

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

Continued

achieved because there were certain issues that were not commonly acceptable by all in the society itself. I believe this part is important as pointed out by many of the speakers that in countries like Thailand, Malaysia, even Bangladesh there is possibility to achieve what is termed as social consensus.

**Rehman Sobhan** : Since time is moving let us look at specific issues where we may or may not have consensus. And I think on that point Mr Manzoor Elahi has appropriately set the ball rolling and has raised the issue of land reforms and its implications on distribution of income and effective demand. Now have you any immediate thoughts on that subject?

**Enam Chowdhury** : Political will to achieve land reforms is needed. There is no disagreement that in an agrarian economy land reforms are obviously needed. Land reform is a prerequisite of agricultural advancement, which is the very basis of industrial growth.

**Rehman Sobhan** : Let me ask Mr. Kamal Siddiqui whether he is drawing up any legislation for land reform which this government has initiated since there seems to be some consensus in this direction?

**Kamal Siddiqui** : Chairman, about land reforms my views are very well known. I have written quite a bit on the subject. But my submission to this August gathering is that the political and administrative government which we have achieved after 9 years of autocratic rule and also the international climate, does not permit us at this moment to undertake distributive radical land reform which I think theoretically it is justified even now or even after 5 years. Because for the kind of programmes we have in mind for power — cannot be wished away. But we have to create a climate for such land reform. And for that I believe that some serious land management improvement can be made. If you remember Mr Chairman when we had the committee I'm about those task forces I was a member of the committee on land management. At that time we came to a consensus that this was not the time for land reform. We do not have the administrative capacity or international climate for it. When Korea embarked upon land reforms it was a very different political situation. There was the threat of North Korea, of a communist takeover. It was both economically and politically justified to have land reforms in that country. So Korea also had the required international climate which we do not have at the moment.

Also, let us concentrate on what can be done under the present circumstances. For example if we want land to be transacted easily we can do certain clear improvements without going into land reform. Like in industry we have one stop service. So for land we can have one stop service. Say, land recording done in one place, land revenue done in another place, land transaction in another place — all these services could be brought together so that the land transactions and land transfers can be done more easily and pass on to people who can use land more productively. That kind of improvement we can attempt at the moment. But yes, of course theoretically we can justify very radical land reforms for Bangladesh but I don't think it is the right time for it. Maybe after 5-10 years when we have taken some serious measures to improve the present land management factors.

**Rehman Sobhan** : How are Mr Manzoor Elahi and Mr Mahubur Rahman and their community going to sell their goods and in fact make their industries viable? In fact who is going to create the domestic market for sustaining the process of industrialisation? Have we any thoughts on this process?

**Mahubur Hussain** : I suppose Dr Sobhan you are raising the question of effective demand so to promote industrial growth we need to have market. But I don't think any sort of radical land reform will ensure this market in Bangladesh. If we look at the size of land that we have even if you have a very drastic land reform, say a ceiling on 4 hectares which is the ceiling in South Korea we can give only 15 or 16 decimals each to the functionally landless people who are 50% of the households in the country and that is not going to raise the income of the poor by more than 5 or 10%. So that's not the solution of the problem of organizing demand for the industrial goods of the country. I was a very strong advocate of land reforms 10 years ago, because most of my studies were on that and I was making recommendations on the basis of our state arguments. Now looking at how resources and income have been generated and how income has been unequally distributed, I don't

think land has remained the issue. Unequal distribution of income over the last 10-15 years is the real issue. It has been more due to lack of access to opportunities and education, these are much more in-equalizing forces in our country than ownership of land in the country. I agree that if we have land reforms there will be once for all improvement in the distribution of income and some in the efficiency or productivity in the country but some problems will remain in the next generation with ceiling or coupon of 5 acres. But that is not a solution for the country. I think our main resource is human resource and we have to educate and qualify our human resources and develop them like other countries such as Singapore and S. Korea. We could bring human resources from other countries and transfer into goods and sell it in the market. So the answer to your question is obviously we must give emphasis to agriculture and rural development and gradually increase the level of income of the people not necessarily through land reform. We could increase the productive capacity of the land. We could get access to technology and make use of it. We have to invest on land and other natural resources. Water is an important natural resource which we neglected for quite a long time. But at the same time we have to, I suggest for accelerated industrial growth, we cannot only depend on domestic market, we have to depend on the external market. If we could have labour intensive export oriented industries then the additional income that would be generated would be distributed more equitably and overall we could expand the internal human base of the economy amalgamously with industrialization. So we have sort of two tone policy — giving emphasis on agricultural rural development as well as depend on the external market to accelerate industrial growth. In the process we will expand the home market and increase efficiency in the industrial sector.

