

## Interview with Prof Jim Love

## Export-led Growth Key to Development

by Rashed Mahmud Titumir

A convenient way to approach the complex issues of trade policies for development is to set them in the context of a broader LDC strategy of looking outward or looking inward.

In the words of Professor Streeten, outward-looking policies "encourage not only free trade but also the free movement of capital, workers, enterprises and students—the multinational enterprise, and an open system of communications."

On the other hand, inward-looking policies stress the need for LDC's to evolve their own styles of development and to enable people to be the masters of their own lives. This means policies to encourage indigenous "learning by doing" in manufacturing and the development of indigenous technologies appropriate to a country's resource endowments.

However, the mix of macroeconomic policy instruments, currently being practised and advocated by the mainstream economists are that of the former one.

Prof Jim Love, Director, Developing Countries Research Unit of University of Strathclyde, now visiting Bangladesh to deliver his speech on 'the engines of growth—the export and government sector' sees import development must be an important component of any programme aimed at accelerating industrial growth.

The Daily Star approached Dr Love to know about his thought on "engines of growth".

The excerpts of the interview follow:

**The Daily Star (DS):** Would you please tell us what your school of thought identifies as engines of growth?

**Jim Love (JL):** Well, you might see two sectors—one is export and the other one is public sector. Traditionally the economists have always regarded export sector as the main engine of growth. But since the '50s or '60s there has been a large expansion of government sector, partly because governments have taken the responsibility of their own developmental administration after independence, partly because import-substitution gives government a bigger role with direct or indirect involvement. And also partly because as economies fail to grow at the level of expectation, people's aspirations change and they demand more goods and services, including things like education, health, housing, which are provided by the States. So increasingly, people begin to



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centred on its exports. In fact, one kind of export is being replaced by the other. But the export promotion people would like to see much greater diversification than the contraction of exports.

**DS:** Some economists agree that the much-cited garments sector lacks the backward linkage. How do you react to that?

**JL:** Well, there may be limitation in a sense, much of the inputs are actually imported from elsewhere, not produced domestically. But value is being added to the manufacturing process in Bangladesh. Clearly a substantial amount of employment has been created by that sector. I think you have to ask yourself the question what would be the situation if there had been no manufacturing of the garments in Bangladesh. The answer would be quite depressing because the traditional products like jute has gone on the decline a long time ago.

**DS:** How can it be achieved? **JL:** Well, normally we would think of export expansion has been related to finding new products to export. And also in developing countries through greater domestic processing of raw materials. Now from where do we find new products? The usual thing associated with it is the development of manufacturing.

And if you look at the experience in Bangladesh, what has happened over the past ten years, the share of the manufacturing sector has fallen

slightly and the share of service sector has continued to rise. Now the gap is what the export promotion would expect. But you have to anticipate they are the results of a shift in policy. It does take some period of adjustment before people can switch from one area to another. It would be unrealistic to expect an enormous rise in manufacturing quickly.

The government sector has actually to contract. Export promotion argument involves a shift towards greater reliance on market mechanism.

**DS:** How do you view the role of the government?

**JL:** I will view that the shift towards export promotion and greater reliance on market are a necessary condition to achieve economic development. But I will not advocate an unbridled operation of the market. I think government has a significant role to play.

It also think government can assist industry in number of ways. It is unrealistic to expect that industry will perform better if suddenly thrown into market mechanism. I think the shift in export promotion is a necessary condition for the success of development efforts. But it is not a sufficient condition. I think there is a need for partnership between the government sector and the private sector, although that partnership has to be different from that of previous years.

**DS:** Would you please be more specific regarding the partnership?

**JL:** In the past what we had in various countries was a protective regime, a government which introduced or provided taxation or incentives to protect a particular product in the economy, which I see as a damage to the other parts. In the past the attempts of the government sector to develop domestic industry have not been entirely successful. But in many cases they have damaged the export potentials. The role of the government would be supportive.

**DS:** What would be the role of the private sector?

**JL:** I think the role of the private sector would be the running of industries, finding of markets overseas. It would be free to make decision what to produce, how to produce, and where to sell. In the past, that was often been influenced by the government.

I think the private sector should be given the liberal environment to operate.

**DS:** Thank you for sharing your views.

**JL:** Thank you.

## Lessons Learned from the Gulf Crisis

by Selim Jahan

THE first lesson learned from the crisis is that there is a serious information gap with regard to both out and return migration. Even GOB did not seem to have a good idea of relevant numbers and nature of migrants. It made the impact-assessment less accurate and the formulation of an assistance programme highly difficult.

There has never been a systematic plan for promotion of out-migration nor there was any programme for rehabilitating the returnees. In a similar way there has not been a well-planned system developed to maximise remittance earnings.

