



Media

LDC to NIC — Prospects for Bangladesh

Round Table

HELD ON NOVEMBER 19, 1991, AT THE SONARGAON HOTEL, DHAKA.

FOR far too long the debate on the state of the economy and future options for our development has been confined to the policy makers, bureaucrats and the experts—not to forget the donors. The Daily Star wanted to open up the debate to the general public. We therefore brought together a very broad-based representative group of thinkers and conducted a frank, informal and highly rich discussion on our prospects for breaking out of the poverty cycle. In today's supplement we present a verbatim report of the proceedings to provide full access to our valued readers to the deliberations of our distinguished participants.

We hope that our endeavour will trigger a serious nationwide debate and we offer the pages of your favourite newspaper and invite you—our readers—to participate in it. This public debate should act as a feedback for our decision-makers and help to bring about a national consensus which is imperative for overcoming the monumental obstacles that block our path towards development.

This is the first of several such Round Tables that The Daily Star will organise for the benefit of our readers and as our contribution towards democratic governance and participatory development process.

— Editor-in-Charge

Mahfuz Anam : The Daily Star was launched on 14th of January this year. A deep commitment to the development of Bangladesh has motivated us to organise this Round Table. We have decided to bring together some of the leading thinkers of the country—the two senior ministers, leading politicians from the ruling party and the opposition, policy makers of the government, scholars and the representatives of the business sector and multilateral organisations here to have a free and frank discussion—an unstructured, across the table exchange of views. What we hope to get out of this is a bundle of ideas which we would like to convey to our readers. With these words, I request Prof. Rehman Sobhan to conduct this Round Table. Thank you all for joining us here today.

Rehman Sobhan : I wish to stimulate discussions from this very distinguished conclave of people who have assembled here for The Daily Star. We have quite extraordinary richness and diversity of expertise. There are two ministers who are in a position to represent our policy making capacities at the highest level. To react to ideas we have Mr Kibria, who will give us the richness of his experience at the regional level. We have other distinguished policy makers like Mr Syeduzzaman, and a number of senior secretaries. We have representation from two premier international agencies in Bangladesh. We have distinguished members of the opposition from Jatiya Sangshad. We have leading businessmen represented over here and we have some distinguished academics. So that all the relevant basis are represented in this exchange.

To initiate the discussion it would be appropriate for us to invite the two ministers to talk about their assessment of the process of realising a transition for Bangladesh from a Least Developed Country to what at the moment appears the remote stratosphere of a Newly Industrialised Country. Let me invite, to begin with, Mr Shamsul Islam Khan, the Industries Minister, to say a few words.

Shamsul Islam Khan : Bangladesh's position as a Third World country is a bit delicate. Our government has given a very well-defined industrial policy. And this government thinks that if we create the opportunity to set up industries we can change a lot. I would like to identify some of the main points of our industrial policy. To change the socio-economic condition of the masses, and provide self-reliance through involvement in productive activities, the present policy has been formulated in conformity with the 5 basic objectives:

- 1) To evolve a realistic industrial reform plan. In this regard in-depth studies will be taken to assess the problems of the industrial units and suggest corrective action. Our industrial policy is not a rigid one. It is flexible. We will evolve a realistic industrial policy after a full study of the present existing industries.
- 2) To adopt proper and appropriate strategies and after strengthening the industrial base and making the industrial sector more efficient, internally,

- 3) To expand and strengthen the cottage and small industries sector and rural industries. Eighty-five per cent of the people are living in the villages. We want to develop our village as well as semi-town areas of industrial sector to change the lot of the common people.
- 4) The immense potential of the industrial sector will create employment opportunities for the rural and semi urban population. They will have positive contribution in income generation of low income groups.
- 5) To accelerate the growth of export oriented industries through appropriately designed export strategy. To accelerate foreign investment by offering positive encouragement for the new and existing foreign investment. These are the basic industrial policy that we have given.

We can utilise our cheap work force which is the lowest in the world, our labourers who are also working outside have proved themselves very efficient. See, the garment industry has proven to be very successful.

We are not facing any problem in marketing our garments in Europe or America.

At the need of the hour we can change according to the international currency ups and downs as well as scientific developments. I have come to learn from this meeting.

Zahiruddin Khan, Planning Minister : The real problem that is in front of the government is to arrest the rot that is hampering the economy of the country. There has been considerable drainage of resources in the form of losses in the public sector. And this is a staggering figure. The World Bank president also made reference to this. In 1988-89 the loss in public sector organisations amounted to Tk. 1572.88 crore. In 89-90 it jumped to Tk. 2353.87 crore. And in 90-91, it is Tk. 2382 crore. The loss is a staggering figure and unless we are able to prevent this hemorrhage, it will be very difficult for the country to generate the required resources to fuel our development programmes.

