily detected. As environmental deteriorations involve slow process, the impacts of these threats are not easily or immediately perceived and thereby somewhat difficult to assess. Unlike military threats, environmental threats are not overt, making them all the more hard to determine.

It now seems obvious that environmental degradation respects no border. When environmental disruptions become a cross border concerns, they affect domestic politics as well as the premise of bilateral relations, giving rise to new strategic concerns. Developmental activities had extensive exploitation of natural resources, means interference with natural environment. This threatens ecological balance as well as creates socio-economic dislocation in some cases. These, in turn, have their impact both on national politics and on inter-state relations. The prevailing tendency among governments to respond unilaterally to environmental challenges (Farakka issue is a case in point) and

the tendency or unwillingness to accommodate the concerns of others in international political affairs, exacerbate threat perceptions.

Environmental issues have created mistrust and tension between the developed North and the underdeveloped South. A sizable cut in the industrial growth of the developed countries is necessary to prevent a further aggravation of problems. Massive funds need to be paid by the U.S.A., the U.K. and other industrialised countries as the carbon debts to those whose environment they have damaged. A planned co-ordination between afforestation and deforestation is essential. The rural poor should be given sustainable alternatives for chopping wood. They have no alternative to fuel consumption, having no access to technological advancement, such as access to natural gas or electricity or solar energy or improved version of the indigenous earthen cooking range.

Studies like this should lead to serious thinking and adoption of effective measures to prevent the territorial waters from becoming dirty cesspools; the forests from getting denuded; the air from being polluted by poisonous gas and emissions, in time to protect the environment, the life support system and thus make Bangladesh a secure place to live in.

NOTES

1. Rajiv Gandhi at one stage did agree to Nepal's inclusion, in the Bangladesh-India negotiations on the issue of augmentation of water, but did not follow it up in the subsequent period
2. Interview with Dr. Ainun Nishat. He is a water resource expert, teaching at Bangladesh University of Engineering and Technology (BUET), Dhaka. He also been a member of the Joint River Commission (JRC) from the Bangladesh side negotiating with India regarding Farakka and other water related issue.
3. Dr. Kaisur Rahman talking about 'Flood Control and Water Disputes' lists some of more possible factors: a) coal dust sprinkling by India over the glaciers of the Himalayas; b) barrages and dams by India over international rivers, especially the Farakka barrage; c) soil erosion (mainly as a result of deforestation).
4. Interview with Professor M. Shahjahan, Vice-Chancellor of Bangladesh University of Engineering and Technology, Dhaka. He is also a leading expert on the issue of water resources in Bangladesh. Professor Shahjahan, a leading expert on water issue, opined that India is violating all norms of International Law and norms of international neighbourliness. He believes that there is no option for Bangladesh but the construction of the Ganges barrage and need be in the future, the construction of the

Brahmaputra barrage. He said it is unfair that India is benefiting from the waters of seven dams in Nepal, but is not allowing any concession to Bangladesh from the dams in India. This he said, reveals the intransigence attitude of India towards her smaller, lesser powerful neighbour Bangladesh.

5. An American environmentalist during an international seminar on Farakka held on October 18, 1993 in New York emphasised that India and Bangladesh should devise together ways of solving the problems out of the Farakka Barrage. He viewed Farakka problem is one of the greatest man-made threat to environment (The Daily Star, Oct.12, 1993).

## CHAPTER FIVE

### CONCLUSIONS

The study addressed itself to the critical sources of external security threats as they pertain to a small developing country like Bangladesh. The three main purposes of the study have been (i) to suggest the inadequacy of the conventional, Westernized security concept in explaining the multiple security dimensions, especially of the developing countries; (ii) to develop a newer/alternative conceptual model of security in place of the existing ones; and lastly (iii) to examine several key areas of insecurity that threatens Bangladesh.

The findings in the study suggest that, with the end of cold war, economic issues are more likely to take precedence in international and security affairs. Also the cold war has been replaced by the 'green war' all over the world against ecological destruction and environmental degradation. The two issues identified that are likely to exacerbate tensions between the developed and affluent countries, and the poor and the developing countries like Bangladesh are: the widening gap

between the economic capital and resources and economic exploitation from such a situation; and the other is the world-wide environmental destruction and over exploitation of natural resources. There are certain global and regional, economic and environmental consequences which are producing conditions rendering conflict more likely between and among nation-states.

Some concluding remarks will now be made on the evolving aspects of security; on the global economic agenda, especially touching on the interest of the developing countries; on the environmental predicament facing mankind and, finally, on the ways and means Bangladesh can device to enhance her security posture in an extremely precarious world.

Security is an elusive concept. For a Third World developing country like Bangladesh it would appear all the more elusive. For her the need to maintain and enhance security in an extremely insecure world is especially a daunting task. While all nations, not only developing ones, are concerned to enhance their security, for Bangladesh it is of acute importance, given her general vulnerability in the international system as a relatively small country.

As a concept, national security remains at the top of the international agenda. However conventional security studies have mainly concentrated on strategic and military dimensions. But the conventional military-oriented definition of security fails to capture the problems of the smaller nations. The scope of

security has therefore been broadened to include economic resilience, resource control and ecological balance, in addition to military preparedness and strategic exigencies.

