

The Daily Star Media Round Table on 'LDC to NIC: Prospects for Bangladesh'

Continued

national consensus. Higher education in Bangladesh is in a state of disarray. I, as an outsider, coming after my stay abroad, while looking at the present situation, I simply do not believe, that it is possible to restore normal conditions in the educational institutions without the whole nation, the government in power, the opposition political parties, as well as other segments of society joining hands and trying to restore the situation. It must be a responsibility for everybody.

Take for example the labour situation in the country. The Honourable Minister spoke about a fine industrial policy. We had in ESCAP formulated a foreign investment code for Vietnam. It was formulated and promulgated by the State and yet foreign investments didn't come. The Deputy Prime Minister saw the several times. What is the reason? The reason is the absence of a climate. The climate must be there for foreign investment. The climate consists of a lot of things. Confidence of the business community. If the domestic investors do not have the confidence to invest then how can you expect that foreigners will come and put the money in your country? If there is labour unrest continuing in the country and this is not purely a labour management relation. It is politicized. Then of course the foreigners will stay away from it. It is a dangerous trap for them. Why will they put their good money where even domestic investors are frightened. In a situation where there is no certainty or guarantee of their money coming back to them. If you look at the experience in this country I would say emphasis on some basic policy issues in order to achieve national consensus must be the first priority. Once the basic policy issues have been identified and consensus developed on them, I believe we can all forge ahead. We have a vast pool of intelligent labour. I am personally convinced that we can achieve wonders. This is one resource we have to sell. We are not very resource rich. South East Asia presents an interesting contrast. Some countries like Hong Kong or even Korea have very little natural resources. Singapore practically has none and yet they made phenomenal progress. Thailand, Indonesia, and Malaysia are reasonably resource rich. They are also making progress. There is not a trace of identical situation in all these countries.

In each case different policy packages are put together to achieve very rapid economic growth. We fall somewhere in between in terms of resources. Provided we lay the foundations right and we can work in building up this national consensus no doubt we will be able to make this transition. Achieving the NIC status is not going to be easy. It is a painful task. It might take 5 years, or 15 years, but we must set our heart on it, and put our sights to that particular goal, mobilise all the creative energy of the people. The whole world today is talking about the private sector. Certainly the latent creativity, the innovativeness that is inherent in the private sector must be mobilised.

Let us not forget something the Hon'ble Planning Minister touched on this wisely — in none of these countries I have observed very closely was there laissez-faire. The government just did not withdraw from the scene and say that you just go ahead and everything is going to be fine.

In each of these countries, including Japan, the government played a very significant supportive role. Unfortunately in the South Asian subcontinent the tradition of the government has been restrictive intervention. In Japan, or if you study the recent developments in Korea, Malaysia, Singapore or Hong Kong you will find supportive intervention of the government.

The government has a very important role to play particularly in a poor country like Bangladesh, where we have to husband our resources. Every single penny has to be put to productive use.

Therefore, the government is in the best position. And since the government will represent a national consensus — if it is indeed the case — there should be no problem of making the most out of our limited resource.

Rehman Sobhan: It is for us to look at the processes of transition and here I would identify a series of questions. What are we expecting to realise in terms of goals for the society?

Above everything else, the whole game is to give a decent life to the entire population. Let us not get carried away by export growths and all the rest of it. It is all about how your 110 million citizens live their lives.

We want to target the issue of the quality of life, the eradication of poverty, and within those issues relate to the conditions of the depressed population, the women, and

ultimately the creation of an environment which can sustain growth. There is no point in growing and destroying the environment. These are the end products. In terms of processes the need for sustained growth of economy, you then want to look at the whole matter of saving and self-reliance. We have been talking about Bangladesh being the basket case. What are the relevant issues involved in raising the level of self-financing through mobilisation of domestic savings and being able to reduce the degree of external dependence? Arising from this you want to see how you can get on to the path of a high level of investment. Again, we want to look at the whole issue of leading into a much higher profile in the export sector. The point raised by Mr. Kibria for instance of the concept of a national consensus — how integral is this to serve as an instrumentality for development. Then, I thought we would look again at specific policy intervention for the actual eradication of poverty.

