

# The Security World



4 OCTOBER 2020

My grandfather, the father of Bangladesh

Bangabandhu: The Harbinger of Friendship between Bangladesh and China

COVID-19 Crisis: Issues of Environmental Security

Macroeconomic Effects of Tightening Bank Capital Requirements

The enormity of Bangabandhu's leadership

Mizanur Rahman Sinha: A Pride of Bangladesh

Bangladesh Army is the true nobility of our country



**Bangabandhu's speech at the first passing-out parade of the first batch of Bangladesh Army at BMA 1975**

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# THE SECURITY WORLD

AN WEEKLY NEWS MAGAZINE

## ABOUT US

The Security World is being published with the primary purpose of promoting peace, security and international cooperation through analysis, policy dialogue and dissemination of information. We are also trying to focus on the contributions of our defense forces and law enforcement agencies in curbing terrorism and their role in the international arena to bring back peace and security. As there is no noteworthy publication to project these achievements, we believe the Security World will play a pivotal role in this regard.

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*Bangabandhu Sheikh Mujibur Rahman's speech to the 1st batch of Bangladesh Military Academy (BMA). Photo: ISPR*

## Bangabandhu's speech at the first passing-out parade of the first batch of Bangladesh Army at BMA 1975

**C**hiefs of the Armed Forces, Commander of the Bangladesh Military Academy, my cadet brothers,

My greetings to all of you ...

It has been my struggle all along to have a military academy established in Bangladesh. But we were unable to fulfill this hope of ours.

Today, through the sacrifices of lakhs of our martyrs, Bangladesh is an independent, sovereign state. That is the reason why today, on the soil of Bangladesh, a military academy for Bangladesh has come into existence. My chest swells in pride at this achievement. It is my hope that a day will come when this academy will not only become reputed in South-east Asia but will attain renown around the world.

My cadet brothers,

You should bear in mind that today you have completed your training. One stage has come to an end and another one begins. It is in this new stage that your responsibilities take on a larger meaning. It was through immense difficulties that you had to undertake your training. We were not able to give you every facility you needed. Your commanders went to great and difficult lengths to see that your training was satisfactory. From what I have observed today, it is my confidence that if we can give them every facility my boys who are trained can hold in themselves the power and the energy to confront any force from any country around the world in defence of their motherland.

My sons,

You are stepping into a new phase in life. Remember that each of you is a military officer under ►►



► whose authority will operate the men of my armed forces. There is much that you can learn from them as well. You have to identify with them. You have to know them, stand by them and be with them in their hour of need. Remember that he who loves is one who calls forth the right to govern. When you rule over them, make sure you love them too. Stand by them in their periods of distress. Give them your love, for they will sacrifice their lives at your command. Be men of ideals as you go forth. Conduct yourselves on the path of truth. A smile on the face and courage in the heart energise bonding, a calling to people to rise to being human beings in the proper sense of the meaning.

I am your prime minister. Many prime ministers will come after me and they will go after me. But I do not speak to you as your prime minister. I am giving you my directives as the Father of your nation. I do that because it is only once that a Father of the Nation emerges. He does not come a second time. Many prime ministers will come and go. Many presidents will come and go. You know the great love I hold for you. Be steadfast in upholding the truth. Love your motherland. It makes me happy to know that in these last three years I have been able to do something for my

armed forces, indeed for everyone in the country. It takes a long time for an academy to take shape. It does not come up in a day. Insha'Allah things will turn better, indeed in such a way that people from all over the world will come here to see this academy and its workings. That is the confidence I have. My felicitations go to you. Bear my directives in mind. Keep my love for you in mind. I will pray for you. The people of Bangladesh will offer prayers for you.

You are my first batch. Beginning tomorrow, you will be officers of the government. Set up ideals so that those who come after you will emulate you, follow you in your footsteps. I have this confidence in you. Insha'Allah the land whose independence we have achieved through so much of sacrifice will remain sovereign. No one will be able to destroy this country. But the purpose of freedom will be defeated if you cannot bring smiles to the faces of Bangladesh's suffering masses.

That is why I appeal to you once again: uphold the truth, stay on the path of truth. Surely, Allah will be with you. Farewell!

Khoda Hafez, Joy Bangla.

*(Translation: Syed Badrul Ahsan)*

# My grandfather, the father of Bangladesh

Sajeeb Wazed



As a child, I loved having breakfast with my grandfather. I insisted on eating whatever he ate exactly the way he ate it. My grandmother objected to this idolization only once when, as a joke, my grandfather allowed me to puff on one of his lighted pipes. Grandma got angry. He gave one of his famous, big laughs as I coughed my little lungs out.

This year is the 100th anniversary of my grandfather's birth. His daughter (my mother) and I are celebrating – along with the entire nation of Bangladesh. My grandfather, Sheikh Mujibur Rahman, is affectionately known there as Bangabandhu or “Friend of Bengal” and as the Father of the Nation. He led what was then East Pakistan to independence from Pakistan in 1971, the year I was born.

Public service is my family's business. My grandfather was Bangladesh's first prime minister. My mother, Sheikh Hasina, is Bangladesh's current prime minister. Both were elected to those positions. Bangladesh is proudly a secular democracy – just as my grandfather had envisioned it – and one of Asia's great success stories as a result.

When I was four years old, my grandfather's hopes were nearly destroyed. While my mother, father, sister, aunt and I were visiting West Ger-

many, army officers attacked my grandfather's home, murdering him and the rest of our immediate family. A cruel military junta took over the government. My mother and I were not allowed to return to our homeland until 1981.

Sacrifice has been a way of life for us. My grandfather spent 14 years as a political prisoner. When he finally came home, his eldest son didn't recognize him. My mother was also imprisoned several times before being exonerated of any wrongdoing. As the head of the opposition in 2004, she narrowly escaped a grenade attack on a political rally in the capital city of Dhaka. Years later, a court ruled that the attack was orchestrated by Tarique Rahman, the son of the junta leader who is believed to have ordered my grandfather's assassination.

The politics of Bangladesh has been bloody and personal too often. Pakistan and its collaborators committed genocide by killing three million people during the War of Liberation that created Bangladesh. Afterward, government control seesawed between the party led





► by my grandfather and mother, the Awami League, and its violent, Pakistan-backed opponents headed to this day by the wife and son of the junta's leader.

But after years of exile, struggle and persecution, my mother was elected prime minister, first in 1996, serving until 2001. She was returned to office in 2009 and since has been re-elected twice, making her the longest-serving prime minister in the history of Bangladesh and one of the most powerful women in the world. A recent poll by the independent, U.S.-based International Republican Institute found that that the Awami League government's approval rating was an astonishing 83 percent last year. Three quarters of those polled said they think the country is headed in the right direction.

My grandfather would have been proud to see this but not entirely surprised. My mother, the eldest of my grandfather's five children, believed, like him, in gender equality long before it was fashionable. As a consequence of their combined policies, Bangladeshi women are increasingly well educated, are often the breadwinners of their families and serve in record numbers in elected positions – all radical changes that, in part, have led the United Nations to declare Bangladesh eligible soon to graduate from a Least Developed Country to a Developing Country.

Bangladesh's economy has grown 188 percent since the start of my mother's second term in 2009. Last year, Bangladesh posted a record high economic growth rate of 8.1 percent, up



*Sajeeb Wazed Joy's birthday party on July 27, 1975 was the last family get-together that Bangabandhu Sheikh Mujibur Rahman attended before his assassination.*

*The photo is collected from BSS.*

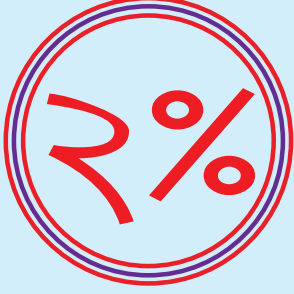
from 7.9 percent in 2018. People from every walk of life have benefited. Since 2009, 15.8 million people were lifted out of poverty. During that period, the poverty rate fell from 31.5 percent to 21.8 percent, and per capita income nearly tripled. HSBC Bank has predicted that Bangladesh will be the 26th-largest economy in the world by 2030.

Almost no one except my grandfather thought that was possible when Bangladesh was first established. For decades, democracy seemed like an impossible dream. Henry Kissinger even called Bangladesh "a basket case." But my grandfather's big heart filled our homes with friends, fellow believers and optimism from morning until midnight every day. Our public and private lives intertwined. The nation became our family. And a happy family it is thanks to his legacy.

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**Sajeeb Ahmed Wazed Joy** is the ICT Affairs Adviser to Bangladesh Prime Minister Sheikh Hasina. Courtesy: [realclearpolitics.com](http://realclearpolitics.com)

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# COVID-19 Crisis: Issues of Environmental Security

Major Md Abu Sayed



## Introduction

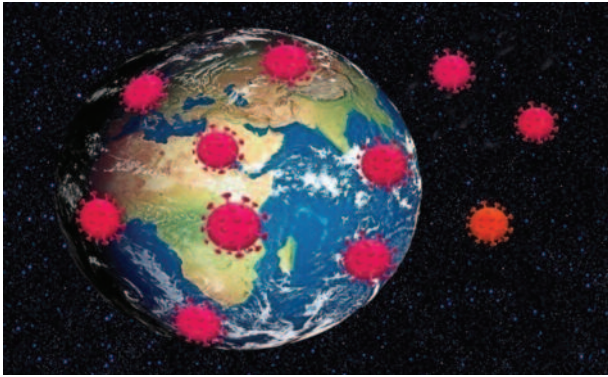
The COVID-19 pandemic is considered as the most crucial global health calamity of the century and the greatest challenge that the humankind faced since the 2nd

World War. In December 2019, a new infectious respiratory disease emerged in Wuhan, Hubei province, China and was named by the World Health Organization as COVID-19 (corona virus disease 2019). A new class of corona virus, known as SARS-CoV-2 (severe acute respiratory syndrome corona virus 2) has been found to be responsible for occurrence of this disease. As far as the history of human civilization is concerned there are instances of severe outbreaks of diseases caused by a number of viruses. According to the report of the World Health Organization (WHO as of 23 September 2020), the current outbreak of COVID-19, has affected over 3,14,25,029 people and killed more than 9,67,164 people in more than 235 countries and territories throughout the world. Till now there is no report of any clinically

approved antiviral drugs or vaccines that are effective against COVID-19. It has rapidly spread around the world, posing enormous health, economic, environmental and social challenges to the entire human population.

Apart from COVID-19, the human civilization has witnessed at least five pandemics in the current century, e.g. H1N1 in 2009, polio in 2014, Ebola (out broke in West Africa in 2014), Zika (2016) and Ebola (Democratic Republic of Congo in 2019). Subsequently COVID-19 outbreak has been declared as the sixth public health emergency of international concern on 30 Jan 2020 by the WHO. These worldwide outbreaks triggered a large number of fatalities, morbidities, and cost billions of dollars (Allocati et al, 2016; Fan et al, 2019). Compared to other diseases and their respective burdens, COVID-19 is likely to cause as much or greater human suffering than other contagious diseases in the whole world. In addition, other global environmental changes such as soil degradation, ozone layer depletion, pollution, and urbanization, changing environment creates an indisputable threat to our planet and human health. Global warming has its roots in industrial development, with the huge release of CO<sub>2</sub> during the industrial revolution and beyond, finally allowing the greenhouse effect to ►►





- take place. To some extent COVID-19 outbreak may be considered as an indirect consequence of global environmental changes.

### Environmental Security

The concept of environmental security views ecological processes and natural resources as sources or catalysts of conflict, barriers or limits to human well-being, or conversely, as the means to mitigate or resolve insecurity. It examines threats posed by environmental events and trends to individuals, communities or nations. The relationship between environmental changes, stress, and environmental degradation relative to the issue of security has garnered increased importance since the end of the Cold war. The major challenge concerns the global environmental change, focusing on the interactions between ecosystems and mankind, the effects of global environmental change on environmental degradation, the effects of increasing social request for resources, ecosystem services, and environmental goods.

The question about COVID-19 crisis being a god-send for human beings or not cannot be answered, but it would seem to be one for the environment. Following the outbreak of the corona virus, many countries had adopted lockdown procedures that stopped people from moving out and for shops and other establishments to close down. Before the start of the COVID-19 pandemic, the air around us had been deemed very toxic to breathe in due to the amount of greenhouse gases that had been emitted

over the centuries. The Earth faced rising temperatures, which in turn led to the melting of glaciers and rising of sea levels. Environmental degradation was happening fast due to the depletion of resources such as air, water and soil. But after the corona virus lockdown commenced, there have been slight changes in the environment. If we pay a close eye to all that is happening around us owing to the spread of this virus, we will notice that all the negative effects of corona virus are restricted to the mankind only. As far as our co-owners of the earth are concerned, the flora and fauna as well as the nature itself, they are enjoying the positives out of this deadly virus. It seems as if the plants and animals are reclaiming the land that we forgot to share with them or instead snatched away from them. Also, it is quite vivid that environment seems to have pressed the hidden reset button that it had, to replenish itself.