Security is commonly understood as immunity of a nation-state from external threats originating mainly from outside the territorial boundaries. The military threat to national security is only one of many that governments must now address. Traditional external threats are related to military aggression. Although physical threats of aggression cannot be ruled out in the context of changing international situation, security strategy especially of a LLDC like Bangladesh is likely to be more concerned with threats of non-military nature than with conventional military threat.

Indeed the relevance of the non-military dimensions of security is now acknowledged at the highest level of policy making in Bangladesh. This is clearly evident from the words of the Prime Minister of Bangladesh, Begum Khaleda Zia, who spoke of 'the importance of the non-military threats to the security of small states and the need of the international community to be seized with these problems' (The Daily Star, Oct.24, 1993). The question is now how to transmit such a perceptual appraisal into the realm of policy.

The Rio Declaration (principle 12) declares that 'states should cooperate to promote a supportive and open international economic growth and sustainable development in all countries, to address



better the problems of environmental degradation. Environmental measures addressing transboundary or global environmental problems should, as far as possible, be based on an national and international consensus. Environment, economy and security are interrelated. The numerous new threats derive directly or indirectly from the rapidly changing relationship between humanity and the earth's natural systems and resources. The unfolding stresses in this relationship initially manifest themselves as ecological stresses and resource scarcities (Brown, 1984: 342). Later they translate into economic stresses -- unemployment, food scarcity and inflation, famine etc. Ultimately these stresses convert into social unrest and political instability. For, as argued above (chapters 3 and 4) if the environmental foundations of a nation are depleted, its economy will decline and, in consequence, its political structures are quite likely to be destabilized. This in turn may lead to internal conflict and external hostile behaviour.

Thus in the context of the Third World, it is exceedingly important to incorporate economic dimensions in an expanded definition of security. The expanded concept of security must also include environment as an important security consideration in view of the impending environmental crisis. Yet all these are better said than done.

As far as Bangladesh is concerned economic problems are the most substantive aspects of the country's security, because they are of immediate relevance to the people at large and to the country

itself.

The current widening gap in the international economic system and the concomitant asymmetric economic structure inherent in the relationship between the developed and developing nations very deeply harms a LLDC like Bangladesh. The issue at stake involves the principle of moral equality between nations, an issue which needs to be addressed in right earnest so as to ensure cooperation on a asymmetrical basis can be ensured and attempted subordination and interference can be checked . All nations and the people there-in ought to have the liberty to determine their destinies in accordance with their own preferences. It seems evident from analysis in the foregoing chapters that the fundamental threat to Bangladesh emanate from its heavy reliance on foreign aid and consequent debt service liability, and such other economic inequities as trade imbalance and illegal trade.

The prevailing international economic structure very deeply hurts a LLDC like Bangladesh. To put an end to the conditions of immiserisation of the people of Bangladesh, significant policy intervention and redistribution of existing economic, social and political structures would be necessary. There is a general recognition that the development process in Bangladesh, even after about two decades of its independence, is yet to generate sufficient momentum to sustain itself. The country is still, as it was after its independence, dependent on foreign assistance; foreign donor nations still have to underwrite its development effort. This has given the principal aid donors an exceptional

degree of leverage over the country's policy making, its investment priorities and technology options.

The GOB has to submit itself to a degree to external supervision that would have been inconceivable two decades ago. Foreign aid seems to have become the fact of life and any scope for free manoeuvre in the economic sphere at present or in the near future without aid seems unlikely.

Bangladesh however cannot be visualized as a permanent international charity case where the viability of the economy and the subsistence of its population would be underwritten by external donors. Aid should be seen as a transitory process of economic phenomenon to be taken for building the structure of a self-reliant economy. Instead it has become self-perpetuating and has indeed become imperative for the country's very subsistence. This condition of affair causes great anxiety. Policy intervention to improve the efficiency of the economy can of course only be carried unto a point beyond which the production structure has to be broadened and diversified. Expansion and diversification of productive forces would have to be more protracted and forward-looking if external dependence is to be reduced and eliminated.

One immediate economic impact of external aid is the aid burden, the problem of debt-servicing. Indeed foreign assistance has become costly for Bangladesh due to the growing debt service liability. Most of the funding from the external sources are

interest bearing, and Bangladesh has to find hard means to give up its current aid-addiction and should seek to opt out of the vicious cycle of aid and debt service liability. It is upto the national government to decide how much aid is needed and how much of this is to be spent in the best interest of the people. There should be greater debate, strategic appraisal and re-appraisals of the country's current economic priorities, with as eye on its ultimate security needs. The government should articulate its programs and missions with a greater degree of clarity and transparency, which a democratic government, as the present one, is well placed to initiate. Thus increased security of Bangladesh in the economic sphere depends on the extent to which Bangladesh government can decrease her dependence on external finance and develop a self reliant economy.

The instance of illegal trade or smuggling is equally a vicious one. It is a 'curse' and a major hindrance to the management of the economy of Bangladesh, as the Prime minister of Bangladesh herself acknowledged (The Daily Star, Dec.23, 1993). The malpractice of tax evasion is creating financial deprivation to government exchequer in addition to losses for the local producers. Strict anti-smuggling measures need to be taken against this socio-economic vice. Joint economic and investment planning with neighbouring India may also reduce the scope for smuggling.