We are already short of counter-fund Taka. It is a funny situation in Bangladesh. We are rich in foreign exchange but poor in taka. The lack of normal expansion of economy, I am happy that this round table meeting has been initiated by The Daily Star. From this meeting we should be able to take the issues across the nation and even to the parliament. Today, it is a national problem. It is not the problem of the government alone. You must appreciate through trying and very exhaustive struggle by the then opposition and the present government, we have come to a form of parliamentary government. This gives us the moral courage to take strong stands and to avoid playing to the gallery. I think for the last 15 years our policy makers and unfortunately our politicians have played to the gallery at a great cost to the nation. I was happy to hear about the transition to NIC from Mr Rehman Sobhan. If we had really put our thoughts to this 15 years back, possibly we would have been very near be-

ing a NIC today. Unfortunately the blunders we made along the line has created an economy which is totally dependant on external assistance. The trend is a deteriorating one. During 1973-75 our dependence on external resources was to the extent of 79.9%. That was the First Five Year Plan. If you come to the Second Five Year Plan which was for the period 1980-85 the dependence was reduced to 60%. There was a healthy trend, which was again reversed in the period 1985-90. Here we get a foreign resource dependence of 88.80%. Hardly 20% is provided for by the national economy to support development programmes. I would today, say we are dangerously dependent on external resources even to pay our revenue expenses. This not a

husband our resources. Therefore the need for planned discipline is very much there. The free market economy that we talk about—is it a free market? The extent of subsidies they give to agriculture, the anti-cartel laws these are the things that keeps monopoly tendencies in the private sector under check. If we want free market economy in Bangladesh we need a code of conduct. Where it is taken into account, the concept whether monopoly in the government or in the private sector is not a desirable phenomenon.

The World Bank tells us to open our economy. It is true that it is only through free trade that the NICs have been able to develop their economies rapidly because if you compare the figures of the

changes of government and suddenly you have a change of direction. This is not healthy. These countries who have made a breakthrough in their development have common aspects: stability, continuation of policy, and a directed resource allocation. The most positive element of central planning is allocation of resource according to needs. You cannot debate this. Nobody can say that conceptually it is wrong. Where it gets bogged down is at the implementation stage.

The Japanese have uniquely combined these two elements, their resource allocation is centrally done, but in a subtle way. Their method is so subtle that now the Americans have come to realise this when they talk of target planning. Americans are very critical

Within this perimeter, if we picture Bangladesh I would like to make a remark here. Bangladeshis outside Bangladesh are one of the best workers. Workers who have gone to Japan have left a mark there. The Japanese come back and say they are the best immigrant workers in Japan. The same story is in Taiwan and Pakistan. Unfortunately the workers in our country, who are highly intelligent, somehow or the other the same workers when they come back here their performance deteriorates. Their pride in workmanship also deteriorates. May be our social scientists and economists should look into this: In this scenario I feel our priority should be to arrest the huge losses that have been incurred in the public sector organisations. How

implied in the development efforts of the LDC countries. Some of the characteristics in South East Asia and East Asian countries that I have observed over the last 10 years. They have forged ahead for a number of reasons which deserve careful attention from all of you. First and foremost, we do not have a national consensus on the basic economic issues whereas those countries have. People very often glibly say political stability is a big problem and we have not been doing very well. Political stability is certainly most desirable but I find that Thailand did not have po-

healthy scenario. Before we speak of any expansion of our economy. We are hoping that in 90-95 the 4th plan period which is in draft form. Unfortunately there are many carry over programmes. They have been going on and on. Now we are consciously looking into whether we should cut our losses and put our money where we can get a real return. As a businessman this would be my guideline. Except for the social sectors, health, education, and population control, I think there cannot be any other guideline but the internal investment I hope we will be able to put these elements in our planned consideration as we go along. By 90-95 our dependence on external assistance would be to the extent of 52%. This shows a great improvement from 88.80%. We must ask this question—why the deterioration in the last ten years? This was because financial discipline and planned discipline was avoided. Although you may say days of planned economies are over but poor countries like Bangladesh where we have resource constraint, we have to

early sixties between Korea and Bangladesh the per capita income of the then East Pakistan and Korea were the same. Korea's export were 100 million dollars. We were exporting about 250 million dollars out of which the major export was from East Pakistan, I mean 150 million dollars. We were exporting 50 million dollars more than South Korea. If you take the scenario now it is unbelievable what they have done with themselves. The way the trade export increased it pulled up the country by the shoe strings, such a rapid development is phenomenal scenario in the economic development of the region.