Here, one school has argued that one of the common features of a successful NIC is that they have been carrying out land reforms and how relevant this is for the country like Bangladesh.

Then there is the whole emphasis on human resource development that all NICs are characterised by high level of education, health care and what in fact are the particular ways in which we could approximate to these goals.

Then there is the whole question of external dependence and our relationship with our development partners.

Then we could look at the issue of foreign investment. What are the main features? How central is foreign investment to the transition. I begin by inviting Mr Dilwar Hussain the chief whip to initiate some remarks.

Dilwar Hussain: I think you have outlined well the issues and the way the discussions should proceed.

It is about time for all of us to identify our problems and sort out solutions for them. I have noted that the usual concepts in our country is that whenever a party is in power it is the sole responsibility of that particular party to solve the problems. People have voted parties to power but they have repeatedly been frustrated because problems have not been properly solved and in this way we have spent a good number of years after our independence. To me, the main reason for such problems which have made Bangladesh an LDC country are political instability and absence of democracy. Over the years we have noted that democracy was absent and autocracy ruled the country and it has been proved beyond all doubt that the so-called political stability as we found in the last 9 years has not been able to bring the country any closer to progress and the problems of the people have remained the same as before if not worse. Now after a long struggle we have, very recently, gone for a pattern of government which can be called a democratic and parliamentary government, introduced recently as a product of national consensus. Within the parliament, all the political parties agreed to that which have been passed and outside the parliament intellectuals and others whose opinions are counted also desired for such a pattern of government. And the process has just begun. I feel, if this democratic process can be continued and if problems can be rightly sorted out there may be some hope for the nation. My friend, Mr Kibria, has pointed out a very important problem in our country that there has been no consensus on any major economic issue and he has cited the cases of Thailand and some other countries, where although there was no consensus on political issues there has been consensus on economic issues. I'm afraid in our country this will be a very difficult task. We feel, that for solutions of economic problems there must be an understanding among the political parties covering national issues such as terrorism in the universities and other institutions and corruption etc. Such major issues can be solved only if we, I mean the party in power, and the opposition in the parliament can achieve at greater understanding and cooperation. This will usher or make possible the understanding on economic issues. We cannot expect agreement on economic issues without agreement on vital political issues. Furthermore I think that the political programmes of each party are not the same. There are basic differences which can be sorted out and mitigated or minimized only if we can arrive at some greater understanding and I hope my learned friends, some of the important members of parliament are present here, will give their opinion. We have been trying very seriously

within the parliament to arrive at agreements on some other national issues and this can be achieved only if persons outside the parliament are equally interested and conscious about their responsibilities in this respect. What I mean to say is this: during the movement we found the professors and the teachers, the lawyers and all other sections of the people were united together which encouraged political parties to forge unity amongst themselves and to lead the movement against autocracy. Time is again ripe for the political workers and parties for assuming such unity. Learned friends, I have already said that I am not participating in the discussions. But I must say that this is a good beginning where learned opinions will be given and recommendations made which will give the government and others some indication as to the way to be followed so that we can improve on our position from the position of LDC to NIC. Maybe it will take some time but I hope and pray that this does come about, beginning in this small hall with such distinguished