Aid would better be replaced by fair trade, in order to reduce illegal trade as well imbalance in trade. A huge and profitable

volume of exports would encourage production within the country and provide the necessary foreign exchange, permit accumulation of capital from profit which is due and encourage commercial innovation. The opportunity for political interference by trading partner is far less than that available for the providers of aid. Hence the motto of external economic policy should be 'trade not aid' and it is this replacement of aid by equitable trade which will measure the success of the underlying principle present aid policies of the donor nations. The present massive trade imbalance reveals the weakness of Bangladesh economy in the international trading system. Trade liberalisation, removal of tariff, non-tariff concessions by the developed and bigger or economicall powerful countries may ease the present trade imbalance situation.

Globally there has been increasing demand for foreign aid, following the collapse of the USSR and emergence of large number of states in Eastern Europe and Central Asia. On the contrary, with the increasing recession and inflation in most of the industrialised countries, there is a donor-fatigue, while many of the developing countries are becoming aid addicted. In Bangladesh the there has been positive but slow realization of late that foreign aid is not indispensable for self-sustenance. The GOB recently in its bid to gradually reduce its dependence on foreign aid has decided not to accept all the donor conditionalities, rather it is poised towards making recommendations to the donors, keeping in view the needs and priorities of the country. This is an encouraging step at lessening dependence on external aid.

As far as environmental related issues are concerned there is enough evidence to suggest that they have triggered bilateral disputes and political tensions between Bangladesh and the neighbouring India, as the causes for environmental deteriorations in the country originated outside its borders. A scarcity of vital natural resource and competition between India and Bangladesh over the waters of the Ganges manifest the new threat to national economic security posed by scarcity (Brown, 1984: 343).

The study indicates that environmental degradation disrupts socio-economic and political stability of the country, thereby endangering the security posture of the nation. The environmental issues can reduce economic facilities and benefits which may gradually affect functioning of the political process. Social and economic dislocations due to environmental disorder can affect security, both at the national and regional levels as a result of eco-migration. Unlike threats to military security which are overt, environmental threats may not be easily detected but in the long run they pose a greater security threat to the stability of the political system and even to the survival of the nation itself.

In the present-day world environment has become a matter of serious concern. Environmental despoliation has been threatening Bangladesh for many decades, but only very recently people have become aware of its consequences.

The environmental threats can be determined by examining the relationship between resource availability and population dynamics. An analysis of vital resources availability, such as food, space (land), water reveal the overall direction and gravity of the ecological/environmental security concerns of the nation. Thus environmental security concerns arise from such areas as policy failures at national, bilateral and regional/multilateral levels, as well as from the inability to cope with the combined pressure of demographic component as well the depletion of economic resources.

Recurrent natural hazards in Bangladesh perhaps indicative the unstable state of affairs are in the realm of country's environment. The two serious environmental problems threatening Bangladesh are greenhouse effect with an associated sea level rise and extreme hydrological situation of droughts followed by cyclones, tornadoes floods etc. There are other problems which cause equally serious concern -- they are deforestation, siltation, salinity and such other consequences. These problems are international and regional in nature and call for global and regional approaches in solving them.

Sea pollution and dumping of toxic wastes by the developed countries into the territorial waters of a poor and militarily weak Bangladesh are sheer examples of injustice and malpractice of those nations against a smaller, somewhat fragile nation. The developing nations cannot be the dustbins of the industrial

wastes of the developed countries. The 'greenpeace' and other global and national environmental groups/organisations should be vigilant against such immoral activities. Bangladesh needs to develop expertise at both government and non-government levels and procure the necessary technical know-how to deal with this impending danger. Enforcement of stricter legal process at supranational level is needed to check the malpractice of some of the developed nations.

What Bangladesh can do and must do: identify the security constraints imposed by external actors, formulate appropriate policy to counter them and pursue such policy to the fullest level of its objective implementation.

Thus the purpose of national security decision and policy makers should not be to maximize military strength but to maximize national security. If this later approach are used, public resources would be distributed more widely among the many threats to national security -- both the traditional military one and the newer, less precisely measured ones. The country spends relatively large sum of money on defence budget to protect its territorial sovereignty, but perhaps more should be spent towards enhancement of economic security as well as ensure environmental security . The purpose of this study is not to argue for specific defence or military budget cuts. Rather it is intended to suggest that profound new threats to the security of nations are arising and that these need to be fully kept in perspective along with the traditional ones. Only then can security of Bangladesh be



optimized.

It would be improper to suggest that Bangladesh alone can confront the menace of economic injustice and environmental degradation. The nation-state alone is too small a scene for addressing regional and global challenges, and if national governments are basically unilateral in their attitudes towards global problems, anarchy will prevail over international governance and world order. Concerted effort is needed at all levels to confront the various security threats to humanity.