### COVID-19 and Global Environment

From the very beginning of civilization, human beings gradually started manipulating the nature for its own benefit. In order to satisfy the demand of increasing population industrialization and urbanization became inevitable, and the obvious significance was proved to be detrimental on the global environment. Further, environmental concerns include air pollution, water pollution, climate change, ozone layer depletion, global warming, depletion of ground water level, change of biodiversity & ecosystem, arsenic contamination and many more (Bremer et al., 2019; Coutts ►



*Medical wastes are being thrown in open places.*

► et al., 2010). Global warming is a result of the increasing concentration of greenhouse gases ( $\text{CO}_2$ ,  $\text{CH}_4$ ,  $\text{N}_2\text{O}$  etc). Out of the desire to drive the nature as per their own whims and desire, human beings started destroying the nature in numerous ways. As an inevitable consequence environment security has become a big issue of the present day.

But, due to the unusual outbreak of COVID-19, almost every big and small cities and villages in the affected countries like China, Taiwan, Italy, USA, France, Spain, Turkey, Iran, Germany, S Korea, U.K, India, Australia, Bangladesh and many more, is under partial of total lockdown for a long period of time ranging from a few weeks up to a few months. All local and central administrations worldwide have literally put a ban on free movement of their citizens outside their home in order to avoid community transmission. The various religious, cultural, social, scientific, sport, and political mass gathering events like, Hajj, Olympics etc. are cancelled. Various types of industries are not functioning; all types of travels are almost cancelled. Meanwhile, efforts to restrict transmission of the SARS-CoV-2, by restricting the movement have had an outstanding environmental effect. Due to non-functioning of industries, industrial waste emission has decreased to a large extent. Vehicles are hardly found on the roads resulting almost zero emission of greenhouse gases and toxic tiny suspended particles to the environment. Due to lesser demand of power

in industries, use of fossil fuels or conventional energy sources have been lowered considerably. Ecosystems are being greatly recovered. In many big cities the inhabitants are experiencing a clear sky for the first time in their lives. The pollution level in tourist spots such as forests, sea beaches, hill areas etc. is also shrinking largely. Ozone layer has been found to have revived to some extent. The pandemic has displayed its contrasting consequence on human civilization, in the sense that, on one hand it has executed worldwide destruction, but created a very positive impact on the world environment on the other hand.

### **Not all Positive**

But not all the environmental consequences of the crisis have been positive. Volumes of unrecyclable waste have risen; severe cuts in agricultural and fishery export levels have led to the generation of large quantities of organic waste; maintenance and monitoring of natural ecosystems have been temporarily halted. Covid-19 is also producing large quantities of hazardous medical waste, with personal protective equipment (PPE) used in hospitals being the main component. World Health Organization (WHO) standard PPE are one time use—every set of PPE becomes hazardous medical waste after being used for a single time. Besides PPE, there are other types of hazardous waste like facial tissue, gauze pieces, masks, oxygen masks, test tubes of nasopharyngeal swabs, saline bags, disposable syringes, needles ►►

- ▶ etc. that are being used to treat patients.

Local waste problems have emerged as many municipalities have suspended their recycling activities over fears of virus propagation in recycling centers. Food retailers have resumed using plastic bags at checkout points citing health concerns over consumers' reuse of paper bags. In addition, due to stay-at-home policies, many consumers have increased their consumption of take-away food delivered with single-use packaging.

All these developments have created acute challenges for the waste management industry at a time when they are operating with limited capacity due to the corona virus crisis. As a result environmental security is under threat. Because, this waste is left to decay, levels of methane (CH<sub>4</sub>) emissions, a greenhouse gas, from decaying produce are expected to rise sharply in the crisis and immediate post-crisis months. A few important issues of environmental security are highlighted here.

### **Ecosystems at Risk**

Natural ecosystems and protected species are at risk during the corona virus crisis. In many countries, environmental protection workers at national parks and land and marine conservation zones are required to stay at home in lockdown, leaving these areas unmonitored. Their absence has resulted in a rise of illegal deforestation, fishing and wildlife hunting. Many of the environmental challenges caused by the corona virus crisis will gradually resolve on their own once the crisis comes to an end and previous levels of economic activity resume.

### **Biodiversity Crisis**

The year 2020 was expected to be 'Super Year for Nature,' with a number of international meetings and negotiations (World Conservation Congress, UN Ocean Conference, UN Nature Summit and other preparatory meetings) leading to a global biodiversity conference that would agree on a

decade-long 'Post-2020 Biodiversity Framework', and the acknowledgment of nature-based solutions for climate change mitigation and additional benefits. Their postponement brings worries as we are losing critical time to address the biodiversity crisis. COVID-19 is having an impact on animals. Great apes, of which seven species are already threatened by extinction, are potentially vulnerable to this new virus. Lockdowns and the loss of tourism revenue also create challenges for protecting wildlife. The cost of COVID-19 to zoos could mean extinction for the 77 species of plants and animals (at least) that are extinct in the wild and exist only in zoological and botanical collections. Many scientists believe that the outbreak has a direct link with environmental degradation, deforestation and illegal poaching, bringing wild animals into close contact with humans, which have led us to face the pandemic.

### **Water and Sanitation**

The spread of COVID-19 is closely related to water and sanitation, as cleaning hands can reduce the transmission and help people stay healthy. But today billions of people still lack of safe water, sanitation and handwashing and funding is inadequate. Precautionary measure to reduce of spreading corona virus, municipality authority everyday spraying disinfection medicine on streets and every place where human foot steps are existing. As a result, reserve water level also decreasing.

### **Global Strategy Need for Environmental Security Forestation**

According to World Wildlife Fund, forests cover more than 30% of the Earth's land surface. The unstoppable growths in human population lead to deforestation for resources, industries and land for agriculture or grazing. Rising average temperature and ocean levels, and increased rate of extreme weather events affect not only the global ▶▶



► land and ecosystem, but also human health (Ruscio et. al. 2015). Deforestations are also linked to different types of disease due to the birds, bat-borne viral outbreaks (Afelt et. al. 2018; Olivero et. al. 2017). COVID-19 is bat related epidemic. To prevent this outbreak, billions of dollars are being spent to developing diagnostic, treatment, and medicine. But we are neglecting the primary tools of prevention such as forestation and respecting wildlife habitats. It is therefore very much important for the world to realize the significance of the forests, and to encourage afforestation as much as possible throughout the world.

### **Global Ban on Wildlife Trade**

The starting point of COVID-19 outbreak was Hunan seafood market, Wuhan, China. China has temporary put a ban on wildlife markets where animals such as civet, bat, wolf pup, pangolin etc. are kept alive in small cages while on sale. 60% of emerging transferable diseases originate from animals, and 70% of these are supposed to originate in wild animals. So, the unrestricted wildlife trade might enhance the risks of emerging new viruses. Many scientists have urged different countries to permanently ban the wildlife markets and trades. These actions would help to protect human lives from future pandemics like COVID-19. Therefore, considering the national security, biosafety, and public health, it is essential to globally ban wildlife markets and trades.

### **Bring Back Greener**

Globally we are passing through an unprecedented complex situation and often it is termed a routine a 100-year cycle of a pandemic. Others are strongly connecting it to the impact of our ruthless behaviour on natural resources and environment. Whatever might the reason be, hopefully, the situation will be over at some point. But experts have emphasized “Build Back Greener”

when to think about post-COVID-19 recovery phases. The pandemic is an extreme crisis that affects everyone and every nation in the world. Bangladesh government has set an allocation of Tk 12.46 billion to mitigate the adverse effects of climate change in the new budget. The money will be spent by the Ministry of Environment, Forest and Climate Change to bring back green.

### **Global Stands of Bangladesh**

Global stands of Bangladesh are always positive regarding environmental issues. The founder president of Bangladesh- Bangabandhu Sheikh Mujibur Rahman raised this issue at the United Nations General Assembly on 25 September 1974. The Honourable Prime Minister- Sheikh Hasina, Government of the People’s Republic of Bangladesh, highlighted environmental issues in her speech virtually at the high-level event arranged to mark the 75th anniversary of the United Nations at its headquarters in New York on September 22, 2020. She mentioned, our climate emergency and Covid-19 are global threats. Both were predictable, and we could have — should have — done much more to minimize the risks. But now that they are upon us, the best way to respond, surely, is through concerted international action.

Both the climate crisis and the pandemic are complex problems with many ramifications. They will either be solved collectively, or not at all. It will be futile to spend hundreds of billions of dollars to secure a Covid-19 vaccine for one nation alone, if the pandemic is allowed to rage elsewhere. And it will be similarly pointless for a majority of nations to rein in their emissions and build more sustainable economies if the world’s largest emitters do not do the same. She also urged the United Nations to provide a credible and practical roadmap for delivering on commitments and responding decisively to global challenges. ►►





*Prime Minister Sheikh Hasina delivers her speech virtually at the high-level event arranged to mark the 75th anniversary of the United Nations at its headquarters in New York on September 22, 2020. Photo: PID*

### ► Conclusions

The pandemic is showing us the fact that if we destroy nature, we actually ruin the nature that supports plants and animal to exist as well as human life. Nature is now breathing deeply due to the lockdowns – from clean air and water. So, leaders and experts around the world are calling for a profound, systemic shift to a more sustainable economy that works for both people and the planet. Many of the cities around the world are planning for life after COVID-19, and some of them have decided to share knowledge and expertise to implement immediate green recovery programmes. A series of environmental initiatives are already being rolled out from the world to ensure public safety and bolster the fight against the environmental crisis.

The significance of biodiversity to ensure human wellbeing and to achieve sustainable development is unquestionable. Climate change and environmental degradation undermine the rights of every people, especially of children and women. The role of biodiversity conservation should get the

utmost importance to achieve many of the Sustainable Development Goals or SDGs. While some countries are focusing on building a sustainable economy in line with the Paris Agreement, others are using the COVID-19 crisis to step back from green evolution and human rights.

Attention must be given to threats on the environment and natural resource bases as a result of the corona virus pandemic and consequential social and economic impacts. It is true that, the benefits of air pollution reductions will also be erased. Overall, the crisis may thus have no permanent environmental effects. However, what we have learned about the environmental benefits and risks of sharp drops in global economic activity will certainly help us to better understand the mechanics of environmental sustainability, societal consumption patterns, and how we can reduce environmental security in a future crisis-free world.

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**Major Md Abu Sayed, AEC;** *General Staff Officer Grade-II (Education) of Headquarters 46 Independent Infantry Brigade, Dhaka Cantonment and a PhD researcher at Dhaka University.*

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# Macroeconomic Effects of Tightening Bank Capital Requirements

Dr. Jamaluddin Ahmed



Among the most prominent measures are bank capital-based policy instruments, such as risk-weighted capital ratios, leverage ratio caps, or countercyclical capital buffers. These policy tools aim at increasing the resilience of the financial sector to shocks. Policy tools might also be activated to have a dampening effect on credit dynamics during buoyant times. However, experience with capital-based macroprudential policies is limited, especially concerning the transmission of these policy instruments to the real economy. Identifying the macroeconomic effects of a tightening in bank capital regulation is not trivial. Bank capital is a highly endogenous variable that fluctuates due to a plethora of causes. To identify the effects of bank capital regulation in a way that is useful for policy one needs to separate movements in bank capital due to changes in regulation from all its other potential drivers, such as banks' endogenous reaction to

macroeconomic shocks. Sandra Eickmeier and Benedikt Kolb-Esteban Prieto (2018) in their study *Macroeconomic Effects of Bank Capital Requirement Tightenings* introduced a narrative index of regulatory bank capital requirement tightenings over 1979-2008 to examine those costs. The intention was to explore, does Bank capital regulations are intended to enhance financial stability (and economic growth) in the long run, but may, in the short run, involve costs for the real economy. Their results suggest that after a tightening in regulatory capital requirements banks reduce business and real estate loan volumes and increase lending spreads. These negative loan supply effects trigger a temporary decline in investment, consumption, housing activity and production. Non-financial corporations compensate the decline in bank lending by issuing corporate bonds and commercial paper. Negative wealth effects and an increase in the unemployment rate after the capital requirement changes matter for consumption dynamics as well. Monetary policy cushions the negative effects. We also assess second moment effects of capital requirement tightenings. Sandra Eickmeier et al (2018) study also showed that reduce financial and ►►





► macroeconomic volatility, but increase inequality (at least in the medium run). Identifying the macroeconomic effects of a tightening in bank capital regulation is not trivial. Bank capital is a highly endogenous variable that fluctuates due to a plethora of causes. To identify the effects of bank capital regulation in a way that is useful for policy one needs to separate movements in bank capital due to changes in regulation from all its other potential drivers, such as banks' endogenous reaction to macroeconomic shocks.