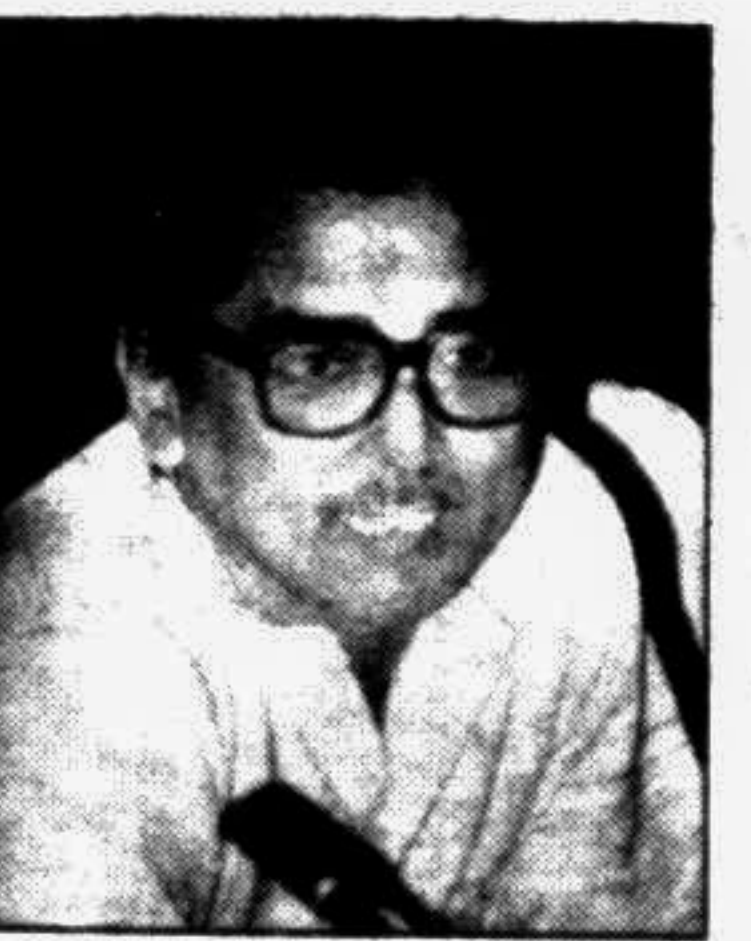
'Recently a public sector unit was closed for six months. During that time full wages were paid, and also overtime.'

M. Syeduzzaman



participants will be a landmark for our future.

Rehman Sobhan: Now let us get on to the meat of the discussion on the instrumentalities to realize these goals. But before we do that I want to briefly get your response. Are we in agreement both about the goal and the processes of realizing this transition. Are there any differences of opinion on the goals of eradication of poverty, realizing a high quality of life, realizing a process of sustained growth, real-



'How much has the private sector contributed to our development in the last 15 years? Does private sector mean private 'loot'?'

Rashed Khan Menon

izing a significant improvement in the condition of women and children in society and realizing environmental ways for sustained growth. These seem to be universally accepted goals including within Bangladesh. And in order to do so we would pursue the policies for sustained growth, saving, investment and issues related to export growth. If we are in agreement with these particular objectives then we can move on to the instruments and begin in fact. Here Mr Kibria and Mr Dilwar Hussain pointed out.

Rashed Khan Menon: We are definitely in agreement. This is what we have been fighting for for years. New things have come up in the world such as emancipation of women, protection of the environment. But still we say that on other things we are in agreement. Unfortunately we could not realize this for so long a time. I must thank The Daily Star that they have started a very important discussion on the issue of whether we can go from LDC to NIC. When we go out of this

country and find that other countries which were poorer than us like Thailand or Korea we feel the pang in our hearts that we could not do it. We blame ourselves but the answer we should find out is from ourselves. I think that mainly due to political reasons which Mr Kibria has pointed out that whether we really mean to go from LDC to NIC.