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## MAJOR ECONOMIC INDICATORS OF BANGLADESH

Prepared by Economic Research Cell,  
Metropolitan Chamber of Commerce and Industry, Dhaka

| INDICATORS                                  | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 | 1990-91 | 1991-92 P |
|---|---------|---------|---------|---------|---------|---------|-----------|
| <b>POPULATION</b>                           |         |         |         |         |         |         |           |
| Population (million)                        | 97.1    | 99.4    | 101.7   | 104.1   | 106.5   | 108.5   | 110.5     |
| Density Per Sq. Mile                        | 1746    | 1788    | 1829    | 1872    | 1915    | 1951    | 1987      |
| <b>NATIONAL ACCOUNTS</b>                    |         |         |         |         |         |         |           |
| GDP (Million US\$)                          | 15600   | 17604   | 19115   | 20521   | 22103   | 23118   | 24842     |
| GDP Growth (%)                              | 4.65    | 3.94    | 2.98    | 2.25    | 5.84    | 3.60    | 4.04      |
| <b>AGRICULTURE</b>                          |         |         |         |         |         |         |           |
| Contribution to GDP (%)                     | 41.3    | 39.9    | 38.4    | 37.1    | 38.3    | 39.0    | 38.4      |
| Growth Rate (%)                             | 2.96    | 0.74    | (-)0.53 | (-)0.02 | 5.60    | 2.70    | 2.30      |
| <b>INDUSTRY</b>                             |         |         |         |         |         |         |           |
| Contribution to GDP (%)                     | 9.7     | 10.1    | 9.8     | 9.8     | 9.9     | 7.7     | 7.8       |
| Growth Rate (%)                             | 1.60    | 6.63    | 1.47    | 2.26    | 8.35    | 5.90    | 5.70      |
| <b>TRADE AND BALANCE OF PAYMENTS</b>        |         |         |         |         |         |         |           |
| Exports (Million US\$)                      | 818     | 1074    | 1231    | 1292    | 1524    | 1718    | 1993      |
| Export Growth (%)                           | (-)12.4 | 31.3    | 14.6    | 5.0     | 18.0    | 12.7    | 16.0      |
| Imports (Million US\$)                      | 2371    | 2620    | 2986    | 3375    | 3759    | 4120    | 4650      |
| Import Growth (%)                           | (-)10.4 | 0.5     | 14.0    | 13.0    | 11.4    | (-)7.7  | 5.2       |
| Trade Balance (Million US\$)                | (-)1553 | (-)1546 | (-)1755 | (-)2083 | (-)2235 | (-)1752 | (-)1657   |
| Current Account Balance (Million US\$)      | (-)1076 | (-)974  | (-)1156 | (-)1381 | (-)1579 | (-)932  | (-)842    |
| Workers Remittances (Million US\$)          | 555     | 696     | 737     | 771     | 761     | 764     | 780       |
| Foreign Exchange Reserves (Million US\$)    | 475     | 686     | 856     | 916     | 552     | 880     | 1600      |
| Export Price Index (1979-80=100)            | 78.9    | 81.8    | 95.7    | 92.6    | 95.6    | 101.9   | 96.3      |
| Import Price Index (1979-80=100)            | 98.5    | 89.9    | 91.4    | 97.2    | 103.0   | 108.8   | 112.0     |
| Terms of Trade Index (1979-80=100)          | 80.1    | 91.0    | 104.7   | 95.3    | 92.8    | 93.7    | 86.0      |
| <b>FOREIGN ASSISTANCE</b>                   |         |         |         |         |         |         |           |
| Commitment (Million US\$)                   | 1661    | 1503    | 1530    | 1866    | 2144    | 1370    | 2220      |
| Disbursement (Million US\$)                 | 1306    | 1595    | 1640    | 1669    | 2310    | 1733    | 1731      |
| Debt Service Payments (Million US\$)        | 133.7   | 232.8   | 289.0   | 297.1   | 301.7   | 317.2   | 351.0     |
| Debt Service Ratio (%)                      | 22.5    | 21.7    | 23.5    | 22.7    | 19.8    | 18.5    | 17.6      |
| <b>PUBLIC FINANCE</b>                       |         |         |         |         |         |         |           |
| Current Revenue (Million Taka)              | 40730   | 47170   | 51460   | 58222   | 67782   | 78220   | 95170     |
| Tax Revenue (Million Taka)                  | 32250   | 38530   | 43670   | 48957   | 57814   | 63830   | 77410     |
| Current Expenditure (Million Taka)          | 34205   | 39560   | 47300   | 61700   | 67400   | 73100   | 79000     |
| Current Surplus (Million Taka)              | 6525    | 7610    | 4160    | (-)3478 | 382     | 5120    | 16170     |
| Annual Development Programme (Million Taka) | 34294   | 45134   | 46506   | 45953   | 51028   | 61210   | 71500     |
| <b>MONEY AND BANKING</b>                    |         |         |         |         |         |         |           |
| Money Supply (M1) (Million Taka)            | 49279   | 52628   | 50477   | 54607   | 63687   | 72037   | 82572     |
| M1 Growth (%)                               | 16.4    | 6.3     | (-)4.1  | 8.2     | 16.6    | 13.1    | 14.6      |
| Money Supply (M2) (Million Taka)            | 123381  | 143531  | 164080  | 190781  | 222976  | 250044  | 285259    |
| M2 Growth (%)                               | 17.1    | 16.3    | 14.3    | 16.3    | 16.9    | 12.1    | 14.1      |
| Total Deposits (Million Taka)               | 103845  | 122766  | 139930  | 164625  | 191093  | 213926  | 244537    |
| Bank Credit (Million Taka)                  | 110007  | 119121  | 141189  | 166510  | 199593  | 222257  | 227368    |
| Bank Credit Growth (%)                      | 19.7    | 8.3     | 18.5    | 17.9    | 19.8    | 11.4    | 2.3       |
| Bank Rate (%)                               | 11.25   | 10.75   | 10.75   | 10.75   | 9.75    | 9.75    | 8.50      |
| Maximum Interest Rate on Deposits (%)       | 15.00   | 14.25   | 14.25   | 14.25   | 14.25   | 13.75   | 13.00     |
| Maximum Interest Rate on Advance            | 20.0    | 20.0    | 20.0    | 20.0    | 20.0    | 20.0    | 18.0      |
| Average Exchange Rate (Taka/US\$)           |         |         |         |         |         |         |           |
| Official                                    | 29.6861 | 30.6294 | 31.2422 | 32.1424 | 32.9214 | 35.7213 | 38.1453   |
| -WES/SEM                                    | 32.74   | 33.08   | 32.94   | 32.91   | 33.58   | 36.38   | 38.15     |
| <b>SAVINGS AND INVESTMENT</b>               |         |         |         |         |         |         |           |
| As % of GDP:                                |         |         |         |         |         |         |           |
| -Investment                                 | 12.06   | 12.04   | 11.63   | 10.67   | 10.68   | 10.97   | 11.69     |
| -Foreign Assistance (Net)                   | 7.19    | 7.74    | 7.07    | 6.69    | 6.40    | 6.07    | 5.57      |
| -Domestic Savings                           | 4.42    | 3.40    | 4.59    | 2.52    | 2.30    | 4.37    | 6.10      |
| <b>PRICE TRENDS</b>                         |         |         |         |         |         |         |           |
| Consumer Price Index (1973-74=100)          | 436     | 481     | 526     | 579     | 633     | 699     | 724       |
| % Change in CPI                             | 9.8     | 10.3    | 11.4    | 8.0     | 9.3     | 8.9     | 5.1       |