Proposing a narrative approach in the spirit of Romer and Romer (2010) and Fieldhouse, Mertens, and Ravn (2017) to identify exogenous changes in the aggregate bank capital ratio. Specifically, we create a narrative index of tightenings in US capital requirements for 1979-2008, based on detailed readings of legislative documents. We identify six events which fall into this time span: three in the early/mid-1980s, when the US supervisory authorities introduced nu-

merical capital requirements, and three in the early-1990s in relation to the first Basel Accord and a strengthening of regulators' resolution powers. (In the robustness analysis we extend our sample to 2016 and include Basel II.5 and Basel III.) In all cases a large share of US banks raised their capital ratios simultaneously and significantly, as documented in academic publications. The stated purpose of the regulations and their often lengthy introduction processes make clear that they were set up to address fundamental weaknesses in the banking system, rather than as immediate stabilization policies. Thus, we take (and test) them to be exogenous to the state of the financial cycle and of the business cycle.

Introducing the constructed exogenous *capital requirement index* (CRI) into local projections, as proposed by Jordà (2005), to assess the dynamic responses of key macroeconomic and financial variables to these capital requirement tightening events. Our main results are as follows. A tightening in capital requirements leads to a delayed ►

- ▶ but permanent increase in the aggregate bank capital ratio. The sluggish adjustment in the capital ratio reflects that regulatory changes of bank capitalization usually come with a phase-in period. Banks first reduce their assets and then increase capital. The events have significantly negative effects on bank loans and production, which last about two years. These results are robust against a battery of sensitivity checks including changing the sample period, the CRI, or the model specification.

Through close inspection, the transmission mechanism. Business and real estate loan volumes decline, and lending spreads tend to increase. Negative loan supply effects induced by the regulation trigger a temporary decline in investment, consumption and housing starts. Negative wealth effects and an increase in the unemployment rate after the capital requirement changes matter for consumption dynamics as well. Non-financial corporations compensate the decline in bank lending by issuing corporate bonds and commercial paper, preventing a larger drop in investment. Using a counterfactual experiment we show that monetary policy, with some delay, cushions negative effects of capital requirement tightenings on the economy.

Comparing the effects of negative loan supply changes induced by a tightening in capital requirements with those triggered by a “financial (or credit spread) shock” commonly considered in the literature: a change in the *excess bond premium* (EBP). An increase in the EBP has longer-lasting effects on the economy than capital regulation. Reasons may be that business loans decline more persistently and the monetary policy rate drops less strongly after the EBP increase. Other differences are that real estate loans and the house price are barely affected by the EBP change, and lending spread reactions are more front-loaded.

The costs caused by the capital regulation need to be seen alongside effects of capital requirement tightenings on second moments. Financial and macroeconomic volatility declines, as the investment mix shifts away from short- towards long-term and as banks lower their leverage ratio. (By contrast, volatility rises after an increase in the EBP.) Moreover, income and expenditure inequality rises in the medium run, as a result of the increase in the unemployment rate, which mostly affects poor households negatively, and a rise in (precautionary) savings, which prevents richer households’ expenditures to decline. Hence, second moment effects of capital requirement tightenings are mixed.

So far, the debate on macroprudential policies has been informed mostly by findings from empirical microeconomic studies and structural models. The former type of studies assesses the effects of changes in banking regulation on credit supply at disaggregated (bank or loan) levels (see, among many others, Miles, Yang, and Marcheggiano, 2013, Aiyar, Calomiris, and Wieladek, 2014, Buch and Goldberg, 2015 and Jimenez, Ongena, Peydró, and Saurina, 2017). Those studies often find large short-run effects of capital requirement changes on bank lending. They provide a high level of econometric credibility, but leave open questions about the transmission to the real economy and whether changes in credit supply are permanent or transitory and disregard general equilibrium effects.

Inference on the macroeconomic effects of macroprudential bank capital policies to date stems almost exclusively from DSGE models [Gerali, Neri, Sessa, and Signoretti (2010), Daracq Pariès, Sørensen, and Rodríguez-Palenzuela (2011), Quint and Rabanal (2014), or Clerc, Derviz, Mendicino, Moyén, Nikolov, Stracca, ▶▶

► Suarez, and Vardoulakis (2015)]. Progress has been made in incorporating features of the financial sector into these models to make them suitable for the analysis of macroprudential policy issues. Yet, findings often remain highly sensitive to the specific friction included, shock considered or calibration chosen. It is therefore often difficult to draw clear policy conclusions from these models. Lind e, Smets, and Wouters (2016) provide a thoughtful discussion about the challenges and shortcomings of current macroeconomic models.

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**Main results on Aggregate effects of a tightening in capital requirements:** Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) analyze the transmission of a regulatory tightening of bank capital requirements to key macroeconomic and lending variables. Industrial production falls with a delay and temporarily (Figure 3). The maximum decrease of almost 3% is reached after a bit more than a year. Also looking at the reaction of GDP (interpolated from quarterly to monthly) to the changes in capital requirements. It observes a similar shape as for the impulse response function of industrial production. In terms of magnitudes, GDP declines by a maximum of 0.8%.

The PCE deflator does not change significantly, which is why we do not show its responses here and in the remainder of the paper [Abbate, Eickmeier, and Prieto (2016)]. The Federal Funds rate is lowered significantly after about a year, probably as a reaction to the decrease in production, and then returns to baseline. We will examine more formally below to what extent monetary policy has smoothed out negative economic effects of the capital requirement changes. The decline of production seems due to a fall in loans, which resembles the fall in bank assets. The minimum effect of about -4% is reached after almost 20 months. Finally, the BAA spread increases after about a year and remains significantly above zero for another year. The rising spread and the declining volume suggest that negative credit supply effects, which involve both the quantity and the price of credit, dominate after the shock.

Responses of production, loans or spreads relative to the response of the (non-regulatory) capital ratio seem very large compared to other studies which analyze the impact of capital requirement changes (e.g. Meeks, 2017, Macroeconomic Assessment Group, 2010, or Table 4B in Dagher, Dell’Ariccia, Laeven, Ratnovski, and Tong, 2016, for an overview of the effects from previous stud-►►



►ies). Various factors may be able to explain these differences in magnitudes. First, if our CRI is an accurate measure of capital requirement regulation, we should see relatively large effects compared to those implied by measures which contain more noise. In fact, studies using narrative shock measures typically find relatively large economic effects of those shocks (Cloyne and Hu rtgen, 2014), which summarizes the effects of monetary policy shocks from previous studies). Second, even though microeconomic studies detect relatively large effects on loans, compared, e.g., to Macroeconomic Assessment Group (2010), those studies still yield partial equilibrium effects. By contrast, our effects should contain (at least implicitly) all channels through which capital regulation affects the economy. Third, our shock likely includes anticipation effects. Once the rules become effective, banks have time to adjust their capital ratios, and this is known by the agents. From the empirical macroeconomic literature we know that anticipated shocks have relatively large effects (Barsky and Sims, 2011 and D'Amico and King, 2015), who focus on technology news vs. technology shocks and monetary policy shocks, respectively, and Schmitt-Grohe and Uribe, (2012), who assess a variety of anticipated versus unanticipated macroeconomic shocks). Other studies consider effects of direct changes in the capital ratio, which leaves no role for expectations. Exploring the role of anticipated versus fully unanticipated shocks is not feasible in the current setup. In the robustness analysis below we will, however, further analyze the role of announcement effects by considering CRIs built based on the proposed and final rules. Fourth, the level of our (non-regulatory) capital ratio on average over the six events is much smaller (at 6.9%) than the levels of ratios considered in other studies. In Macroeconomic Assessment Group (2010) and Aiyar, Calomiris, and Wieladek (2014), for example, banks depart from a (regulatory) capital ratio of about 11%. Effects on loans relative to effects on relative changes in the bank capital ratio (i.e. changes in the ratio rel-

ative to the level of the ratio) in our analysis are still larger than corresponding figures in Macroeconomic Assessment Group (2010), but broadly comparable to those published in Aiyar, Calomiris, and Wieladek (2014). It goes beyond our study to ultimately determine which of the four explanations best explains magnitude differentials, but this could be explored in future research.

We have argued (and tested) that our CRI is exogenous to financial markets and the macroeconomy. Yet, can we be sure that our shocks are indeed pure capital regulation shocks and that they not are contaminated by other shocks and, if so, that this explains the large magnitudes? In the robustness section below, we control for various other shocks (which might be expected to primarily move loans or economic activity rather than the capital ratio), such as other financial, monetary policy, fiscal or oil price shocks. We anticipate here that none of those changes to the model changes our key findings. We cannot fully exclude that other regulatory changes which may have also triggered real effects coincide with our events. However, while later regulations such as Basel II.5 and Basel III consisted of bundles of several measures, also targeting liquidity and various sources of risk, the initial regulatory capital requirement changes in our baseline CRI predominantly or solely aimed at enforcing higher capital ratios (see e.g. Tarullo, 2008, and the motivation for the regulatory changes given in Appendix A).

**Findings of analyses:** In this section we first analyze the transmission mechanism in some detail. This includes the role of monetary policy in cushioning the effects of capital regulation on the economy. We then compare the effects of our CRI shocks with those of a change in the EBP, another type of credit supply shocks. Finally, we analyze the effects of capital requirement tightenings on second moments (volatility and inequality). ►►

### ► Transmission mechanism

**Loans and spreads:** We first analyze the responses of C&I and real estate loan volumes to the CRI shock. The responses of the loan sub-aggregates might help understand which type of borrower is affected most in terms of a reduction in credit supply: entrepreneurs or real estate loan holders. Banks reduce both types of loans. The maximum decline for both loan categories is at -5%, and the drop is more persistent for real estate loans. We also looked at the reaction of consumer loans, but, to not overload the paper, we do not present results here. Consumer loans decline, but the drop is only very short lived and marginally significant. One reason may be that, after a capital requirement tightening, banks shift lending from riskier business loans to safer consumer loans. [(den Haan, Sumner, and Yamashiro (2007)) for another view.] Moreover, credit cards account for about 40% in the consumer loan aggregate (between 2000 and 2008) and likely evolve in a fundamentally different way after shocks than personal loans. We also look at not only the real estate loan aggregate, but also non-residential mortgage credit and residential mortgage credit separately (which, unlike real estate loans, also include nonbank credit). Those series are taken from the US Financial Accounts and were interpolated from quarterly to monthly. Non-residential mortgage credit declines by up to -15%, residential mortgage credit by up to -2.5%. The reaction of the former loans is very long lasting. The latter loans remain significant for about 2 years.

Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) next show responses of the C&I loan rate spread, defined as the bank prime loan rate minus the 2-year Treasury bill rate; and the mortgage rate spread, defined as the 30-year mortgage rate minus the 10-year Treasury constant maturity rate. Both spreads rise with a



delay and temporarily (as was the case for the BAA spread); the mortgage loan spread response is barely significant. Both the personal loan spread, defined as the finance rate on personal loans minus the 2-year Treasury bill rate, and the new car loan spread, defined as the finance rate on consumer installment loans for new cars minus the 3-year Treasury bill rate, increase notably and temporarily after a delay, but, as for the aggregate of consumer loans, we do not show spread reactions here.

**Non-financial corporations:** The next aim at understanding how the worsening of business loan supply conditions translates into investment by non-financial corporations. Figure 6 shows that (fixed private non-residential) investment exhibits a hump-shaped decline; the trough of -5% is reached after 20 months. Confidence bands are wide, suggesting considerable estimation uncertainty for investment. Non-financial corporations compensate the decline in C&I loans by increasing commercial paper and corporate bond issuance. Through this mechanism, investment is prevented to decline even more. This mirrors the finding by Eickmeier and Hofmann (2013) that after a monetary policy tightening shock non-financial corporations issue more corporate bonds, compensating the decline in mortgage debt, also Kashyap, Stein, and Wilcox (1993) for an argument why reverse movements in bank loans and commercial paper signal loan supply effects. ►►

► **Households:** To provide impulse responses of personal consumption expenditures, housing starts (as a monthly measure of activity on the housing market), asset prices and the unemployment rate. Consumption declines temporarily after the regulatory event. The trough is at about -1%. Housing starts decrease as well, up to -10%, and the negative response remains significant for about a year. The consumption and housing start responses can be explained by banks lowering household loan supply. In addition, we find a wealth channel to be effective. House and stock prices (in real terms) decline persistently. Another negative influence on consumption and housing starts may be the increase in the unemployment rate (and the resulting decline in labor income, shown below).