And I have to agree with him on the comment that there was a tendency of all the governments of our country to remain an LDC so that we can have more aid and the tendency was because they wanted to have a share in the loot and by that enrich themselves with little regard for the people. So I think first of all is the political will. Next I agree with Mr Kibria on national consensus not only for the position of the opposition for all. And here we could start from this panel. Our Industries Minister has stated the industrial policies of the government but I do not see any break from the past. The problem is that we don't really know in which direction we are going. We are just going. During our parliament session when our Finance Minister tried to explain his budget he tried to stress on the process of transparency and accountability. In reality are we having this transparency or accountability? Today I was in a Public Accounts Meeting of the Parliament. From that I am getting real experience on how in this country we don't ever get answers from people who are implementing the projects. At the same time I find that really there is a urge in the people to make government accountable. The second point is that we must have a consensus on issues like: whether we should have a public sector, how big should this public sector be? We hear everyday that we are incurring so much loss, that the World Bank will not give us aid if we do not do this, this and this. But we have not seen any attempt on the part of the government or on the part of anyone in authority to really discuss the issue on the public sector, only giving us accounts of losses, nothing more than that. But as the Hon'ble Prime Minister said that though the public sector is incurring losses we must still plan economic development.

For the last fifteen years we have heard from the government that we must encourage the private sector. But could we say how much they have really contributed to the economy. Does private sector mean private loot or real self development?

Rehman Sobhan: Could we come to those issues that I have structured. Since we have identified them. Now the first question we may take up is the whole issue of the consensus. Perhaps it might be useful for Mr Kibria to give some clarification on this because obviously the countries we have been talking about are what we call the NIC — the top of the league NIC which are really Taiwan, Korea, Singapore and Hongkong. These are all for practical purposes really one party states. Republic of Korea only entered into a multi-party system in the last few years but the other three still remain effectively one party states which have been in power for the last 30 years. And even in Thailand where there have been many governments the army has been in power for the last 50 years. In Malaysia there has been one party in power for the last 30 years. So when we talk of consensus it is that the consensus originates in the fact that the whole political scene of these countries is dominated by one major party and what can you do to build a consensus in a multi-party system. Such as Bangladesh where you've got a powerful opposition. What are the preconditions. I would first like your response and then invite some of the members of our political parties regarding the nature of this consensus.

Kibria: Many of you know the economic history of this country and I don't have to give the details. Indeed some of these countries have had one party rules but my idea of consensus that I presented to you earlier is not really the consensus of the government and the opposition party only. I said consensus in the society. Take for example Thailand about which I know rather well. There I find there are various elements of power in the political structure of the society. There is the king, he does not rule, he reigns, yet he exercises a moral and spiritual influence in the society. There is the armed forces. They have at different times captured, sustained and manipulated power. The army is very important in Thai politics but there are other important factors as well like say the private sector — the business community are a big force in Thailand. Then there is the academic circle. They are not as strong as the army but having lived in Thailand I can say that they do exercise a great influence even in the thinking of the armed forces

and other sectors of the country. The civil service of course exercise considerable influence in Thailand.