P= Provisional and Some  
Figures are Estimated

Source: Bangladesh Bureau of Statistics,  
Ministry of Finance,  
Planning Commission,  
Export Promotion Bureau,  
Bangladesh Bank,  
World Bank

## Commitment and disbursement of foreign aid at a glance to Bangladesh.

| Financial year                   | Commitment |          |          | Disbursement |          |          |
|----------------------------------|------------|----------|----------|--------------|----------|----------|
|                                  | Grants     | Loans    | Total    | Grants       | Loans    | Total    |
| 1971-72<br>(16.12.71 to 30.6.72) | 512.72     | 98.09    | 610.81   | 245.17       | 25.63    | 270.80   |
| 1972-73                          | 483.70     | 394.71   | 878.41   | 486.39       | 65.05    | 551.44   |
| 1973-74                          | 106.76     | 448.31   | 555.07   | 218.56       | 242.68   | 461.24   |
| 1974-75                          | 345.22     | 921.47   | 1266.69  | 374.84       | 526.21   | 901.05   |
| 1975-76                          | 380.55     | 578.33   | 958.88   | 233.81       | 566.72   | 800.53   |
| 1976-77                          | 400.51     | 326.47   | 726.98   | 255.50       | 279.21   | 534.71   |
| 1977-78                          | 433.20     | 714.68   | 1147.88  | 392.87       | 440.99   | 833.86   |
| 1978-79                          | 936.01     | 824.23   | 1760.24  | 501.84       | 528.21   | 1030.05  |
| 1979-80                          | 485.02     | 668.23   | 1153.25  | 650.56       | 572.50   | 1223.06  |
| 1980-81                          | 550.00     | 1009.24  | 1559.24  | 593.68       | 552.78   | 1146.46  |
| 1981-82                          | 805.56     | 1117.29  | 1922.85  | 653.32       | 585.81   | 1239.63  |
| 1982-83                          | 836.63     | 685.91   | 1522.54  | 587.50       | 589.88   | 1177.38  |
| 1983-84                          | 858.45     | 836.54   | 1694.99  | 733.73       | 534.67   | 1268.40  |
| 1984-85                          | 875.00     | 1099.37  | 1974.87  | 703.33       | 566.11   | 1269.44  |
| 1985-86                          | 873.59     | 787.85   | 1661.44  | 545.59       | 760.34   | 1305.93  |
| 1986-87                          | 893.72     | 709.54   | 1603.26  | 661.59       | 933.57   | 1595.16  |
| 1987-88                          | 880.85     | 648.93   | 1529.78  | 823.73       | 816.60   | 1640.38  |
| 1988-89                          | 661.15     | 1212.32  | 1873.47  | 672.96       | 995.52   | 1668.48  |
| 1989-90                          | 884.71     | 1290.36  | 2175.07  | 765.88       | 1043.68  | 1809.56  |
| 1990-91                          | 485.06     | 885.28   | 1370.34  | 831.46       | 901.11   | 1732.57  |
| 1991-92(1 <sup>st</sup> )        | 1228.73    | 1086.69  | 2315.42  | 925.15       | 1127.48  | 2052.63  |
| 1992-93<br>(July-Dec.)           | 506.67     | 477.94   | 984.61   | 442.27       | 630.99   | 1073.26  |
| Grand total:                     | 14423.81   | 16822.23 | 31246.09 | 12300.48     | 13285.74 | 25586.22 |

Source: External Relations Division, Ministry of Planning.