In fact, the official channel was inefficient and cumbersome, so that about 25 per cent of remittances used to be sent through 'unofficial' channels. As a result, the country has been losing a significant amount of foreign exchange. There has been no properly coordinated plan on the part of GOB to channelise remittances into productive investments or to use them institutionally for growth and development. The absence of such an effort led to two outcomes: first, these remittances were not used in an optimum manner. Sometimes, those were used to import unnecessary luxury consumer items. But more importantly, since remittance-investments were not properly designed and executed, when the migrants came back from Kuwait and Iraq after the Gulf crisis, they did not have the proper cushion to fall back on.

The crisis has proved once again the vulnerability of the Bangladeshi economy to sudden external shocks. It reflects the inherent structural problems within the economy. It also shows the absence of necessary flexibility in the country's policy framework as well as its planning mechanism to absorb this kind of shock.

## Policy Implications and Recommendations

The return migrants are not a disadvantaged group, rather they represent a special group. In the first place, they have demonstrated a capacity for generating significant resources for investing the overseas employment. Secondly, they were more ready than others to seize opportunities to improve their economic situation and thus showed alertness, enterprise, and considerable courage to try their luck in other countries. Some of them were highly successful in their endeavours. Thirdly, many of them have shown political astuteness by organising themselves in order to move the government to take actions on their behalf. Thus, the return migrants are not liabilities to the society, but an asset, who can act as an engine of growth in their respective community and the country as a whole.

The possible strategy to address the problem should have five major elements:

- Monitoring of both out and return migration.
- Deployment and re-deployment of workers in the overseas labour markets;
- Absorption of the return migrants in the domestic job market as wage earners;
- Small enterprise development for the returnees; and
- Better macroeconomic planning with regard to overseas employment.

The objective of the first element in the strategy will be to build the government's capabil-

ity for continued monitoring of both out and return migration, to enhance knowledge and understanding of the implications of return migration and to provide the information base for planning the optimum utilisation of the migrants' skills and remittances as well as facilitation of assistance to the returned migrants.

The registration of skilled returnees and the job referral services are the major building blocks of the third component. In this regard, the major objectives are to facilitate local job search among the returnees, to enhance productivity by channelling the workers to the jobs best suited to their skills and to provide a bridge for returnees waiting to remigrate to their previous jobs abroad. It is recommended that BMET must have an active drive to locate industries which are likely to need the types of skills possessed by some returnees, and obtain detailed information on the skills and the experience of the returnees.

The second component would encompass such objectives as new market development, campaign against fraud, restructuring the recruitment industry and the development of exportable skills. It is recommended that in order to achieve these objectives, on the demand side, the following actions can be taken: encouragement of tie-ups between local contractors and recruiters and major multi-national contractors, organisation of recruitment fairs abroad, inviting large foreign contractors to attend; organisation of a campaign together with the private sector, foreign ministry and labour attaches to promote a niche for the Bangladeshi manpower

offering a large range of skilled manpower and professionals and the employment of skilled and experienced returnees as trainers.

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The fourth component of the proposed strategy has three aspects—organisation of business enterprises in migrants' communities, assistance to the product and market development and the management training services. Even if in each of these areas, the migrant returnees themselves have to pay a significant role, a major responsibility will lie with the government for formulating the programme and implementing

the Bangladeshi economy for overseas employment, but more importantly, for remittances. Such a significance extends to the household, the community and to the macro level. The Gulf crisis has both immediate and short-run effects on the Bangladeshi economy and it is expected to have long term adverse effects on the economy, depending on the time period considered and the scenarios assumed. Because of counter-acting forces, both the immediate and the short-run effects were not as severe as were first projected just after the crisis. The same conclusion can be expected for the long-term effects even though in the worse possible scenario, there can be considerable long-run adverse effects. Apart from economic ones, negative social effects will emerge.

At the household level, to what degree the crisis has affected a particular household or how a household coped with it depended on the migration-cycle, the skill-composition and the family status of the returnee. Only one-third of the returned migrants could re-migrate. About 55 per cent of the returnees have resettled in the domestic economy, but even now a lot of them maintain that if they have a chance in the future, they will opt for overseas employment.

Even though the government effectively tackled the problem in the immediate run, it seems to have written off the problem both in the short and the long-run. The performance of both the international organisations and the NGOs is quite satisfactory in attempting to provide assistance to the returned migrants in various forms. Even though a great deal has been done through private institutions, given the enormity of the problem, government interventions are warranted to tackle the problems of the returnees.

Various lessons, ranging from the need for collecting accurate information on both the out and the return migration to the importance of introducing more flexibility in the country's planning mechanism to absorb sudden external shocks, have been learnt, both at the micro and the macro level. The returned migrants are not liabilities, rather they are assets to Bangladesh.

It is recommended that in order to deal with the problems arising out of the Gulf crisis, a five-pronged strategy should be followed. This strategy consists of monitoring both out and return migration; deployment and re-deployment of workers in the overseas labour markets; absorption of the returned migrants in the domestic job market as wage employees; small enterprise development for the returnees; and last but not the least, better macroeconomic planning with regard to overseas employment.