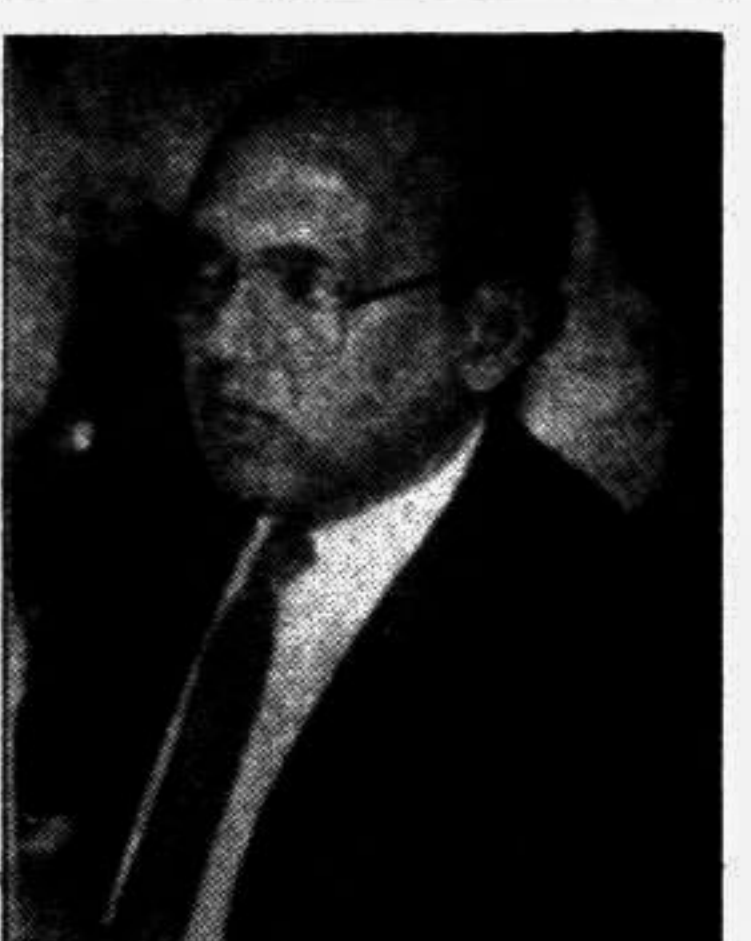
Now, what I meant by consensus was that there was general consensus i.e. convergence of opinion on certain basic issues in all the sectors whether it is the army, the civil servants, the police forces, the Royal family or the economic circles in the universities. When it comes to, let say, the exports policy of the country, labour policy, the economic apparatus or resource allocations they seem to be in agreement. There is no particular sharp difference. There are differences in emphasis, but Thailand for example, in spite of being, as you said ruled by the military for many years has had a record of allocation to education much higher than in Bangladesh. Even today when only recently there was a military coup that the allocation to education is higher than in the military and in defense in Thailand. So there are power centres within the Thai society. The same is true of Korea. In Korea again, the military did

'At the rate we are going, we will soon call ourselves the 'Most LDC'.'

Manzur Elahi



play a dominant role but the allocation to education which is the foundation for human resource development is highest apart from Japan's. I could give the figures but they will bore you. But what I meant is that consensus is not necessarily connected with politics but can be a part of politics. I would say, Mr Sobhan, that in Bangladesh observing from a neighbouring country, we saw that there emerged a consensus on the form of government.



'If there is consensus on basic issues then policies will continue, even if government changes.'

Tofael Ahmed

We saw that everybody seemed to feel having had all the years of different types of experience parliamentary system seems to be best. It is not only between the political parties, from my context I could see that ordinary people around the street, the academic people, people in universities, in business communities, they all felt the same. As a result it went through so smoothly. The only event that has gone so smoothly in many years, if I may say so. So that is national consensus one that is not necessarily connected with politics. Of course, if there is political stability, it is all the better. But we can't order the politicians. They are a very independent minded lot. If we can achieve stability of economic policies on the basis of broad agreement on the direction of the economy that would be good enough for our business leaders and entrepreneurs to move ahead. But in a situation where there is no certainty of stability of the economic policies I don't think that we would be able to break out of this stalemate and stagnation.

Thank you.

Tofael Ahmed: I am grateful to the organizers of this discussion and happy to participate in it. Mr Kibria has pointed out quite clearly that if we can fix up our national priority on the basis of national consensus then we can come to a conclusion and can do something for the betterment of the people. He is quite aware of the situation in Bangladesh and correctly points it out that there was a national consensus as far as the form of government was concerned. All sections of the people belonging in this country participated in the democratic movement during the autocratic regime. We sat together group by group and we discussed, this problem. As a result of which in the parliament in the name of 12th Amendment, we could make this system into a parliamentary government. Before the elections I had the opportunity to talk to our friends including Mr Zahiruddin Khan who is now the Planning Minister and the Finance Minister and the Industry Minister himself. Before the election, we wanted to come to an understanding that we should decide on the major issues of this country i.e. the basic issues of this country say, what should be our education policy, economic policy, health policy, industrial policy. Both the Planning and Finance Minister who are ruling this country agreed with me and as a result of which we talked to our parties and came to an agreement. As foreign investments are few, if we have agreement on basic matters then foreign investors will be encouraged and invest here. But anyway, we could not come to that situation for many reasons. But still there is a chance we have discussed these things in the Parliament that the present government is not the government of BNP. It is the government of the people, because they have been elected by the people. But we have mentioned many times that there are many issues. We can come to an understanding and there is still time. As we have passed the 12th Amendment similarly the law and order problem at present moment can also be handled together. We are discussing here about the prosperity of the nation.