## Foreign aid at a glance to Bangladesh during December, 1992.

| (Million U.S. Dollar) |                      |                            |                            |                             |                            |                            |
|-----------------------|----------------------|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| Sl. No                | Category of aid      | Pipe line on 1.12.92       | Commitment                 | Total available             | Disbursement               | Pipe line on 1.1.93        |
| 1                     | 2                    | 3                          | 4                          | 5=(3+4)                     | 6                          | 7=(5-6)                    |
| I.                    | <u>FOOD AID</u>      | <u>60.69</u><br>(410.02-w) | <u>53.19</u><br>(307.00-w) | <u>113.88</u><br>(717.02-w) | <u>16.92</u><br>(103.05-w) | <u>96.96</u><br>(613.97-w) |
|                       | a) Grants            | <u>60.69</u><br>(410.02-w) | <u>53.19</u><br>(307.00-w) | <u>113.88</u><br>(717.02-w) | <u>16.92</u><br>(103.05)   | <u>96.96</u><br>(613.97-w) |
|                       | b) Loans             | -                          | -                          | -                           | -                          | -                          |
| II.                   | <u>COMMODITY AID</u> | <u>582.93</u>              | <u>131.52</u>              | <u>714.45</u>               | <u>81.69</u>               | <u>632.76</u>              |
|                       | a) Grants            | 88.06                      | 122.87                     | 210.93                      | 61.36                      | 149.57                     |
|                       | b) Loans             | 494.87                     | 8.65                       | 503.52                      | 20.33                      | 483.19                     |
| III.                  | <u>PROJECT AID</u>   | <u>5210.38</u>             | <u>319.76</u>              | <u>5530.14</u>              | <u>249.49</u>              | <u>5280.65</u>             |
|                       | a) Grants            | 1817.05                    | 172.21                     | 1989.26                     | 82.95                      | 1906.31                    |
|                       | b) Loans             | 3393.33                    | 147.55                     | 3540.88                     | 166.54                     | 3374.34                    |
| <u>Sub-Total</u>      |                      |                            |                            |                             |                            |                            |
|                       | a) Grants            | 1965.80                    | 348.27                     | 2314.07                     | 161.23                     | 2152.84                    |
|                       | b) Loans             | 3888.20                    | 156.20                     | 4044.40                     | 180.87                     | 3857.53                    |
| <u>Grand total:</u>   |                      | <u>5854.00</u>             | <u>504.47</u>              | <u>6358.47</u>              | <u>348.10</u>              | <u>6010.37</u>             |

Source: External Resources Division, Ministry of Planning.

## Summary of commitment and disbursement of food aid to Bangladesh during December, 1992 by category of aid and by country/agency.

(Million U.S. Dollar)

| Sl. No.                 | Name of aid giving country/agency | Pipe line on 1.12.92       | Commitment                 | Total available             | Disbursement               | Pipe line on 1.1.93        |
|-------------------------|-----------------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| 1                       | 2                                 | 3                          | 4                          | 5=(3+4)                     | 6                          | 7=(5-6)                    |
| a) All group sources    |                                   |                            |                            |                             |                            |                            |
| I. Food Aid             |                                   |                            |                            |                             |                            |                            |
| a) Grants               |                                   |                            |                            |                             |                            |                            |
| 1.                      | Australia                         | -                          | -                          | -                           | -                          | -                          |
| 2.                      | Italy                             | <u>2.06</u><br>(10.00-w)   | -                          | <u>2.06</u><br>(10.00-w)    | -                          | <u>2.06</u><br>(10.00-w)   |
| 3.                      | Canada                            | <u>30.02</u><br>(251.60-w) | <u>4.76</u><br>(32.00-w)   | <u>34.78</u><br>(283.60-w)  | <u>2.49</u><br>(33.00-w)   | <u>32.29</u><br>(250.60-w) |
| 4.                      | France                            | -                          | -                          | -                           | -                          | -                          |
| 5.                      | F.R.G.                            | -                          | -                          | -                           | -                          | -                          |
| 6.                      | Norway                            | -                          | -                          | -                           | -                          | -                          |
| 7.                      | Japan                             | <u>12.24</u><br>(69.02-w)  | -                          | <u>12.24</u><br>(69.02-w)   | -                          | <u>12.24</u><br>(69.02-w)  |
| 8.                      | USA-PL-480,<br>Title-II           | -                          | -                          | -                           | -                          | -                          |
| 9.                      | USA PL-480-<br>Title-III          | -                          | -                          | -                           | -                          | -                          |
| 10.                     | E.E.C.                            | -                          | -                          | -                           | -                          | -                          |
| 11.                     | W.F.P.                            | <u>16.37</u><br>(79.40-w)  | <u>48.43</u><br>(275.00-w) | <u>64.80</u><br>(354.40-w)  | <u>14.43</u><br>(70.05-w)  | <u>50.37</u><br>(284.35-w) |
| Total Aid group source  |                                   |                            |                            |                             |                            |                            |
| Grants                  |                                   | <u>60.69</u><br>(410.02-w) | <u>53.19</u><br>(307.00-w) | <u>113.88</u><br>(717.02-w) | <u>16.92</u><br>(103.05-w) | <u>96.96</u><br>(613.97-w) |
| b) Non-aid group source |                                   |                            |                            |                             |                            |                            |
| 1/ Austria              |                                   |                            |                            |                             |                            |                            |
| Grand total (a+b)       |                                   | <u>60.69</u><br>(410.02-w) | <u>53.19</u><br>(307.00-w) | <u>113.88</u><br>(717.02-w) | <u>16.92</u><br>(103.05-w) | <u>96.96</u><br>(613.97-w) |