**Rehman Sobhan** : Mr Mahmud, how viable and feasible is it for Bangladesh to become a high exporting country?

**Wahiduddin Mahmud** : I have to refer back to Mr Syeduzzaman's comments. You see NIC has a connotation it means not only middle income countries but growing at a high speed to export industries. Now Bangladesh is at a stage where we haven't yet reached the stage where we can lunge forward in that direction. This is so in two respects: (1) We haven't achieved enough agricultural base to start diversifying in the industry. There is still scope for agricultural growth in the next medium term period. (2) We haven't yet passed the stage of easy import-substitution. You talk of lack of domestic market. We import most of the goods even now. The East Asian countries went into export goods after they had left the import substitution stage. Some of the industries were import substitution industries — they gained experience and then went into exports. There is no reason why some import substitution industries cannot be intrinsically as efficient as export industries. We can't make textiles be as efficient, if we cannot achieve easy import substitution. On what assumption can we go for efficient export promotion? The garments industry is no example. It is the only industry where we have expanded except fish and that industry has come by relocation of industrial entrepreneurs from East Asian countries who had exhausted their own quotas. It is not really an originally Bangladeshi entrepreneurship. Can I conclude that when we talk of industrial policy or how it is shaped by the World Bank, IMF policy of imports i.e. rationalizing import protection such as by rationalizing the tariff structure thus giving incentives for export. The main idea is to give appropriate signals to investors so that they can plan ahead. Unless you can make a policy environment where entrepreneurs are confident and can predict the future of government policy regarding how much protection you are giving to import substitution and what will be the policy environment. That has to be clear. We have been talking of industrial policy these are quantitative statements. We have to face the question that the World Bank wants to lower our protection rate upto 75% maximum of tariff. Now that is a revision of the World Bank stand. I hear the figure should be even lower.

**Rehman Sobhan** : Taking the cue from that can I invite Mr Mahubur Rahman and Mr Manzoor Elahi to address the issues of policies regarding industrialization and foreign investment. Now since the mid to late 70's a whole series of industrial policies have been formulated. In fact the policies were really formulated by the previous government and all you had made is to have the opportunities to add a few commas and semi commas.

**Shamsul Islam Khan** : Previous government was the government of the President where you are the member. I do not know whether you have formulated this policy.

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will not be disturbed that much. That is bad, you have to take your own stand if you want to debate with World Bank or IMF that on practical grounds, our spirit of adjustment of rationalization should be debated and agreed. The government should have at least a definite firm signal that this is our policy regarding tariff rationalization and export promotion. Unless you do that arbitrary policy and changes from year to year, balancing your commitments to your donors and on the other appealing the local vested interests, creating an atmosphere of uncertainty where no industrial policy will work.

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more competitive. And this will create another debate. I wouldn't like to go in for it. I think we can discuss this some other time, and we congratulate 'The Daily Star' for arranging such a beautiful opportunity. And we want criticism and we want to learn from this type of discussion. Thank you.

**Rahman Sobhan** : May I ask Mr. Mahubur Rahman what he has to say about this?

**Mahubur Rahman** : Before the Industries Minister leaves — we have been talking about consensus on the national issues, both in economics and politics. But in these issues where do we have consensus already, how far have we gone in those directions? Regarding the economic policies in particular, for which I think Mr. Kibria has been advocating for the last two years and I too had discussions with him both in Bangkok, as well as in Dhaka — on as he mentioned at the beginning what may sound very ambitious — 'From LDC to NIC: Prospect for Bangladesh,' some of the ambassadors have been commenting about such an initiative taken by ESCAP — let me not go into the details. Nevertheless what he feels, as a result of his experience of last 10 years, and serving in these areas, that we must begin somewhere. And where to begin? And how to begin? May

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industrial, liberal policy of the government — from where we generate our savings? How we do it, that is most important, to make the investment possible?

We have discussed many things about this market, the domestic market, how we can sustain this market, how we can develop the purchasing capacity of the common people — that is all big economic questions. So I would not like to address this, because I will be rather more confused. But what I see in practical terms there we have certain consensus as far as privatisation is concerned from the mid 70s. Even if some political parties may not agree, but they have not all come out against it, to undo those initiatives taken by successive governments. So naturally I would like to say that there is some sort of a subtle understanding that the economy should grow through private sector initiative. But what have we achieved? But those policies are bound in beautiful books, not in realities. So in many cases, well those our Industries Minister has been telling you about, I am very happy to see the Planning Minister has been talking all about this. And we shall now have to ask them, the industries and planning ministers whether all

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is no other choice left. Particularly coupled with World Bank, when they are emphasizing so much that — you will have to be this way or that way. So naturally you have no choice but to go through the private sector for your further economic growth. I would now like to conclude here by saying that whatever policy we have on the basis of mutual discussions between the private sector and the government have to be implemented; and it should be available in reality. We are saying that this is our labour policy which is not in existence, which is prompted by the political parties for political interests. There are unauthorised labour union operating in the country with which both the opposition and the government are discussing matters of vital interest and importance. So we shall have to make sure that proper situation and environment is available in the country, so that the local investments can come in and when the overseas investors would see that the local investors are thriving, local investors are coming up in good numbers to invest in the economy and they are really in business; then only the foreigners will come up to invest in our country. There are

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