We are all trying to make sure that the law and order is normal and so everybody can talk freely.

So we are talking of the NIC — Newly Industrialised Countries. We are talking of Malaysia, Thailand, Singapore, etc. But we were better off as Mr Kibria and the Planning Minister pointed out, than Korea in the 50's and 60's. In 1962 the Korean people used to eat the bark of the tree as in 1991 we are doing. But now they are far ahead of us. There are many reasons for this.

After the Second World War there were many countries in Asia whose defense responsibilities were taken by US. These countries did not spend their own money for the Defense and spent it on their national economic matters. But what is happening in our country? For the last 20 years we have spent not less than Tk 250 billion on defense though we have a friendly treaty with India, our friends of Saudi Arabia, US and many others are very conscious about our defense. So a poor country like Bangladesh where the population is so much, we spend so much money on defense. We will do that. That is

I would like to conclude that if we have a national consensus on basic issues then whether a government stays or is replaced by another, the policies will remain.

Syeduzzaman: NICs are not all alike. There are Latin American NICs and NICs like Turkey and Southern Europe. Probably what we are talking about are the East Asian or South East Asian NICs. And if we look at them we can see the whole range, Singapore and Hong Kong has a per capita income of \$11,000, Thailand, S. Korea close to \$5,000, Malaysia close to 3,000 dollars. In the subcontinent — India, Pakistan roughly 400 dollars, Sri Lanka about 450 dollars and we have about 180 dollars. So what you are really looking to is a transition from low income status to a middle income status with social justice, equity, reduction of poverty and industrialization as a major strategy for responding to our employment situation. So the correct slogan for us, in Bangladesh, would be to move from a low income status to middle income status. Now, as mentioned earlier it is important to realize the transition process. Here the mind will be clear and consensus easier if we look at some of the data. As the Planning Minister said that the most important thing is the rapid rate of growth. If we look at the growth rate of some of these countries, low income countries as a whole grew by 6%, Bangladesh between 3.4 and 5%. Individual countries like

China close to 10%, Pakistan close to 7%, Thailand in the last few years 10-12%.

Now if we look at the domestic investment of the last decade Bangladesh's investment declined from 16% to 11-12%. In Pakistan it is close to 18%, India 24%, Sri Lanka 21%, Thailand 31%, Turkey 22%, China 36%, Korea 35%, Hong Kong and Singapore around 30-35%. So you can see where we are and where we are to go. In the case of investment, domestic savings in Bangladesh in the last 20 years declined from 8% to 2%. In Pakistan from 13% to 12%. In India it has gone up from 16% to 21%. In China from 20% to 36%, Thailand from 19% to 29%, Turkey 31% to 21%, Korea 37%, Hong Kong 35%, Singapore 43%, and Sri Lanka 13%. So we are at the bottom of the list. This is the picture of our domestic savings and growth rate and rate of investment. Now if we want us to achieve a growth rate which will help us to make the transition from a low income country to a middle income country in a reasonable period of time then we

'Main lessons from Korea, Taiwan and other NICs is that we must develop our human resource.'

Mahbub Hossain



need a growth rate of at least 7% which means an investment rate of nearly 18% to 20%. If we look at our total national savings which is about 6% then you can see the gap. But where is the gap going to come from? Even realizing our maximum potential our 2% national savings is only 6%. So we must realize what we want to do to reach there?

Coming to industrialization, if we look at the industrial structure or production of this country, if we realize this, we



'If Bangladesh wants a model, it should look to Thailand and not the NICs.'