Note: Figures in parenthesis represent quantity in thousand metric tons & Abbreviation. W= wheat and r = rice.

Summary of commitment and disbursement of commodity aid to Bangladesh during December, 1992 by category of aid and by country/agency.

(Million U.S. Dollar)

| Sl. No.                  | Name of aid giving country/agency | Pipe line on 1.12.92 | Commitment    | Total available | Disbursement | Pipe line on 1.1.93 |
|--------------------------|-----------------------------------|----------------------|---------------|-----------------|--------------|---------------------|
| 1                        | 2                                 | 3                    | 4             | 5=(3+4)         | 6            | 7=(5-6)             |
| <u>Aid Group Sources</u> |                                   |                      |               |                 |              |                     |
| II. <u>Commodity Aid</u> |                                   |                      |               |                 |              |                     |
| a) <u>Grants</u>         |                                   |                      |               |                 |              |                     |
| 1.                       | Belgium                           | 2.36                 | -             | 2.36            | -            | 2.36                |
| 2.                       | Canada                            | 40.85                | (-)4.76       | 1.51            | 34.58        |                     |
| 3.                       | F.R.G.                            | 3.44                 | -             | 3.44            | -            | 3.44                |
| 4.                       | France                            | 2.54                 | -             | 2.54            | -            | 2.54                |
| 5.                       | Japan                             | -                    | 110.27        | 110.27          | 54.93        | 55.34               |
| 6.                       | Netherlands                       | 4.17                 | 9.17          | 13.34           | -            | 13.34               |
| 7.                       | U.K.                              | 10.36                | -             | 10.36           | 2.12         | 8.24                |
| 8.                       | USA-PL-480                        | 2.80                 | -             | 2.80            | 2.80         | -                   |
| 9.                       | E.E.C.                            | 21.54                | -             | 21.54           | -            | 21.54               |
| 10.                      | W.F.P.                            | -                    | 8.19          | 8.19            | -            | 8.19                |
| <b>Total:</b>            |                                   | <b>88.06</b>         | <b>122.87</b> | <b>210.93</b>   | <b>61.36</b> | <b>149.57</b>       |

Summary of commitment and disbursement of commodity aid to Bangladesh during December, 1992 by category of aid by country/agency.

(Million U.S. Dollar)

| Sl. No.                  | Name of aid giving country/agency | Pipe line on 1.12.92 | Commitment  | Total available | Disbursement | Pipe line on 1.1.92 |
|--------------------------|-----------------------------------|----------------------|-------------|-----------------|--------------|---------------------|
| 1                        | 2                                 | 3                    | 4           | 5=(3+4)         | 6            | 7=(5-6)             |
| <u>Aid Group Sources</u> |                                   |                      |             |                 |              |                     |
| II. <u>Commodity Aid</u> |                                   |                      |             |                 |              |                     |
| b) <u>Loans</u>          |                                   |                      |             |                 |              |                     |
| 1.                       | France                            | 0.88                 | -           | 0.88            | -            | 0.88                |
| 2.                       | Japan                             | 105.17               | -           | 105.17          | 20.33        | 84.84               |
| 3.                       | A.D.B.                            | 64.49                | -           | 64.49           | -            | 64.49               |
| 4.                       | I.D.A.                            | 304.86               | 8.65        | 313.51          | -            | 313.51              |
| 5.                       | I.D.A.                            | 13.98                | -           | 13.98           | -            | 13.98               |
| 6.                       | China                             | 5.49                 | -           | 5.49            | -            | 5.49                |
| <b>Total:</b>            |                                   | <b>494.87</b>        | <b>8.65</b> | <b>503.52</b>   | <b>20.33</b> | <b>483.19</b>       |

Continued

Summary of commitment and disbursement of project aid to Bangladesh during December, 1992 by category of aid and by country/agency.