The role of monetary policy after capital requirement tightenings - a counterfactual experiment We have seen before that the central bank lowers the monetary policy rate after a capital requirement tightening. This suggests that monetary policy, to some extent, cushions the negative effects of the regulation on credit markets and the real economy. In order to tentatively quantify these effects we carry out a counterfactual experiment. We assess how selected variables would have reacted had there been no response of monetary policy to the regulatory event. The counterfactual experiment is carried out as follows. We augment out baseline model with contemporaneous and lagged (updated) Romer-Romer monetary policy shocks [(Romer and Romer, 2004, Coibion, Gorodnichenko, Kueng, and Silvia, (2017))]. Impulse responses to monetary policy shocks are obtained as coefficients of the contemporaneous Romer-Romer measure in local projection regressions. We then feed into our baseline model monetary policy shocks to offset the response of the Federal Funds rate to the CRI increase.

Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) shows impulse responses of selected variables to changes in the CRI from our baseline (black solid lines and shaded areas) together with point estimates of the counterfactual impulse responses (red dashed lines). The first finding is that the monetary policy reaction enables banks to faster adjust their capital ratio to higher values by stabilizing the economy. This is consistent with the empirical study by Buch, Eickmeier, and Prieto (2014) who find an increase in banks' capital ratio after an unexpected monetary policy easing. It is also in line with DSGE models which take into account loan defaults [(Hristov and Hu lsewig, 2017 or Zhang, 2009)]. Expansionary (monetary policy) shocks increase bank profits not only by increasing credit demand, but also by reducing loan defaults. Hence bank capital increases by more than bank assets and the bank capital ratio rises.

In this way, monetary policy supports macroprudential policy. Second, monetary policy cushions negative effects on loan supply, real variables and the house price of changes in the CRI. It is effective with a delay, because it reacts with a delay to changes in the CRI and has delayed effects on the economy. Hence, monetary policy importantly helps preventing negative effects to become long lasting. One implication is that if monetary policy reacted earlier by lowering the interest rate in response to the regulatory event, it might be able to even cushion short-run effects more. We emphasize that this holds for exogenous requirement events as those looked at here. Our study entails no direct implication for countercyclical macroprudential policies (and its interaction with monetary policy), which are designed to curb credit and asset price booms to prevent bubbles and subsequent major financial stabilities. ►►



- To sum up, both business and real estate loan segments are affected by the capital requirement changes. Effects typically run through both loan volumes and loan rates. Non-financial corporations smooth the decline in lending by issuing corporate bonds and commercial paper. Households adjust their consumption and housing starts shortly after the event, not only as a consequence of the drop in loan supply but also because of negative housing wealth effects and the rise in the unemployment rate. Moreover, monetary policy cushions negative effects of capital requirement tightenings on the economy.

Comparison with another financial shock How do effects of a regulatory shock compare with effects of another, not policy-induced, financial (or credit supply) shock. To the best of our knowledge the only financial shock measure that is available on a monthly basis and over our sample period is the excess bond premium (EBP). The EBP is also often used in time series analyses as a measure of financial shocks [(Gilchrist and Zakrajsek, 2012, Abbate, Eickmeier, and Prieto, 2016, Furlanetto, Ravazzolo, and Sarferaz, forthcoming, and Caldara, Gilchrist, and Zakrajsek, 2016)]. The EBP is cleaned from borrowers' default risk, possibly arising from macroeconomic influences, but not from regulatory changes. We found earlier that when we control for the EBP our baseline results do not change and that the EBP does not systematically react to changes in the CRI. We can therefore safely conclude that there is no overlap between the two.

To add the EBP to our baseline model and adopt a specification similar to one for the model adopted by Gilchrist and Zakrajsek (2012). We include the EBP contemporaneously and with 2 lags. The set of controls are our CRI, the baseline model's controls as well as the term spread. Aug-

menting the number of lags for the EBP and/or the other explanatory variables from 2 to 6 (mirroring Gilchrist and Zakrajsek, 2012 who use 2 lags in their quarterly VAR model) did not alter our key findings. Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) shows impulse responses to a change in the EBP by 1 percentage point (black line and shaded areas), together with the point estimates for the baseline model (blue dotted line).

There are some notable differences between the effects of CRI and EBP changes. An increase in the EBP leads to a decline in the capital ratio as a consequence of the resulting recession. It also has longer-lasting effects on the economy than capital regulation. Reasons may be that business loans decline more persistently and the monetary policy rate drops less strongly after the EBP increase. Another difference is that real estate loans and the house price are barely affected by the EBP change. Note that consumption also moves strongly and persistently after the change in the EBP, despite the lack of reactivity of housing loans, the house price and consumer loans (not shown). This might be explained by the increase in the unemployment rate, as well as by a decline in labor income and stock market wealth (not shown). The latter two fall more strongly after the EBP than after the CRI shock. Finally lending spread reactions are more front-loaded, which is not surprising given that the EBP has been constructed from corporate bond spreads.

**Effects of capital requirement tightenings on selected second moments:** Finally illustrate in this section that there are also short-run beneficial effects of capital requirement tightenings, which need to be pitted against the short-run costs. We look at effects of CRI changes on selected second moments. There is a growing consensus that pol- ►

Policy makers need to keep an eye on them, as their dynamics may influence original policy goals or trade-offs. The debate among academics and in policy circles on second moment effects of monetary and macroprudential policies and to what extent second moments can and need to be taken into account by those policies has intensified over the last decade [Coibion, Gorodnichenko, Kueng, and Silvia (2017)] and references to other literature and to speeches by monetary policy makers therein on monetary policy and inequality. There exists a huge literature on monetary policy and financial stability, [the speech by Mester (2016), the article by Adrian and Liang (2018), just to mention two recent contributions. A recent special issue on macroprudential policy and inequality (Koedijk, Loungani, and Monnin, 2017) and references therein.

**Effects on financial and macroeconomic volatility:** While banking regulation intends to enhance financial stability in the long run, it is an open question what it does to it in the short run. We start this section by showing impulse response functions of stock market volatility, defined as the logarithm of the VIX, extended with realized stock market volatility before 1990, and macroeconomic uncertainty, taken from Jurado, Ludvigson, and Ng (2015). Also inserted separately financial and real uncertainty, taken from Ludvigson, Ma, and Ng (2015), but results are very similar to the result for macroeconomic uncertainty and are, hence, not presented here. Both measures tend to decline, which suggests that tighter capital requirements have stabilizing effects on financial markets and the real economy also in the short run. This is all the more remarkable, as the shock is contractionary (i.e. lowers real activity). The construct impulse responses of the volatility measures to an increase in the EBP and find them to temporarily rise. This latter re-

sult is in line with Caldara, Gilchrist, and Zakrajšek (2016) who find, using their baseline identification scheme, that uncertainty temporarily rises after an increase in the EBP.

This finding is interesting in the light of Adrian (2017) who illustrates that an easing of financial conditions lowers GDP volatility in the short run (over the first 5 quarters) and then increases it (and vice versa for a worsening of financial conditions). Using somewhat different volatility measures, we find this confirmed after the EBP change but not after a change in our regulatory policy. Hence, the evolution of volatility seems to be dependent on the driver. How can our finding, i.e. a decline in volatility after the regulatory events, be explained. One possible explanation might be linked to the effects on the bank capital ratio (or its inverse, the leverage ratio). As emphasized in Brunnermeier and Sannikov (2014), shocks (“exogenous risk” in their model) which increase (lower) financial intermediaries’ leverage (i.e. “endogenous risk”), raise (reduce) macroeconomic volatility. The differential effect on leverage of the CRI and the EBP shocks (Figure 9) may be able to explain the differential effect on volatility.

But there might be a second explanation. This finding is interesting in the light of 11 show impulse responses of private spending aggregates to capital requirement tightenings. Long-term investments, captured by durable consumption, residential investment, and nonresidential investment in structures as well as in equipment, do not decrease significantly or even increase after a while. By contrast, non-durable and service consumption as well as investment in intellectual property products (which corresponds to shorter-term investment) decline significantly. Longer-term investment is less volatile than short-term investment, and the shift in the investment mix may be able to explain our finding of a decline in ►►

► volatility after the CRI increase (Aghion, Angeletos, Banerjee, and Manova, 2010). In stark contrast to this result, all spending aggregates decline after an increase in the EBP. One possible explanation for the change in the spending mix is that agents anticipate a more stable financial and macroeconomic environment after capital requirement tightenings. This is consistent with Park, Ruiz, and Tressel (2015) (and references therein) who argue that the mix of short- vs. long-term credit (which finances short- vs. long-term investment) depends, among others, on the stability of macroeconomic conditions and on the institutional framework.

Another explanation is the stronger monetary policy easing after the CRI increase compared to the EBP increase, together with greater monetary policy rate sensitivity of longer-term spending aggregates. Tenreyro and Thwaites (2016) and Coibion, Gorodnichenko, Kueng, and Silvia (2017) detect larger effects of monetary policy shocks on durable consumption (and in the case of the former study also on housing investment) than on nondurable and service consumption. Hofmann and Peersman (2017) find monetary policy shocks to have larger effects on residential than nonresidential investment. To conclude, it is found that after capital requirement tightenings a decline in volatility, which may be due either to lower banks' leverage ratio or to a shift in the investment mix from short- towards less volatile long-term investments. It would be interesting to explore the two explanations in future research.

**Effects on inequality:** Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) then assess the effects of capital requirement tightenings on inequality (using data provided by Lorenz Kueng from the Consumer and Expenditure Survey since 1980). Figure 12 shows median impulse responses to an increase in the

CRI in comparison to an increase in the EBP of percentiles 5-95 for income (after taxes), consumption and expenditures on average over the first year and years 1-2, 2-3 and 3-4.

Impulse responses of variables which capture relevant channels, i.e. the personal savings rate, household net worth to income and different types of income to the shocks. One key finding is that after a capital requirement tightening income declines relatively strongly for the low income households. For consumption and expenditures, we find that the spending responses of households from low to middle-consumption/expenditure groups is weaker and for longer horizons even positive, but negative for low and middle-expenditure groups and middle-consumption groups. Results are quite different for the EBP shock. After that shock, income and expenditures by households from higher percentiles decline more strongly than those from lower percentiles, consistent with Mumtaz and Theodoridis (2017) who focus on the effects of adverse financial shocks (captured either by an increase in the EBP or in corporate bond spreads or a worsening of financial conditions) from the US on consumption and income inequality in the UK. Hence, while inequality seems to rise - at least in the medium run - after the capital requirement tightening, it declines after the increase in the EBP.

What explains Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) findings. First, the unemployment rate rises more after the capital requirement tightening than after the EBP increase [(Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014)], and this typically mostly affects poor households. Second, the personal savings rate rises (with a delay) after the CRI increase and declines after the EBP increase. A possible explanation is that the be-►



►haviour of the savings rate is driven by precautionary motives, as volatility (which can be seen as a proxy for income uncertainty) declines after the CRI change, but rises after the EBP change [(Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014)]. The timing of the decline in the savings rate after the capital requirement tightening seems to coincide with the increase in bank capital. As savers tend to be the higher income/expenditure households, this may explain the increase in consumption and expenditures at longer horizons for those households. Third, the wealth to income ratio declines much more after the increase in the EBP than after the banking regulation. This may further explain why higher income/expenditure households consume less after the change in the EBP, as there is more need to save from personal income than after the capital requirement tightening. Fourth, after both impulses, the “income composition channel” seems to be effective. Financial income and business income (which tend to be received by higher income/expenditure households) drop more strongly than wages and salaries. Moreover, possibly as a result of the rising unemployment rate transfer income rises. This channel should contribute to lower income inequality, which is clearly visible after the EBP shock. By contrast the unemployment rate dynamics seem to matter more after the CRI change.

Overall, we conclude that capital requirements lower financial and macroeconomic instability. Inequality tends to rise, especially in the medium run, as the strong increase in the unemployment rate worsens poor household’s income situation and as richer households increase their expenditures as a response to a decline in income uncertainty. Hence, second moment effects of capital requirement tightenings are mixed.

