Let me begin with a few words on my personal relation to Bangladesh. I had just joined the South Asia Institute of Heidelberg University, where I work as a research economist, to help programming German aid to Pakistan, when the Pakistan Army started its operation in Dhaka, which triggered what became known here as the War of Liberation. We organised weekly seminars, invited speakers and tried to follow the events as good as we could. We were all very glad, when the war finally was over and Bangladesh was liberated. These things came into my mind, when I witnessed recently the signing of a memorandum of understanding between the Government of Bangladesh and Heidelberg University by the Bangladesh Ambassador and our Rector, which begins as follows:

"The Ruprecht-Karls-Universitat Heidelberg highly welcomes the initiative by the Government of the People's Republic of Bangladesh to establish Bangabandhu Sheikh Mujibur Rahman Professorial fellowship at the South Asia
institute of Heidelberg University (SAI). The main objective of the professorial fellowship is to promote scholarly exchange between the South Asia Institute and academic institutions in Bangladesh, reinforce the quality of teaching and research in South Asian Studies in general and Bangladesh in particular, and to promote the two-way mobility of scholars through conferences and networking.

I want to emphasise the word “two-way”, since this is what we should be aiming at during this seminar. I for myself did learn a lot from this is what travels to Bangladesh. When I came for the first time, Bangladesh was in the grip of the 1974 famine. I had never seen anything like this and readily accepted this as being normal here, having in mind Henry Kissinger’s infamous “basket case”. A few years later I arrived here in spring and it was like coming to a totally different country. I have learnt to be careful in judging a situation as normal or a future as predictable. The political and economic environment has been everything else as predictable, as the recent Asia crisis – and recovery – again has shown.

I remember three problems we concentrated on in our first study on Bangladesh: the population explosion, food supply and the jute economy. Population growth turned out to be never as high in the then East Pakistan as in West Pakistan; we learnt that development patterns can be different in different countries, even within South Asia. As for food, the late 1960s had seen the green revolution, but only for wheat; only much later rice yields also could be raised significantly. And for jute, this was the only foreign exchange earner for many years to come; it still is important if measured by net earnings, value added and employment; nobody then had
thought of ready made garments, believing that cotton growing countries would have a natural advantage for textiles production.

The lesson for our seminar that we can draw from these examples is to be careful with prognoses, not to speak of predictions. But this does not mean that we should do without careful analysis. Paul Krugman explains in his latest book, that the so called Asian crisis came not totally unexpected, that there were early indicators which some of his colleagues could read; but it took time before signals were placed to "danger" and growth came to a halt. There might be such signals also in South Asia in general and in Bangladesh in particular, and we have to discuss them during the next two days.

Nothing had more impact on development assistance than the end of the "battle of the systems": aid provided has come down to a record low, despite the fact that poverty world-wide is still growing in absolute terms, if not in relative terms. This is of the greatest importance for all South Asia, but especially for Bangladesh, which still cannot fund its imports by export receipts. Exports depend on the absorptive capacity of the world market, i.e. the economic growth of the major importers of goods from Bangladesh. With the multi-fibres agreement running out soon, Bangladesh has to be prepared for stiff competition. Remittances of workers abroad, unpredictable after the so-called Asian crisis and the extreme ups and downs of the oil price. The oil cartel at present tries to repeat its success of the 1970s, i.e. utilising their quasi monopoly by reducing oil supply, driving up prices and increasing their earnings. But it would be overoptimistic to expect a dramatic increase in demand for migrant labour and a rise in
remittances, since the oil exporting countries have to absorb their own, fast growing labour force. As we know, there has been no peace dividend for the countries of South Asia after the end of the cold war, which rather meant the end of a war dividend for Pakistan. Bangladesh so far has been lucky not to have the dubious advantage of being located near an international trouble spot: as we know, all countries “benefiting” from their strategic location had to pay the heavy price of being drawn into those crises, finally.

But after the demise of the second world, there is, unfortunately, also less concern for the third world. Importantly, the economists will argue that trade serves the needs of any country better than aid with its lack of prioritisation, slow bureaucratic processes and unclear responsibilities. We shall discuss, whether this is just an excuse for a partial withdrawal from international responsibilities or a valid alternative and improvement. It certainly is not an easy process and will need a lot of institutional adjustments.

Bangladesh, whose late president Ziaur Rahman, was the driving force behind the South Asian Association for Regional Co-operation (SAARC), had set high hopes on this organisation. After almost two decades of regional cooperation we know that this certainly is an important forum for regional discussion, also during times of tension, but as long as two members of SAARC are fighting a war more or less openly, and are engaged in a nuclear and missiles arms race, there is little hope for free trade within South Asia. The share of regional trade in total trade among the seven South Asian nations still stands at around three per cent, Bangladesh being
no exception. It would certainly lead to structural changes, for which Bangladesh has to be prepared.

Bangladesh has been called a test case for development, and of course it has been a challenge also for German development co-operation. And certainly, the international community has achieved something to be proud of in Bangladesh. There is no need for me to go into details, since we will hear speakers, who are more competent to give you the details of German co-operation. But I shall not close without mentioning the many students, fellows and scholars from Bangladesh we had in Germany in general and at the South Asia Institute of Heidelberg University in particular. Some of them are teaching now at Bangladesh’s universities, at the Goethe Institute or have been active in the process of political decision making. I am also happy to report, that Bangla is not only been taught at the South Asia Institute, but Halle University, located in Eastern Germany, now has two faculty members proficient in Bangla and active in research on the history and literature of Bengal/Bangladesh.

Our Minister of Economic Co-operation and Development, Ms. Heidemarie Wieczorek-Zeul recently emphasised development policy as global structural policy and lined out four goals of development policy: the democratisation of legal society (Rechtsstaat), to find a way out of the debt trap, to link globalisation with ecological modernisation and inter-cultural understanding. If I try to relate this to South Asia in general and to Bangladesh in particular, we can say that all South Asian countries have made great progress in democratisation during the last decade, notably Bangladesh, although democratisation is certainly a difficult process. As far as the
debt trap is concerned, South Asia has a different structure of indebtedness than Latin America or South East Asia. As a result of comparatively soft conditions, South Asia is the least indebted world region; as for Bangladesh, Germany has waived since long debt outstanding and new aid is given as grants. Awareness of ecology has increased and has been taken care of especially with regard to exports of marine products, leather goods and textiles. And last, but not least, as far as our cultures are concerned, I tried to emphasise, that good progress is being made on both sides.