(Million U.S. Dollar)

| Sl. No.                  | Name of aid giving country/agency | Pipe line on 1.12.92 | Commitment    | Total available | Disbursement | Pipe line on 1.1.93 |
|--------------------------|-----------------------------------|----------------------|---------------|-----------------|--------------|---------------------|
| 1                        | 2                                 | 3                    | 3             | 5=(3+4)         | 6            | 7=(5-6)             |
| <u>Aid Group Sources</u> |                                   |                      |               |                 |              |                     |
| III. <u>Project Aid:</u> |                                   |                      |               |                 |              |                     |
| a) <u>Grants:</u>        |                                   |                      |               |                 |              |                     |
| 1.                       | Australia                         | 10.76                | -             | 10.76           | -            | 1.76                |
| 2.                       | Belgium                           | 11.93                | -             | 11.93           | -            | 11.93               |
| 3.                       | Canada                            | 138.05               | 3.43          | 143.48          | -            | 141.48              |
| 4.                       | Denmark                           | 19.54                | 1.00          | 20.54           | -            | 20.54               |
| 5.                       | F.R.G.                            | 211.53               | -             | 211.53          | 27.16        | 184.37              |
| 6.                       | Finland                           | 14.74                | 10.64         | 25.38           | 15.93        | 9.45                |
| 7.                       | France                            | 89.75                | -             | 89.75           | -            | 89.75               |
| 8.                       | Italy                             | 81.15                | -             | 81.15           | -            | 81.15               |
| 9.                       | Japan                             | 70.50                | 92.88         | 163.38          | 21.82        | 141.56              |
| 10.                      | Netherland                        | 153.41               | 26.42         | 179.83          | 1.62         | 178.21              |
| 11.                      | Norway                            | 71.04                | 3.10          | 74.14           | -            | 74.14               |
| 12.                      | Sweden                            | 70.30                | (-)0.80       | 69.50           | -            | 69.50               |
| 13.                      | Switzerland                       | 20.23                | -             | 20.23           | -            | 20.23               |
| 14.                      | U.K.                              | 175.98               | 34.25         | 209.73          | -            | 209.73              |
| 15.                      | U.S.A.                            | 164.25               | 1.81          | 166.65          | 8.19         | 158.46              |
| 16.                      | E.E.C.                            | 252.81               | -             | 252.81          | 0.90         | 251.91              |
| 17.                      | U.N.D.P.                          | 68.77                | 0.27          | 69.04           | 0.38         | 68.66               |
| 18.                      | UNICEF                            | 71.68                | -             | 71.68           | 6.88         | 64.80               |
| 19.                      | A.D.B.                            | 9.17                 | (-)0.79       | 8.38            | -            | 8.38                |
| 20.                      | F.A.O.                            | 2.85                 | -             | 2.85            | -            | 2.85                |
| 21.                      | U.N.F.P.A                         | 7.59                 | -             | 7.59            | 0.07         | 7.52                |
| 22.                      | Saudi Arabia                      | 85.65                | -             | 85.65           | -            | 85.65               |
| 23.                      | I.D.B.                            | 15.28                | -             | 15.28           | -            | 15.28               |
| <b>Total:</b>            |                                   | <b>1817.05</b>       | <b>172.21</b> | <b>1989.26</b>  | <b>82.95</b> | <b>1906.31</b>      |

P.T.O.



Summary of commitment and disbursement of project aid to Bangladesh during December, 1992 by category of aid and by country/agency.

(Million U.S. Dollar)

| Sl. No.                  | Name of aid giving country/agency | Pipe line on 1.12.92 | Commitment    | Total available | Disbursement  | Pipe line on 1.1.93 |
|--------------------------|-----------------------------------|----------------------|---------------|-----------------|---------------|---------------------|
| 1                        | 2                                 | 3                    | 4             | 5=(3+4)         | 6             | 7=(5-6)             |
| <u>Aid Group Sources</u> |                                   |                      |               |                 |               |                     |
| III.                     | <u>Project Aid:</u>               |                      |               |                 |               |                     |
|                          | b) <u>Loans:</u>                  |                      |               |                 |               |                     |
| 1.                       | France                            | 41.53                | -             | 41.53           | -             | 41.53               |
| 2.                       | Japan                             | 271.83               | 0.28          | 272.11          | -             | 272.11              |
| 3.                       | A.D.B                             | 1291.04              | 173.06        | 1464.10         | 58.94         | 1405.16             |
| 4.                       | I.D.A.                            | 1398.73              | -             | 1398.73         | 17.69         | 1381.04             |
| 5.                       | I.F.A.D.                          | 45.47                | (-)7.06       | 38.41           | 0.13          | 38.28               |
| 6.                       | Kuwait                            | 18.23                | -             | 18.23           | -             | 18.23               |
| 7.                       | Saudi Arabia                      | 42.93                | 0.90          | 43.83           | -             | 43.83               |
| 8.                       | I.D.B.                            | 20.16                | -             | 20.16           | -             | 20.16               |
| 9.                       | O.P.E.C.                          | 46.08                | (-)8.00       | 38.08           | -             | 38.08               |
| 10.                      | China                             | 24.78                | -             | 24.78           | -             | 24.78               |
| 11.                      | India                             | 23.50                | (-)11.63      | 11.87           | -             | 11.87               |
| 12.                      | Pakistan                          | 28.20                | -             | 28.20           | -             | 28.20               |
| 13.                      | Supplier Credit                   | 140.85               | -             | 140.85          | 89.78         | 51.07               |
| <u>Total:</u>            |                                   | <u>3393.33</u>       | <u>147.55</u> | <u>3540.88</u>  | <u>166.54</u> | <u>3374.34</u>      |

Source: External Resources Division, Ministry of Planning.

APPENDIX - 6 (CONTINUED)