Recent popular demonstrations such as the Occupy Wall Street movement have made it clear that the high levels of inequality in the US re-

main a pressing concern for many. While protesters have primarily focused their ire on private financial institutions, the Federal Reserve has also been one of their primary targets. The prevalence of “End the Fed” posters at these events surely reflects, at least in part, the influence of Ron Paul and Austrian economists who argue that the Fed has played a key role in driving up the relative income shares of the rich through expansionary monetary policies. But this view is not restricted to Ron Paul acolytes. As the quote above from Acemoglu and Johnson (2012) illustrates, the notion that expansionary monetary policy primarily benefits financiers and their high-income clients has become quite prevalent. For example, Mark Spitznagel, a prominent hedge fund manager, recently published an opinion piece in the *Wall Street Journal* titled “How the Fed Favors the 1%” (Spitznagel 2012).

**Possible channels linking monetary policy and inequality:** Proponents of this view focus on two channels through which monetary policy affects inequality. *Heterogeneity in income sources.* While most households rely predominantly on labour incomes, for others financial income, business income, or transfers may be more important. If expansionary policy raises profits by more than wages, wealth will tend to be reallocated toward the already wealthy. *Financial market segmentation.* Money supply changes are implemented through financial intermediaries. Increases in the money supply will therefore generate extra income, at least in the short run, for financiers and their high-income clients. However, there are in principle a number of other channels through which monetary policy could also affect inequality. *Portfolio effects.* If some households hold portfolios which are less protected against inflation than others, then inflation will cause wealth redistribution. For example, low-income house- ►

- holds typically hold a disproportionate share of their assets in the form of currency.

*Heterogeneity in labour income responses.* Low-income groups tend to experience larger drops in labour income and higher unemployment during business cycles than high-income groups. *Borrowers versus savers.* Higher interest rates, or lower inflation, benefit high net worth households (savers) at the expense of low net worth households (borrowers). *While the portfolio channel* goes in the same direction as those emphasised by the Austrian economists, the other two channels point to effects of monetary policy that go precisely in the opposite direction: contractionary (rather than expansionary) monetary policy will tend to increase inequality.

**What does monetary policy actually do to inequality:** In light of these different channels, the effect of monetary policy on economic inequality is a priori ambiguous. In a recent working paper (Coibion et al. 2012), we study how inequality responds to monetary policy shocks and which channels drive these dynamic responses. Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) measures of inequality come from detailed household-level data from the Consumer Expenditures Survey (CEX) since 1980. While the survey does not include the very upper end of the income distribution (i.e. the top 1%), which has played a considerable role in income inequality dynamics since 1980, the detailed micro-data do allow us to consider a wide range of inequality measures including labour income, total income, and consumption. In addition, the Consumer Survey is available at a higher frequency than other sources. Using these measures of inequality, we document that monetary policy shocks have statistically significant effects on inequality: *A contractionary monetary policy shock raises*

*inequality across households.* The impulse responses (and one standard deviation confidence intervals) for total income and total household expenditures, where inequality is measured using the cross-sectional standard deviation of logged levels, to a contractionary monetary policy shock. These results are robust to the time sample, econometric approach, and the treatment of household observables and hours worked. Thus, the empirical evidence points toward monetary policy actions affecting inequality in the direction opposite to the one suggested by Ron Paul and the Austrian economists.

**Why does economic inequality rise after contractionary monetary policy:** Because of the detailed micro-level data in the Consumer Expenditures Survey, we can also assess some of the channels underlying the response of inequality to monetary policy shocks. For example, Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) plots the responses of different percentiles of the labour earnings distribution to contractionary monetary policy shocks. Monetary policy shocks are followed by higher earnings at the upper end of the distribution but lower earnings for those at the bottom. Thus, there appears to be strong heterogeneity in the responses of labour earnings faced by different households. Strikingly, the long-run responses of labour earnings and consumption (not shown) for each percentile line up almost one-for-one, pointing to a close link between earnings and consumption inequality in response to economic shocks. Thus, heterogeneity in labour income responses appears to be a significant channel through which monetary policy affects inequality.

Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014) also plots responses of total income, defined as labour income and all ►

► other sources of income, after a contractionary monetary policy shock. While the responses of total income at the upper end of the distribution are almost identical to those for labour earnings, those at the 10th and 25th percentiles are shifted up significantly. This reflects the fact that lower quintiles receive a much larger share of their income from transfers (food stamps, Social Security, unemployment benefits, etc.) and that transfers tend to rise (albeit with a delay) after contractionary shocks, thereby offsetting lost labour income. Hence, transfers appear to be quite effective at insulating the incomes of many households in the bottom of the income distribution from the effects of policy shocks. As a result, the dynamics of total income inequality primarily reflect fluctuations in the incomes of households at the upper end of the distribution. This illustrates that the income composition channel, particularly for low-income households, is also a key mechanism underlying the effects of monetary policy on income inequality.

Because the Consumer Expenditures Survey does not include reliable measures of household wealth, it is more difficult to assess those channels that operate through redistributive wealth effects rather than income. For example, in the absence of consistent measures of the size of household currency holdings or financial market access, we cannot directly quantify the portfolio or financial market segmentation channels. Nonetheless, to the extent that both channels imply that contractionary monetary policy shocks should lower consumption inequality, the fact that our baseline results go in precisely the opposite direction suggests that these channels, if present, must be small relative to others. However, in the case of the redistributive channel involving borrowers and savers, we can provide some suggestive evidence of wealth transfers by identifying high and low

net worth households as in Doepke and Schneider (2006), namely that high net worth households are older, own their homes, and receive financial income while low net worth households are younger, have fixed-rate mortgages and receive no financial income. As illustrated in Olivier Coibion, Yuriy Gorodnichenko, Lorenz Kueng, John Silvia, (2014), while the responses of total income for the two groups are statistically indistinguishable, consumption rises significantly more for high net worth households than low net worth household after contractionary monetary policy shocks, consistent with monetary policy causing wealth redistributions between savers and borrowers.

While there are several conflicting channels through which monetary policy may affect the allocation of wealth, income, and consumption, our results suggest that, at least in the US between 1980 and 2008, contractionary monetary policy actions tended to raise economic inequality or, equivalently, expansionary monetary policy lowered economic inequality. To the extent that distributional considerations may have first-order welfare effects, our results illustrate the need for models with heterogeneity across households which are suitable for monetary policy analysis. In particular, the sensitivity of inequality measures to monetary policy actions points to even larger costs of the zero-bound on interest rates than is commonly identified in representative agent models. Nominal interest rates hitting the zero-bound in times when the central bank's systematic response to economic conditions calls for negative rates is conceptually similar to the economy being subject to a prolonged period of contractionary monetary policy shocks. Given that such shocks appear to increase income and consumption inequality, our results suggest that cur- ►►



- rent monetary policy models may significantly understate the welfare costs of zero-bound episodes.

**Summary:** In this writeup, we aim to fill a gap in the literature on the potential side effects of macroprudential capital requirement policies. So far, inference is drawn mainly from either microeconomic empirical studies largely neglecting dynamic, general equilibrium and anticipation effects, or from structural models depending heavily on the frictions and shocks included as well as the calibration used. We propose a novel indicator of aggregate regulatory capital requirement tightenings for the US from 1979 to 2008. The indicator includes six episodes of exogenous bank capital tightenings. We provide ample evidence that it successfully disentangles regulation-induced from other developments. This evidence is based on narratives, statistical (exogeneity) tests, careful account of controls in our regressions, and the behavior of key indicators capturing credit supply, bank capital, volatility etc. after the events, also in comparison to another financial shock. Using local projections of changes in this capital requirement indicator on various macroeconomic and financial variables, we conclude that aggregate capital requirement tightenings lead to temporary credit crunches and contractions in economic activity. This results lends support to the assertion of Hanson, Kashyap, and Stein (2011), Admati and Hellwig (2013) and Admati, DeMarzo, Hellwig, and Pfleiderer (2013) that higher capital requirements are not associated with substantial medium to long-run costs for the economy. Specifically, we find that business and real estate loan volumes decline, and lending spreads tend to increase. Negative loan supply effects trigger a temporary decline in investment, consumption and production. Non-financial cor-

porations compensate the decline in bank lending by issuing corporate bonds and commercial paper, preventing a larger drop in investment. Negative wealth effects and a rise in the unemployment rate after the capital requirement changes matter for consumption dynamics as well. Monetary policy cushions negative effects on the real economy of regulatory changes. We also show that capital requirement tightenings alter second moments, as they enhance financial and macroeconomic stability in the short run and raise inequality in the medium run.

What are implications for policy makers. *First*, transitory negative effects of capital requirement tightenings on real activity and bank loans, relative to the effects on the bank capital ratio, are found to be larger than what previous studies report. We cannot ultimately determine why this is the case. However, to accurately assess the side effects of regulation it seems important to take into account general equilibrium and anticipation effects as well as to construct accurate macroprudential policy measures. *Second*, monetary policy can support macroprudential policy by lowering the policy rate in a timely manner. This cushions negative effects of (exogenous) capital requirement tightenings on real activity and loan markets and at the same time helps banks adjust their capital ratios more quickly. *Third*, capital regulation does not put an additional strain on other policies through increasing financial and macroeconomic volatility. However, inequality rises in the medium run, and this worsens the environment in which other policies operate.

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# The enormity of Bangabandhu's leadership

Ajit Kumar Sarkar



Bangabandhu Sheikh Mujibur Rahman, the greatest Bengali of all times, is an undisputed leader of the Bengali nation who has set an unforgettable example in world history by leading the freedom struggle. With all the

extraordinary leadership qualities he possessed, he was able to gradually turn the 23-year-old democratic movement against the Pakistani military rulers into an armed movement. He prepared the people for the war of liberation of Bangladesh by organizing them well.

What are the qualities of leadership in Bangabandhu that united seven and a half crore Bengalis and prepared them to accept the highest sacrifice? The answer to this question lies in his politics in undivided India, the movement for the establishment of a Bengali identity and the initiatives, policies and strategies he took to run the affairs of state for three and a half years in independent Bangladesh.

Analyzing all these things, it can be found that Bangabandhu suddenly did not suddenly become a leader. He has become a leader through the political process. He became a world leader because of his extraordinary leadership qualities. In fact, Bangabandhu's leadership has many qualities including movement strategy, courage, honesty, secularism, enthusiastic orator and communicator, love for people, charisma, visionary and more.

First, we must talk about Bangabandhu's courage.

He was a man of infinite courage. He was not afraid of anything. His courage can be seen in the politics of undivided India and in the long 23-year movement against the military government after the creation of Pakistan in 1947.



Sheikh Mujib made his political debut in school by showing this courage in 1938, while studying in 7th class in Gopalganj Mission School. When the Minister of Labor of undivided India, Hossain Shaheed Suhrawardy, visited the school, the class captain Sheikh Mujib on behalf of the students demanded fix the water leak through the roof of the school and build a dormitory. Suhrawardy was impressed by Sheikh Mujib's speech and courage. Later, he got close to Suhrawardy and Sheikh Mujib accepted him as his political guru. By joining student politics in school life, he emerged as a brave and revolutionary leader.

In 1941 he actively participated in the movement to remove the Holwell Monument in Calcutta. He was arrested twice that year. Communal riots broke out in August 1947 before the partition of India based on two-nation theory. He played an active role in the efforts of Mahatma Gandhi and Suhrawardy to suppress the riots and establish peace.

After the creation of Pakistan, he was arrested many times during the 23-year long arduous movement that begun with the demand for realizing Bengali as state language of and ended through the war of liberation in 1971. He spent about 13 years of his life in prison. He was ar- ➤

- rested eight times in three months after the declaration of 6-point, the Magna Carte of the Bangalees on 5 February 1966. Bangabandhu was so courageous that despite being the number one enemy of the Pakistani rulers, he declared the 6-point on the soil of West Pakistan. He was not afraid of the Pakistani military government.

Bangabandhu was not even afraid of death. In addition to Yahiya Khan's planning to assassinate Bangabandhu in a secret trial at a military tribunal, another plot was to kill him inside the Mianwali prison. Bangabandhu's interview with The New York Times on January 18, 1972 revealed the plot. The newspaper wrote that Mianwal sits in the home district of Gen Niazi, who had replaced General Tikka Khan as commander in East Pakistan. On 15th December the prisoners, all of whom were from the district, were told that General Niazi had been killed by the Bengalis and that when their cell doors opened the next morning, they were to kill Sheikh Mujib.

For this reason, a grave was dug near Bangabandhu's cell in the jail. When the jailer asked to take him elsewhere, Bangabandhu said, "If you are going to execute me, please give me five minutes to say my last prayers."