South Korea is therefore a very interesting example. But then there were conditions. It was the stability that was there which helped.

I have friends from the oppositions who are with us. It is a joint problem of the country and the opposition and the party in power have to put their heads together to find a solution. Stability is a very important precondition for any economic development and continuation of policy. You have

about Japan's targeting. Targeting means resource allocation where it is needed. The Japanese combine the positive elements of central planning which is resource allocation according to need and the best elements of the private sector. Private sectors are very efficient in implementing.

If you can combine these two elements you have an exceptional condition for economic growth. I've been to Japan many times. The way they have been able to make a success of every sector, is not possible under free market condition. This is very much orchestrated. It is very much planned down to detail.

The Koreans have followed the same approach. Taiwan followed the same approach. In Malaysia and Thailand this is a little bit less. Because they have lot of natural resources. They are rich in agricultural resources. Even Indonesia is in a unique position.

Ultimately Thailand, Indonesia and Malaysia will be the real giants because not only their manufacturing is taking off but also their agriculture is taking off too.

we do it is the real challenge. Our plan is to accelerate economic and employment opportunities in the rural areas. This is where over 80% of our people live and the destiny of the country lies. The investment in the agricultural sector gives me the quickest return. After so many years agriculture is still the main contributor in our GNP.

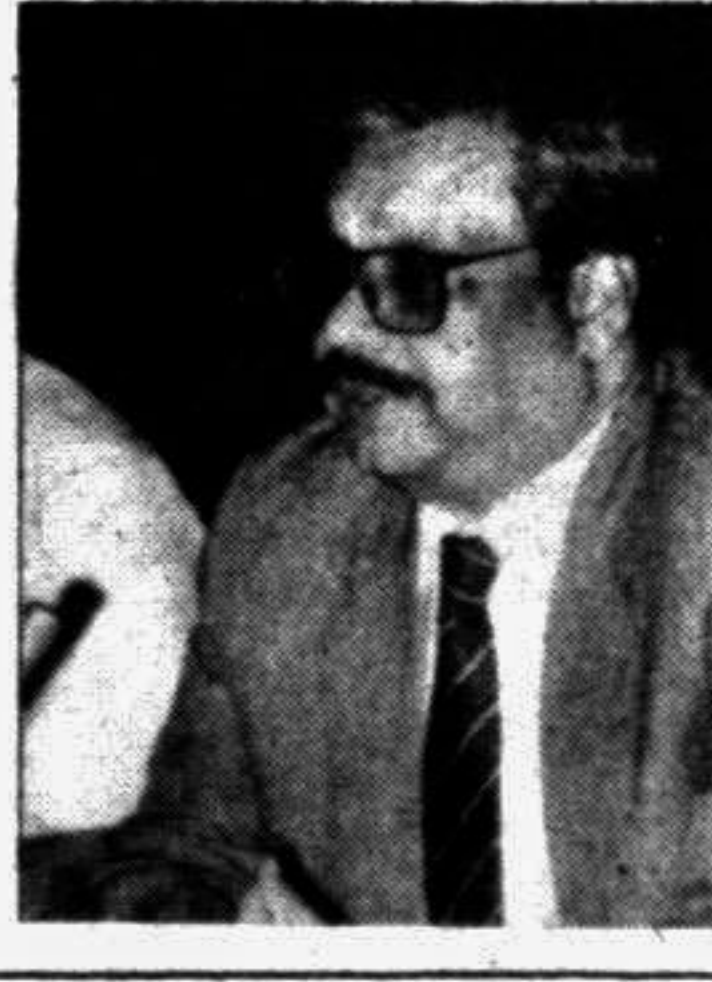
We would like the industrial growth to be export oriented. You will appreciate that sustained industrial growth can only take place if there is surplus purchasing power in the hand of the consumer and there is the element of saving. But our people are so poor that, after consumption, there is very little in the form of purchasing power and in the form of saving. We want to shift away from import substitution. My recommendation is to have export oriented industries which will tap the purchasing power of the Europeans, the Americans, and Japanese which are many times higher than ours.

Another thing we keep in mind. Normal GNP will not bring about the poverty allevia-

tion that we expect. It is only through accelerated trade that we can break the vicious circle of poverty. There is no other way. Because our population is growing, the normal growth of GDP cannot keep up. The only way we can accelerate our export, which the other NICs have done. This alone can break the chain of poverty. We cannot have too many goals. We are a poor country. We are trying to do too many things at the same time. We must prioritise. In a poor country like Bangladesh if any development takes place it should be with the objective of sustaining productive employment. This

'We must arrest the rot in the public sector — Tk 2,382 crore loss in 1990-91 alone.'