Christopher Willoughby

will come to a consensus. We must come to a consensus regarding: How can we realize our resources, what priorities are needed to allocate those resources, what kind of formulation of programmes we need, what kind of policy intervention we need. So, for coming to a consensus it is necessary to come to a consensus on our basic goals first and basic goals will come through the realization of hard numbers. Thank you.

Christopher Willoughby: Certainly I think the issue of consensus making is very important. Despite what Mr Syeduzzaman said, it is rather pleasing for me to hear so much about the NICs, narrowly so called, I don't remember Bangladesh talking about the NICs that much in the past. It always seemed to me that if Bangladesh was seeking a model, Thailand and countries in that direction would be more stimulating models than the models that are normally taken. Of course the parliamentary moves are extremely important. I think that a consensus on some of

those kind of basic issues, i.e. how the parliamentary system can best be used in fundamental, kind of daily life of system issues — that is where consensus is most in need and of course on the overall importance of the economic problem. I was always struck by Korea and the emphasis that the Korean government placed especially for the last 50 years on trying to educate the public on the nature of the problem that were occurring in the economy. And not only the business people but farmers — they did not perhaps have a very democratic system or the way we think democratic systems should work, but like all systems they were as much having to cope with groups of special interests. Of course that is a characteristic that always strikes a foreigner in Bangladesh — the strength and the narrow interests all over the place. So, there is a big piece of work to be done in developing understanding as much as consensus. I suppose consensus is terribly important and what I would call the basic issues of economics for example the industries Minister referred to the labour policy question. This is such a fundamental issue for the future of the economy that has to be understood — the nature of the problem. So I'll get back to understanding. But more broadly and finally on consensus, I think consensus or bipartisan policy, national unity etc. can be sought a bit too much. I would think that in some senses one would be hoping that the government would come up with clearer more concrete statements on proposed action in a particular area and yes by all means submit them to discussion in the parliament which has not been used so far for such discussions but have them clearly presented there and not necessarily we expect to have a consensus over them but at least to have them argued out and vetted through a majority process and that is the policy that comes out. So I would be seeking less amalgam of consensus sort of mushy, everybody agrees. I really think Bangladesh has a lot of that but it does not have so much clear actions. These are the actions that will be taken, everybody knows, the bureaucracy has a way it can go and it can be judged. So I think a little too much emphasis may be put on consensus.

Manzur Elahi: I think we have talked enough of consensus. It is about time we got to the really meaty problems. The nitty gritty of the problems and the rate we are going we call ourselves LDC we will be called the most LDC. We are really going down the tube. In the last 6-8 months situation have been so bad, I don't know what is going to happen. Our learned ministers are here, the opposition is here and I am a common man and between the opposition and the ministers we are caught in the cross fire. Time has come when we have to sit down and sort this out. The basic problem today is the law and order situation. Now before getting into the real issues, you must all agree that why do you not talk of what happened before South Korea was moving towards this industrialization they had land reforms. Why do you forget land reforms? Where is your land reforms? Most of your MPs are absentee land lords. Do you think they would give any land reforms to the Parliament? I don't think so. So, if you don't bring land reforms how will we alleviate poverty? We agree on alleviating poverty, the consensus is there but bring in land reforms first.

The second, is, okay I am talking of the macro level things but everybody agrees that education is there.

Rehman Sobhan: Now is there general agreement around the table to move for some form of land reform with its implication for distribution of income in favour of the least favoured section of your population is as integral part of the process of transition.

Enam A Chowdhury: I'm afraid the question is not really resolved that you have put what is consensus necessary for.

There are some countries which were not democratic but still seems to have achieved industrial progress and you call them NICs. So the question is: Is it possible to achieve this without a democratic consensus? And how is it necessary that we should have a democratic system to achieve this consensus? I believe this particular point needs to be addressed. Now if we see in the late 40s we started off with the colonial system. Unity, faith, discipline — were the slogans which came out very strongly. Now in those days the take off could not be achieved. But why was this so? There was same system of government which was acclaimed.

This was the basis of national consensus, conveyed through this slogan but national consensus was not