Why did Bangabandhu maintain the democratic character of the movement till the liberation war and did not allow it to take violent form? The reason for this was firstly to not give the Pakistani ruling group a chance to confuse the movement. Secondly it was to not give the international community a chance to label the movement as separatist or militant. An in-depth analysis shows that Bangabandhu achieved three rights by adopting the strategy of conducting the movement in a democratic manner, which paved the way for achieving the goal of independence.

Bangabandhu chose election as the strategy of the movement. That is why Bangabandhu took part in the elections under the Legal Framework Order (LFO) issued by the military government despite being a believer of Westminster type democracy. In response to a question from a Pakistani journalist during the election campaign,



*Bangabandhu Sheikh Mujibur Rahman.*

Sheikh Mujib said, "I will tear down that LFO after the election."

Bangabandhu never gave place to communalism in his entire life. "Bangabandhu Sheikh Mujib was completely non-communal or secular. He has given proof of this again and again. However, in the context of the religious sentiments of the devout Bengali people, secularism is not influenced by Western philosophy. According to Bangabandhu Hindus, Muslims, Buddhists and Christians can safely practice their religion in Bangladesh without fear." (Professor Ajoy Roy, 'Bangabandhu's 7 March Speech: Epic Poem of Politics,' page 129).

Not only in the political struggle, but also in building a war-torn country in just three and a half years of running the state, he took some steps that emanate from his far-sighted thinking. He took various initiatives to build Bangladesh as a modern technology based, science based and prosperous country. One of the initiatives was to bring home the benefits of the third industrial revolution or digital revolution.

Basic human needs like food, shelter, education should be given priority. But with all this, he has thought of a digital or third industrial revolution based on information and communication technology to build the golden Bengal of his dreams. There are no sectors including power and mineral, blue economy where he has not acted from visionary thinking.

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**Ajit Kumar Sarkar**, a senior journalist and former city editor of BSS.



পপুলার লাইফের বীমা দাবীর ৩,২৯৫ টি চেকে ৬,৬৯,৭৩,৭৬৯ (ছয় কোটি-  
উনসত্তর লক্ষ তিয়াত্তর হাজার সাতশত উনসত্তর) টাকা পরিশোধ



পপুলার লাইফ ইনস্যুরেন্স কোম্পানী লিমিটেড এর ৩,২৯৫ জন বীমা গ্রাহকের বীমা দাবীর মোট ৬,৬৯,৭৩,৭৬৯/- টাকার চেক হস্তান্তর উপলক্ষে ইনস্টিটিউশন অব ডিপ্লোমা ইঞ্জিনিয়ার্স বাংলাদেশ (আইডিইবি) মিলনায়তনে আলোচনা সভা অনুষ্ঠিত হয়। অনুষ্ঠানে প্রধান অতিথি ছিলেন বীমা উন্নয়ন ও নিয়ন্ত্রণ কর্তৃপক্ষ এর চেয়ারম্যান মোঃ শফিকুর রহমান পাটোয়ারী। কোম্পানীর ব্যবস্থাপনা পরিচালক ও সিইও এবং বাংলাদেশ ইনস্যুরেন্স ফোরামের প্রেসিডেন্ট বি এম ইউসুফ আলীর সভাপতিত্বে উক্ত অনুষ্ঠানে বিশেষ অতিথি ছিলেন বীমা উন্নয়ন ও নিয়ন্ত্রণ কর্তৃপক্ষের সম্মানিত সদস্য গকুল চাঁদ দাস ও নির্বাহী পরিচালক (যুগ্ম সচিব) খলিল আহমদ। অনুষ্ঠানে ধন্যবাদ জ্ঞাপন করেন কোম্পানীর অতিরিক্ত ব্যবস্থাপনা পরিচালক বি এম শওকত আলী। উক্ত অনুষ্ঠানে আরও উপস্থিত ছিলেন সাবেক অতিরিক্ত সচিব ও কোম্পানীর সিনিয়র কনসালট্যান্ট আবদুল আউয়াল হাওলাদার, সিনিয়র ডিএমডি নন্দন ভট্টাচার্য, ডিএমডি সৈয়দ মোতাহার হোসেন, মোঃ নওশের আলী নাদিম, মোঃ আবু তাহের ও মোঃ হাবিবুর রহমান প্রমুখ। ছবিতে অতিথিবৃন্দকে বীমা দাবীর চেক হস্তান্তর করতে দেখা যাচ্ছে।

জীবন বীমায় বিশ্বস্ত নাম



পপুলার লাইফ ইনস্যুরেন্স কোম্পানী লিমিটেড

# Great Patriotic War: To Remember About

Maxim Dobrokhotoy

The war always happens suddenly, although after some time it appears inevitable. In 1941, the most terrible and bloody human tragedy for Russian people began - the Great Patriotic War.

At dawn on June 22, 1941, fascist Germany, in violation of the Soviet-German agreements of 1939, attacked the USSR, which needed to take emergency measures to organize a rebuff to the invaders and radically rebuild the life of the state, turning the country into a single camp against the enemy. The whole people stood up to fight against the enslavers. At the front and in the rear, people of all nationalities united by one goal - to survive and to win. Already in 1941, the plan of lightning war, during which the German command planned to capture the entire Soviet Union in a few months, failed.

The country survived, the course of events turned. Soviet soldiers defeated the fascist troops near Moscow, Stalingrad and Leningrad, in the Caucasus, inflicted devastating blows to the enemy in other directions. The Berlin operation of 1945, which became the final one in Great Patriotic War, involved more than 2.5 million soldiers and officers, 6,250 tanks and self-propelled guns, 7,500 aircraft. The losses turned out to be huge: according to official figures, the Red Army lost more than 15 thousand soldiers and officers in a day, and in total within the operation around 352 thousand people.

On May 9, 1945 at 00:43 by Moscow time, the Act of Unconditional Surrender of Germany was signed to end the Great Patriotic War, the most important and decisive part of World War II (1939-1945), which became the largest military conflict in the history of mankind.

In total the Soviet Union lost about 27 million people (40% of all casualties in the Second World War). A significant part fell on the civilian population of the country. According to official figures, in the USSR, invaders completely or partially destroyed more than 1.7 thousand cities



and towns, more than 70 thousand villages.

Victory Day is a nationwide holiday of the Russian Federation, held annually on May 9 to mark the Great Victory. It was and remains the most revered holiday both in Russia and in the former republics of the Soviet Union. According to the glorious tradition of recent years, St. George ribbons are distributed everywhere by volunteers, which are tied and worn not only by veterans, but also by youth, as a symbol of generational connection and the memory of the Great Victory.

The tradition of recent years was the holding on May 9 of the civil-patriotic campaign "Immortal Regiment", which today has become an international public movement to preserve personal memory of the generation of the Great Patriotic War. Every year, on Victory Day, participants pass a convoy through the streets of cities with photographs of their relatives, whether they are veterans, partisans, freedom and resistance fighters, rear workers, prisoners of concentration camps, survivors of siege of Leningrad, children of war, and also write family stories about them in the People's Chronicle on the website of "Immortal Regiment" movements. To this date, the action covers more than 80 states and territories, including Bangladesh.

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**Maxim DOBROKHOTOV**, Counsellor, Embassy of the Russian Federation, People's Republic of Bangladesh & Director of the Russian Center for Science & Culture in Dhaka.

## ‘Trade partnerships between UK and Bangladesh will unleash Bangladesh’s growth potential’

**I**n a bid to boost trade partnership, the UK Export Finance (UKEF) has recently more than tripled its capacity for Bangladesh to £2.5 billion.

The UKEF, the UK’s export credit agency and a government department, is working alongside the Department for International Trade (DIT) as an integral part of its strategy and operations.

“This will boost trade partnership between the two countries and help unleash Bangladesh’s growth potential. The additional support will help UK exporters and Bangladeshi buyers to get access to finance for projects in the country,” said the British High Commissioner in Dhaka in a statement.

This will be on top of the UK government’s support for economic development in Bangladesh through the UK Aid, CDC Group, and share in International Finance Institutions’ (IFI) investments in Bangladesh, it added.

“More than a triple increase of over 200% in UKEF’s capacity for Bangladesh is a great opportunity to expand and diversify the UK-Bangladesh trade and economic relationship,” said the British High Commissioner to Bangladesh Robert Chatterton Dickson.

Bangladesh is an economic and development success story, with huge potential for further growth as the recovery from Covid-19 gathers pace and new opportunities emerge for greener and more diversified growth, said Robert.

The UKEF’s announcement demonstrates



*British High Commissioner Robert Chatterton Dickson.*

Britain’s determination to be a partner in that success, he added.

For example, through the Bangladesh Investment Climate Fund, the UK government supports improvement in business climate and infrastructure, helping businesses to invest and grow on a sustainable basis in Bangladesh.

The UK’s Business Finance to Poor program supports development of an inclusive financial sector, providing low-income households and businesses means to participate and benefit from the growth in Bangladesh.

The UK is Bangladesh’s third single largest export partner; the import figure stood at £3.3 billion for 2019. The UK is also the second largest cumulative investor in Bangladesh with £1.9 billion of investments.

The UKEF recently completed a comprehensive review of its Country Limits, resulting in increases in over 100 markets including Bangladesh. ■





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# Bangladesh Army is the true nobility of our country

Imran A. Chowdhury



"The army is the true nobility of our country" as once told by none other than Napoleon Bonaparte. I guess I have to also endorse the same factual expression of our Bangladesh army. It is perhaps one of the finest, the slickest and

the most professional outfit that Bangladesh has. Our country is so blessed with this soldiery, those who have been shielding the population and the territory, and ousting the invaders since the inception during our glorious Liberation War. This is the only institution where the edifice of the Father of the Nation's epic monumental speech of duty, professionalism, devotion, honesty and humility for its young officers still reverberates among its rank and file to date. This was the choice of profession that both of the adult sons of the nation's leader pledged their services to. This journey of half a century was not entirely a bed of roses. There were tumultuous events and catastrophes that the nation and the army have had to weather through. The army has been extremely resilient in its resolve at all timesto live up to its motto, "In War, In Peace, We are Everywhere for our Country."

It's no surprise either that, during this unprecedented catastrophe of the Covid pandemic and the total economic meltdown of world affairs, followed by another natural calamity, The Cyclone Amphan, the only Messiah of dependence and angel of strength was the Army. Yet again it has been the vanguard to protect the populace, the assets, KPIs and, above all, the dignity of the nation. The Government decided to mobilise the

army to aid civil power, right in the nick of the time with regard to the pandemic lockdown. That was perhaps one of the most prudent decisions of all. The promptness and efficiency of our army was, in this horrendously crucial plight of the people, absolutely admirable.

Within days, the deployment of the army reached almost every nook and cranny in the whole landscape of the country, from Mongolia to Longla, from Ishwardy to Monohordi and from Kurigram to Chattogram, from the Bay of Bengal to the Modhupur Jungle. This was a Herculean task to plan and execute logistics, accommodation, transportation, rations, fresh provisions and, above all, was the responsibilities and duties for the rank and file which was a very deliberate one. There were some striking exertions – the collective leadership of the whole army from a non-commissioned officer to a junior commissioned officer and commissioned officers, every one of them was omnipresent with the troops in almost all activities, shoulder to shoulder, in monitoring, rehabilitating, donation distribution, relief, and, above all, invigorating a sense of belonging, a message of safety, the importance of life, the destructive nature of the virus, the significance of good hygiene and how to remain resilient to the infections of this disease.

The top brasses, under the dynamic leadership of the incumbent Chief of Staff, were working round the clock to monitor, guide, lead, assess, augment and analyse the modus operandi to encounter this monumental challenge.

There was a 16-point directive issued by the planners, the AHQ, under the direct skipper-ship of the General. This instruction was one of the most well thought-out rules of engagement that the Army has ever issued during an aid to civil power scenario. Since the deployment the army has ►►

- cleaned the roads to desanitise, reaching out to the public to maintain social distancing, stressing the importance of quarantine, arranging transportation for the migrant workers, providing food and relief for the those unfortunate ones who do not have any work to earn their daily bread and butter. These are momentous tasks, such as a regular army is not accustomed to carry out under normal circumstances. Yet these responsibilities were accomplished like clockwork.

The country started to face unprecedented economic meltdown, the wheel of the economy almost ground to a halt. There is no social safety net arrangement to fund this kind of lockdown. The army opted to donate one day's salary to the coffers of the Government to arrange emergency relief and food banks for the poor citizens of the country.