## Conclusions

- Historically, the Gulf area has been of significance to

skilled jobs abroad, supported with sustained supervision and information about available skills; training of labour attaches in promotional work and dissemination of information about opportunities abroad. On the supply side, alignment of training programmes more closely with the requirements of foreign labour markets, encouragement to large foreign contractors to set up their own training and skills testing centres in Bangladesh; promotion of skill testing and certification with a view to upgrading standards should form the core.

Other measures in this regard should include raising minimum standards for contract wages of skilled and semi-skilled workers and professionals, and vigorously enforcing them through penalties on violating recruiters; establishment of labour service corporations

it. The implementation of this component will require coordination among different government agencies and the private sector including NGOs.

A schematic diagram of the institutional responsibilities and linkages proposed for the implementation programme is presented in Figure

In terms of macroeconomic planning, two activities are strongly recommended—first, there must be a well-coordinated plan for optimal receipt of remittances and their desired investment and other uses and second, sufficient flexibility must be introduced into the country's medium-term planning mechanism so that external shocks cannot totally destabilise the economy.

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## Jiggasha Programme Gets Off to a Good Start

by Edson Whitney

IMMEDIATELY upon stepping into Swapan Kumar Sanyal's office one senses organization and attention to detail; a man on top of his job, carefully supervising and encouraging his fieldworkers. The next thing one notices is a warm and friendly smile and a welcoming attitude.

Urban congestion and pollution in Thailand, widespread health problems in Mexico, destruction of natural resources in Côte d'Ivoire are discussed. The book attempts to examine the environmental impact of structural adjustment programmes, discusses how the rush for export-oriented industrialisation has damaged the environment.

The book says that the failure to understand the environmental impact "risks perpetuating in the 1990s the social and economic trends that have already generated environmental problems of crisis proportions around the globe. Neither humanity nor the planet can afford that risk."

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GEMINI NEWS

Rajshahi. The walls of his organized office are covered with clear and up-to-date charts that list the field-workers by union with the current status of contraceptive acceptance rate in their catchment areas. Swapan's files are well labeled and easily accessed; in a minute he could find the name of any of the 218 linkpersons or community leaders who help fieldworkers gather and facilitate discussion groups or Jiggashas. At a

glance he could tell, the clients' education level, the number and sex of their children, the FP method they currently use, and the names of all the group members of their Jiggasha.

Training for all Faridpur Thana workers and orientation for the mid-level managers and union family planning committee members was completed in mid-October by trainers from Family Planning Services and Training Centre, and Concerned Women for Family Planning.

The field worker, link person and the group members were all enthusiastic about the new approach and felt that it saved time and was more effective for the fieldworkers to meet in groups than to visit individuals. The Family Welfare Visitor had the same reaction. She felt that locating the satellite clinic at the Jiggasha center was an effective improvement.

Swapan is sure that the Jiggasha site can eventually become the focal point for all local development interventions such as those from Bangladesh Rural Development Board, Grameen Bank, Directorate of Social Services, Department of Women's Affairs, Ansar, Village Defense Party programmes, the Agriculture extension programme and others.

The writer is country representative of Centre for Communication Programme, Johns Hopkins University.

## Mighty Markets Fail to Deliver the Goods

by Daya Kishan Thussu

liberalisation, deregulation and privatisation. There, Unctad says, "the euphoria that greeted the collapse of communism has given way to pessimism."

Unemployment has risen sharply and output has declined on average by about one-third. The spectre of hyperinflation is threatening Russia, so recently a superpower. These countries find themselves in what the report calls "twilight zone, where there is neither plan nor market."

Trade liberalisation needs to be introduced with care, the report argues. It recommends that governments take a more active role: "Overriding importance has been given to dismantling the old system, while avoiding

new forms of government intervention".

In a rebuff to free-marketeers, it says "such intervention is needed to give shape to the new market system and to cushion the transition."

Instead of wholesale privatisation, public enterprises should be reformed. This may be difficult but "the game is worth the candle, especially in countries at a very low level of development, where market failures are widespread and growth must be accelerated by all possible means."

According to both reports growth has picked up in Latin America and east Asia. A positive net transfer of resources has taken place in Latin America—net external financial inflows increased from \$40 billion in 1991 to \$57 billion in 1992.

With six per cent growth in 1992 east and south east Asia



applied more intensively and more frequently than in sub-Saharan Africa, and yet economic performance in the region continues to be among the world's worst.

Per capita incomes continued to decline and today are still below the 1970 level. "On current trends it would take 70 years to double them," the Unctad report warns. Unctad believes that these programmes have failed in reversing poverty in Africa. With the exception of Mauritius no other country in sub-Saharan Africa has shown economic growth.

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Unlike China's gradualism, the countries of the former eastern bloc have tried "big bang" reform through abrupt

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