Zahiruddin Khan



'There has to be consensus on fundamental economic policies not only between political parties, but all segments of society.'

S. A. M. S. Kibria



'Cheap labour is our biggest asset. It can attract a large flow of foreign investment.'

Shamsul Islam Khan

'The whole exercise is to give a decent life to the entire population.'

Rehman Sobhan

- ### Round Table Participants
- Professor Rehman Sobhan (Moderator).
 - Shamsul Islam Khan, Minister of Industries and Trade.
 - A.M. Zahiruddin Khan, Minister of Planning.
 - S.A.M.S. Kibria, Executive Secretary, Economic and Social Commission for Asia and the Pacific (ESCAP).
 - M. Syeduzzaman, Former Minister of Finance.
 - Delwar Hossain, Chief Whip of the Jatiya Sangsad.
 - Tofael Ahmed, Member of the Jatiya Sangsad.
 - Rashed Khan Menon, Member of the Jatiya Sangsad.
 - Enam Ahmed Chowdhury, Secretary, External Relations, Ministry of Finance.
 - Dr. Kamal Siddiqui, Secretary to the Prime Minister's Secretariat.
 - Dr. Mahbub Hossain, Director General, Bangladesh Institute of Development Studies (BIDS)
 - Dr. Wahiduddin Mahmud, Professor of Economics, University of Dhaka.
 - Mahbubur Rahman, President, Dhaka Chamber of Commerce and Industry (DCCI)
 - Syed Manzoor Elahi, President Metropolitan Chamber of Commerce and Industry (MCCI).
 - Christopher R. Willoughby, Resident Representative of the World Bank, Dhaka.
 - Charles H. Larimont, Resident representative of the United Nations Development Programme (UNDP), Dhaka.
 - Dr. K.F. Jalal, Economic and Social Council for Asia and the Pacific (ESCAP).
 - Mahfuz Anam, Executive Editor and Editor-in-Charge, The Daily Star.



Deliberations in progress at the Media Round Table. Star photos by Mohsin.

is the only thing that can provide the necessary impetus in the economic growth. If there is any other way of alleviating our poverty this group should let me know. The target of all planned programmes is to accelerate productive employment in every sense.

S.A.M. S. Kibria : When democratic rule was restored in Bangladesh the thought occurred that this was an opportune moment for the country to seek new ways to break out of the image of an international basket case. For too many years I have observed with dismay and a sense of humiliation that Bangladesh was not only an LDC but was diligently cultivating the image of an LDC. It was almost reconciled to be an LDC forever. There didn't seem to be any thoughts about planning to get out of the LDC status. It was eroding international standing for the country and also our national dignity. But can we not start planning our way out of this disgraceful situation? When we look around the region we find there are countries in our region which were no better than Bangladesh in any way.

The Republic of Korea in the late 40s was way behind Bangladesh. It was not an industrialised country. Thailand, Malaysia or Indonesia these were countries in no way better off than present Bangladesh and yet we have seen to our surprise and a bit of envy how these countries have forged ahead.

Is it really possible to get out of the LDC status and move to NIC status? I believe that it is possible. It is possible to shed the LDC status by the turn of the century. There are many countries who are not LDCs and yet they are able to receive all the benefits of international cooperation. International cooperation is one thing. Going around with a begging bowl for alms is another. Today the dominant philosophy of international cooperation does not make any room for the kind of charity

litical stability. It had many problems Korea didn't have. There are other countries which have not had very great political stability. But there was national consensus on the basic issues. In the matter of labour, export and industrial policy, education policy, there was convergence of opinions from all segments of society. So that when the government was trying to do something the opposition did not consider that it's main mission in life was to frustrate those policies. Since the opposition also believed in the basics of those policies they tried to let it work. They confined their political manoeuvres to certain other areas and not the basic economic issues of the country. The basic economic issues must be those in which the interest of the nation are at stake.

This reminds me of one thing. In some advanced countries like the United States or even many other countries they have bipartisan politics. When they feel there is something in which their future and national interest are at stake they forget their party differences in order to deal with those problems effectively. Sometimes, some countries form national governments. We have seen this in UK and other countries too. My concept of national consensus is not just between the government and the opposition. My concept is a little bit deeper and wider. Consensus must pervade the society as a whole. The academics, the business community, the private sector, the civil servants, even military—certainly the political parties in power and in opposition. There must be an understanding that this is something in which the nation should be totally united. Otherwise it just can't survive. Certainly if rich countries cannot afford to have consensus on basic issues how can a poor country like ours have the luxury to fritter away our energies. Take for example, the education policy. In this matter there is need for