The army initiates medical activities to set up makeshift community-based COVID testing and briefing centres in the remotest villages of the country. Operation COVID Shield, as declared by the Prime Minister. The army spearheaded it as a war against the pandemic. Despite the handicap of the mammoth population boom, there was not enough army manpower to fetch the 160+ million population with circa 100,000 personnel. This was an elephantine job at hand. However, with sheer zeal, leadership, impetus and enthusiasm, the army has been capable of performing this assignment. However, the country is still not out of the woods, and a worse situation may come upon the country at any time in the near future.

Despite a mushroom growth of private medical centres, hospitals and clinics over the last decades or so, during the most crucial health and life saving situation these so-called organisations buckled into a frenzy of cowardly melodrama. How ironic? Serving humanity during a pandemic ought to be the motto of a hospital or a clinic, but their appalling behaviour and shutting the doors on dying patients was despicable. On the contrary, the combined military hospitals of the army yet again came to the rescue of the nation from this embarrassment and have become the bastion of humanity and served the citizens during their most precari-

ous phase of life. Today, these army medical installations are the first port of call and the only choice for the virus-stricken patients. There are in excess of 800 COVID patients (on the day when I am penning this article) and in excess of 150 patients are being seen on a daily basis. Even the worst anti-martial critics who have spent all their professional lives possessing negative vibes about this epitome of organisation have been treated by the same CMH and the many individuals concerned paid their ultimate tribute for the service, treatment and expressed satisfaction, as if swallowing a bitter pill whilst doing so. This is by no means to undermine anyone in distress, however, the truth and integrity must be ascertained at all times. These have been the bedrock of our army – professionalism, patriotism, passion, and principle.

The country has been through so many impediments over the years and has struggled with investments for its integral apparatus at times. However, it is worth mentioning here that every penny and farthing invested in the army has been value for money. The army is struggling with manpower constraints, and the extra demand for skilled medical professionals abroad is causing stress. But the army is managing and coping with everything as an army should. This kind of overarching deployment at home, abroad and in the United Nation's peace-keeping force has never occurred before in the history of the Bangladesh Army during any Chief of Staff's tenure. Nothing has been able to deter him from his duty of care and honesty. Still, he is organising the armed forces Institute of Pathology to arrange COVID testing for all retired personnel and their families. This is perhaps the first instance where a CAS has been so caring as to extend the army resources for its ex-colleagues.

The army has proven time and time again that it is capable of shielding the nation in war and in peace at all times. In conclusion, it is fair to say that the Bangladesh army is a nobility and a compliment to the national amour-propre.

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**Imran A. Chowdhury** is Lieutenant (ret'd),  
 Founder & CEO, [www.cppp.org](http://www.cppp.org)





*Partial View of Atlantic College, Wales, UK.*

# All about UWC

**Sadwaan Rabb Majumder**



United World College, the name itself gives off an aura of prestige, sublimity, and status of soaring magnitude. "UWC makes education a force to unite people, nations, and cultures for peace and a sustainable future"; this motto of the school is quite self-explanatory. It proclaims how students from around the world, from a variety of ethnicities, religion, nation, and caste come under one roof. No matter they are from India or Pakistan, Iran or the USA, Yemen or Syria, no matter how politically their countries are conflicted and no matter if they belong to the richest families or are from war-stricken areas, everyone is treated equally.

That's the thing about UWC, it teaches you values you will never forget, it teaches you compassion and love for everyone, and most of all it teaches you to judge a person on his/her actions and not by the actions of its nation.

UWC has 18 colleges in 18 different nations. Each is defined by the unique cultures of the countries. UWC was founded by a German educationist Kurt Hahn after World War II, in 1962 to be precise, with the idea of bringing teenagers from all over the world and teaching them about peace and sustainability to invalidate the idea of future world wars because students at this age are the future of the next generation world.

The selection process for United World College consists of three major parts. The students are asked to provide their last four years of a transcript from previous schools with certificates of extracurricular achievements. The next step is a vis-à-vis in- ►►

- interview with the top educationalists of their respected countries where your IQ along with your speaking abilities is scrutinized. The next and last step is several group activities where all applicants are put together with specific assignments.

Here your leadership qualities along with your diplomatic skills are monitored. I was fortunate enough to have earned the opportunity of studying in this prestigious college, but along with a few of my Bengali classmates who were selected, I had to go through one extra step of talking to the principal of UWC Atlantic College, Mr. Peter Howe over Skype. It was like a second interview for us and this was unique for only our country as Bangladesh has had a negative reputation over the years (let's just say a few of them got expelled).

After all of this process, one gets to study in this college. You will study the International Baccalaureate Diploma taking a two years' course. Six subjects can be selected; three higher levels and three standard levels. The higher level class takes place for 70 minutes with a bigger syllabus than the standard level classes which takes place for 50 minutes.

Soon came August, the month I had to leave my home country for a foreign nation: Wales, United Kingdom. Sadness struck me well, although I had been exuberant throughout the whole year about standing on my own feet and learning how to lead life independently. I was so thrilled that I forgot how dependent I was in the first place. It became very hard for me to accept that I had to leave behind a life that I had built up for 17 years. How could I lead a life without my mother, my father? How could I spend a whole of two years on my own in a land unknown; thoughts like these started haunting me each day? The feeling is mutual among most of the students as this is nothing but a brand new experience. But with time this feeling gets in the shadow of exhilaration, thrill, passion and dedication.

Entering the school was nothing but a dream. A huge castle covered around with modern duplex buildings. Trees of all sorts making the area iri-

descent, cold winds always blowing past making your skin benumbed, and not far by you can hear waves crashing. The welcome for the first years is nothing but warm, full of excitement, and endearing. About a hundred-second years standing outside your bus chanting, shouting, and singing.

One by one you get called out of the bus and one of the second years from your house welcome you and take you to your room while carrying your suitcase. All my second-guessing and fear ceased to exist. I was assigned to house Pentti Kouri (PK) which was one of the newest buildings'. Sunley, PK, Morgannwg, Gwynedd, Whitaker, Powys, and Tice are names of all the houses on the campus which surround the St Donat's Castle.

As I entered the house it felt quite homely with a huge kitchen, a drawing room with lots of sofas, a humungous common toilet and shower room, a study room, and 6 bedrooms. Each room has 4 beds each with a wardrobe and a small dressing table.

The second floor was for the girls and the bottom floor for the boys. Just attached to our house was the house of our house parent, Victoria Bailey, or as we call her Vicky. Each house has one or two house parents depending on the number of students. But our house had the best house parent hands down. She lives with her 9-year-old daughter Fiona and her husband Mike, who works locally repairing and displaying vintage aircraft.

Whenever we have any sorts of problems we first run to her and she is always available for help. Moreover, each student along with a few others receives a tutor who overlooks the academics and helps you in your academic life. In my case, Almudena, whom we call Almu, serves the purpose. She too is a blessing to us as we couldn't have gone through all of these without her.

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*The writer is studying International Baccalaureate Diploma at UWC Atlantic, Wales, UK.*

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*Mizanur Rahman Sinha*

# Mizanur Rahman Sinha: A Pride of Bangladesh

Rabb Majumder

**M**izanur Rahman Sinha, a sagacious, philanthropist, true leader, a parliamentarian, state minister, and a devoted social worker born on August 18, 1943, in a business family in Munshiganj, 40 km off from the capital city Dhaka. Mr. Sinha, who graduated from Dhaka University has a meteoric rise in politics and business. Mr. Sinha was a member of parliament from 1996 to 2001 and 2001 to 2006. He was a state minister for health and family planning and a member of several parliamentary committees. Despite his humble background and frugal lifestyle Sinha is

loved by all walks of people for his selfless services and honored for his honesty. In Bangladesh politics, Sinha is a rarity, among the polluted political circle. Whether in person or not, he remains the same person, accessible to all always. Feared by his political opponents for his upright stance, knowledge on various issues, and his amiability skills, he does not shy away from calling a spade a spade. He doesn't need to bank on the wave of his party chief's popularity. Sinha had him had own goodwill to win the race. He is invincible in his area for his dedication and services. Sinha has developed almost every ►►



► corner of the Louhajang, Sherajdekhan, Munshiganj area which was known as a poor infrastructural, an inundated and disarray area since a longtime. The whole constituency has transformed in to an well developed area by his dedication and tireless efforts. He has build up and given financial assistance to hundreds of educational institutions, religious institutions including mosques, and temples. In recent, Sinha has build up a modern school in Munshiganj by spending a huge amount of money from his personal fund.

After graduation from Dhaka University, Sinha had started his banking career in the then Habib Bank Limited in 1964. In 1975 he had joined in his family business with his father at Acme Laboratories Ltd. Sinha belongs to a proud and respectable family in Bangladesh. Sinha's sibling Afzalur Rahman Sinha, a valiant freedom fighter, a close friend of Sheikh Kamal, son of the father of the Nation Bangabandhu Sheikh Mujibur Rahman was a prominent sports and cultural activities organizer. Afzalur Rahman Sinha was the Director of Abahani Limited, Chairman of the Abahani Hockey Committee, President of Surjo Tarun Club, president of Azad Boys Club, and a good number of leading sports clubs in the country. Besides this, he was the president of Dhaka Club and a member of some noted clubs in the city.

Mr. Mizanur Rahman Sinha has been leading the country's one of the top most Pharmaceutical Industry the ACME Laboratories as its Managing Director and CEO after the death of his father Hamidur Rahman Sinha since 1983.

ACME the name itself an aura gives off perfection, prestige, and beauty. Acme implies a level of quality representing the perfection of a thing. A statue that was once deemed the acme of beauty. The word acme first known and was used in 1560. Greek acme meant a mountain peak, but in English hardly use it in the physical scenes. The word borrowed from Greek acme, point, highest point, culmination, from ak-(going back to Indo-European h2ek" pointed)+-me noun suffix -more at EDGE entry. In some dictionaries, the words summit and acme are roughly equivalent. The ACME is one of the renowned pharmaceutical industries in



*Mrs. Jahanara Mizan Sinha*

Bangladesh was established in 1954 by Late Hamidur Rahman Sinha, father of Mizanur Rahman Sinha who was an erudite with a mission and vision to ensure good health for the impoverished Bangladeshis. In the beginning, the Acme was founded in Narayanganj, a commercial and an old port city, 35 km off from the capital Dhaka. Hamidur Rahman Sinha had to face a lot of difficulties to establish this pharmaceutical industry during that Pakistani period as multinational and Pakistani pharmaceutical companies used to dominate the market and was kind of a negative attitude to words the local companies. That was a big hurdle to establish any pharmaceutical industry in this part of country.

We do know the world is full of inspiring women whose passion, work, and impact in their community encourage us to choose a specific field of study, follow a certain career path, and become economically empowered this notion perfectly suits in the case of Nur Jahan Sinha who inspired and encouraged Hamidur Rahman Sinha to take the journey ►►



*Sinha bhaban, Kolma Laxmikantho High School, Louhajang, Munshiganj.*

► to the heights of top through her selfless acts, dedication and proper guidance.

Same in the case of Mizanur Rahman Sinha whose life partner Jahanara Sinha has been supporting, guiding and inspiring him to take the ACME beyond our country with pride and honor. Mrs Jahanara Sinha a renowned social worker in the city has been constantly helping her husband in this great journey.

We do know behind every great man there's a great woman. We can compare Mrs Jahanara Sinha with Jane Hawking who had sacrificed her life for her husband. If we look around the world we can see that from Zelda Fitzgerald to Lillian Disney and Mitza Maric - history has abundant instances of women whose work went unrecognized. Jane Hawking also remained unacknowledged for decades as she unfailingly supported her husband, the famed physicist Stephen Hawking's pursuits. And no matter how substantial her support, not many likely recall Zelda Le Grange's name as they revere her boss, South African leader Nelson Mandela.

Here is a Jane Hawking story who has sacrificed her life for her beloved world renowned physicist

Stephen Hawking.

At 21, a newlywed Jane Hawking got on a plane from England to America with her then 23-year-old husband, British physicist Stephen Hawking, to spend her honeymoon with him at a physics conference.

In her book Travelling to Infinity: My Life with Stephen, Jane shares how she sacrificed her own identity and career to support her prodigy husband, not just as his wife and the mother of their three children, but as his primary carrier through his decades-long battle with motor neuron disease. He later left her to marry one of his nurses.

The Cambridge scientist was diagnosed with the incurable degenerative disease at the age of 22 and given two years to live. Defying his fatal diagnosis for more than half a century, Hawking died on March 14, 2018, at the age of 76, having been recognized as one of the world's most brilliant scientific minds.

A year on since he died, Stephen Hawking's profound fame lives on through his work and continues to make headlines. But the world only began to pay attention to his ex-wife Jane, the woman who washed, clothed, and fed her wheelchair-confined husband for 30 years, after she published her book about their lives that later turned into the award-►►

► winning film, *The Theory of Everything*.

Even then, Jane tells *Arabian Business*, the filmmakers discounted her role, failing to capture crucial elements of the exhausting reality of her life in Stephen's shadow. "We went to America for our honeymoon at a physics conference," she recalls during an interview at the Emirates Airline Festival of Literature in Dubai. "Two years later, we went to Seattle for another conference where I had Stephen on one arm and a six-week-old baby on the other. None of our major travels appear in the film and I'm disappointed about that. They said they were trying to squeeze 25 years into two hours so that wasn't important. But I think there was a huge amount of work involved in that [travel]." Madam Sinha has contributed and has shown her passion, integrity, tireless efforts, and inspired her beloved genius life partner to move ahead with this great task.

Mizanur Rahman Sinha who was nurtured, brought up, motivated in the right path and was given the best education by his parents has taken over the leadership of ACME Pharmaceutical Industries in 1983 as its Managing Director and Chief Executive (CEO). The way Mr. Sinha is leading the ACME

Pharmaceutical Industry is very much comparable with this following surreal leadership quality.

"If your actions create a legacy that inspires others to dream more, learn more, do more, and become more, then you are an excellent leader. Leaders are made, they are not born. They are made by hard efforts, which is the price which all of us must pay to achieve any worthwhile goal."

Leadership is not a position or title it is action and example- Cory Booker.

Mizanur Rahman Sinha has shown his true charismatic and visionary leadership by transforming and reforming the ACME Pharmaceutical Industry a world-class state of the art manufacturing facilities in this 21st century.

The ACME has been maintaining the highest standard of its medicines and contributing healthcare needs at home and abroad with highest dignity and highest standard.

Under the dynamic leadership of Mr. Sinha, the ACME has become one of the topmost pharmaceutical industries in Bangladesh and is going to be approved by the American FDA which will allow the company to export medicines to the USA. ■



*Mizanur Rahman Sinha is surrounded by his family members.*



# Bangabandhu: The Harbinger of Friendship between Bangladesh and China

Hualong Yan



Today marks the National Mourning Day of Bangladesh. On this day in 1975, Father of the Nation Bangabandhu Sheikh Mujibur Rahman and most of his family members were assassinated by a group of conspiring army officers. On this solemn occasion, the government and people of China pay rich tribute to the memory of the greatest Bengali of all time.

Bangabandhu is always revered in China for his contributions to planting the seed of friendship between the two nations. History testifies that Chinese late Premier Zhou Enlai visited Bangladesh twice in the 1950s and 1960s and Bangabandhu also visited China twice in 1952 and 1957. Chairman Mao Zedong and Chinese people warmly received Sheikh Mujib in China. Through their visits, the great leaders of our nations seeded the friendship between the Chinese and the Bengali nations long before the diplomatic ties were formally established. The historic

friendship has now grown into a giant tree with deep roots and rich fruits. People of the two countries are reaping dividends of good ties.



The autobiography of Bangabandhu titled 'The New China as I saw It' (Amar Dekha Naya Chin) has really mesmerized me. Because the autobiography has successfully documented the true essence of China. The great leader has also put the marks of his visionary mind and farsightedness in the autobiography. As a great statesman, Sheikh Mujib could understand the significance and magnanimity of the revolution in China led by the Communist Party. With his farsightedness, the charismatic leader foresaw the brightest future of the newly established the People's Republic of China. This is really miraculous that China has already walked a long way proving the foretelling of Bangabandhu, written in the autobiography, right.

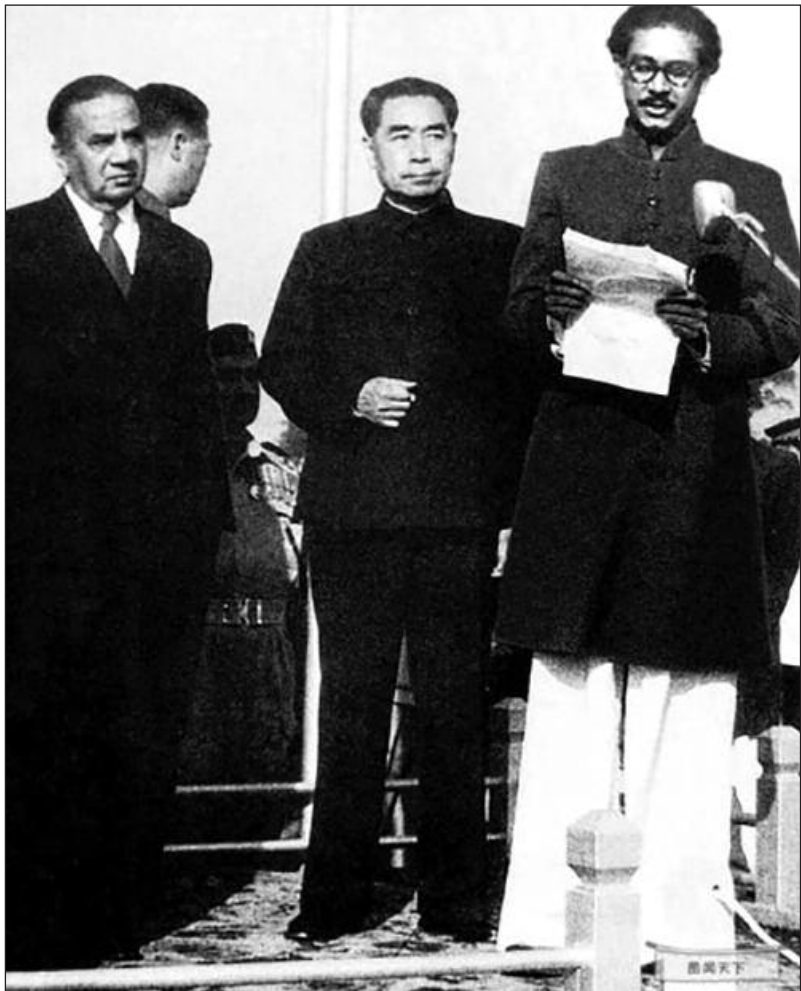
Bangabandhu had written that he had truly been happy with the development of China. China ►►

► had achieved its development not only through leadership but also with the hardworking of its general workers. The country had separate hospitals for workers. They enjoyed medical leave with payments.

The visionary leader has drawn a good comparison between the conditions of farmers of erstwhile Pakistan and China. Sheikh Mujib has put down that farmers of his country don't get even their production costs of jute. But traders earn huge money selling jute at higher prices. On the contrary, China has established a balanced system that has ensured Chinese farmers meet their daily needs well by selling jute.

During his China visit, the young Bengali leader could realize the need for uprooting corruption from every stratum of society to develop a country. Therefore, he has written that corruption is like the cancer of society. If it can once enter society, it's actually difficult to get rid of the corruption.

I have been overwhelmed by how Bangabandhu has picked up a trifling matter like the salary ranges of China and Pakistan in a significant way. He has mentioned that Chairman Mao receives the highest salary in China. As the leader of some 600 million people, he gets only Tk500 monthly, while the lowest-paid employees receive only Tk50 a month. The Chinese government does everything so that they can run their families at Tk50. On the contrary, the Pakistani president gets the highest salary of Tk12,000, while the lowest-paid employees get Tk20 to Tk25. But commodity prices are not stable in Pakistani markets.



Sheikh Mujibur Rahman with former Chinese Premier Zhou Enlai at Dhaka Stadium in 1957. Huseyn Shaheed Suhrawardy is also beside them.

In a bid to portray real China, Bangabandhu has mentioned that there was no piece of land left uncultivated in China. Even the pools and reservoirs besides the railway roads are also cultivated. The Father of the Nation has also written that many roads are built by the participation of locals as the Chinese government has no enough funds. People have confidence in the government and they think these are their own work.

Bangabandhu has observed that the Chinese people have no arrogance and are very polite. They are open to befriending everyone. All of them think the state is theirs and they have to build it. The undisputed leader has put down that only in ►►



*Bangladesh Prime Minister Sheikh Hasina shaking hands with Chinese President Xi Jinping.*

This is how Bangabandhu has spoken highly of China in his autobiography. We, government and people of China, are really grateful to the unanimous leader of the Bengali nation for his understanding of the magnanimity of the Chinese revolution even in its budding period and making infallible predictions about a brighter future for our country. We remember the great, charismatic, and by-born leader on his martyrdom day with

due respect and dignity.

- ▶ three years, the education system of China has witnessed a revolutionary change. The system no longer creates clerks like the Pakistani education system. China has included agriculture, industry, engineering, and technical education in its system.

Sheikh Mujib has proved his mettle as a prudent leader by pointing out that every country has its own privileged class. Rich zamindars are, for example, a privileged class in Pakistan, and industrialists in other countries. But children are the only privileged class in China. They receive different opportunities from the government. All families are requested to send their children to school and provide them with a fixed amount of food and clothes. Those who can't afford them inform the government to receive assistance for the children. This is how China is building a new class of human. You can imagine that after 15 to 20 years when the children will grow up and work for China where the country will reach.

During his brief visit, the development of gender equality in China has also not skipped his attention. Bangabandhu has noted that men and women really enjoy equal rights. They equally work for the country and earn for themselves. They are not dependent upon each other and receive the same respect in society.

Along the same line of Bangabandhu, as his capable daughter, Prime Minister Sheikh Hasina has proved her worth as a global leader and statesman by leading the unprecedented development of Bangladesh in recent years. As a time-tested friend, China always appreciates and is proud of the tremendous achievements of our close neighbor under her prudent leadership.

China and Bangladesh share many similarities on all fronts including cultural, economic, and political. Just as Bangladesh dreams of becoming a developed nation by 2041, so does China in 2049. Both countries have the almost same challenges ahead on the way to graduating as developed nations from the least developed countries. As a reliable partner, China stands ready to move forward shoulder to shoulder with Bangladesh for the realization of the common dreams of both the nations in the coming days.

Joy Bangla, Joy Bangbandhu.

May China-Bangladesh friendship live forever.

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*The writer is Minister Counselor and Deputy Chief of Mission Embassy of China in Bangladesh.*



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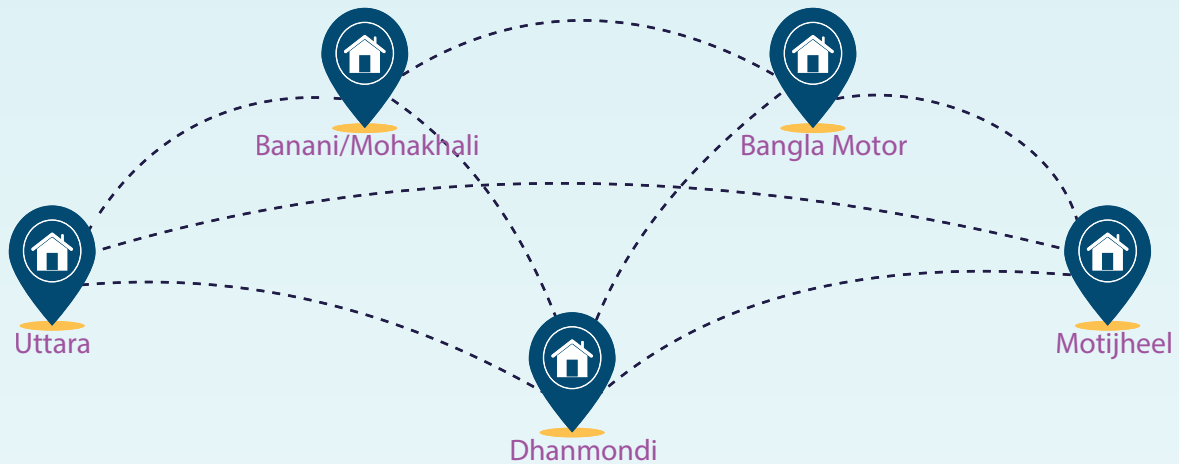


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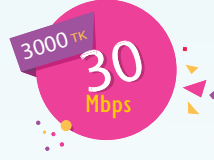
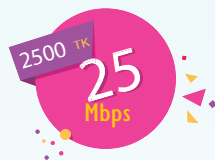
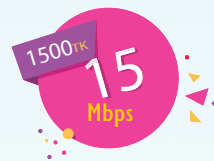
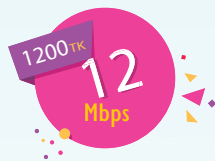
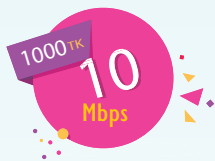
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