

Can our political crisis turn into an opportunity?

If power is handed over to an elected political government without making essential basic reforms, the chance for a rational corruption-free, pro-people administration will die. What the people apprehend is that the undesirable rule of the past may be re-established in still worse form, to their despair. So the general people are eagerly expecting deeper changes. Some changes may be done through orders and ordinances, while many shall need constitutional amendment, which cannot be done by this government as it is.

MUSTAFIZUR RAHMAN

OUR post-independence economic and political history of hope and frustration since 1971 is probably known to most of us. During the last three 5-year terms of elected governments run by two major parties, all political ethics, nationalism, patriotism, rationalism and our rich traditional social values succumbed to accelerated, innovative and varied types of corruption; unprecedented greed, shameless abuse of power and damn to the opinion of the people with impunity.

The latest bickering about election to the ninth parliament exploded into a dirty, violent, open fight to capture or recapture power by any means. To stop this from further escalation, and to safeguard people's lives, economy and properties, a state of emergency was declared, and it is continuing under a non-party caretaker, or interim, government assisted by the armed forces. Though there may be speculation about its probable duration, people seem to like this government to fulfill the hopes they cherished for last 35 years, and create an atmosphere for development without repetition of such crisis in future.

Depending on the interpretation of the constitution, the interim government shall mainly assist the Election Commission to hold a fair and impartial election. The Election Commission failed to prepare an authentic electoral roll with photographs or ID cards, and to discharge the

responsibility it was vested with. It was reconstituted to restore its lost credibility and acceptability to the people and the political players. Presently there is High Court rule to stop all election-related activities for 3 months. The government can utilize this time properly. Preparation of reliable voter database, ID cards or national ID cards is likely to involve some time and a high cost. Political parties may start demanding an election at the earliest if it is delayed too much, or if the government shows any sign of confusion, wrong decision or inefficiency anyway.

If power is handed over to an elected political government without making essential basic reforms, the chance for a rational corruption-free, pro-people administration will die. What the people apprehend is that the undesirable rule of the past may be re-established in still worse form, to their despair. So the general people are eagerly expecting deeper changes. Some changes may be done through orders and ordinances, while many shall need constitutional amendment, which cannot be done by this government as it is. Unless the necessary changes are identified beforehand, they cannot be affected quickly when the situation warrants. The task is colossal, the time is apparently short, while the mandate is not unlimited.

People do not, however, want this opportunity missed to create the framework of a government compatible to a free nation that can advance people's welfare

and allow them to live in peace with honour in the community of civilized nations. The government may try to utilize the wisdom and creativity of the entire nation to the full. External, attractive offers of financial, material, or advisory assistance may knock at our door, but if we choose to go easy, we may be frustrated as before. We must have educated confidence in ourselves and face the challenge courageously, if we have to deliver. Among the many reforms we should make, the government may take initiative to start with changes in systems, legal framework and institutions.

Consultative committees The failures of the past can largely be attributed to, among others, lack of visionary leadership with political will, flawed decision making process as well as superficial and short-sighted policies. This interim government has already shown the wisdom of appreciating the importance of educated policy making with the help of multi-disciplinary expert committees, such as the electoral roll and ID card study committee to begin with. For effectiveness of such committees, guidelines and target results, and their evaluation with respect to national interest and service to the people must be incorporated in the terms of reference. The government may consider more of such multi-disciplinary expert committees headed by concerned advisors and or the chief advisor, as well as a mechanism for coordination and implementation. Some of the probable committees may be

suggested here.

Authentic electoral roll study committee: After long debate, people seem to have reached a consensus on preparation of authentic electoral roll for each constituency with photographs. It is also generally accepted that voter list preparation be based on the citizen registration at the local government stage, particularly Unions in the rural areas and Wards in the cities and municipalities. As they already have elected representatives, work can start immediately if some logistics, office space, finance, manpower and some guidelines and training can be provided. Necessary laws may be amended, or new laws may be introduced through ordinance. The members and enlightened citizens may volunteer to study the issues and the procedures in consultation with the members of the suggested Local Government System Study Committee.

The existing Local Government Institute can be strengthened to study ways and means of perfecting the local government system. Voter list for each Local Government unit may be prepared with necessary information, date of birth, and photographs (if any lady refuses to be photographed, the space for photograph may be filled with her other biometric signs such as finger print, retinal image, signature or palm impression, etc. as may be decided). A few cases of missing photographs at this stage may not be a big problem. The numbering system may be improved to accommodate future changes in the population and split in the family units. This voter list with photographs shall form the local database, which may be integrated with the national database. ID card can easily be printed out of the database to prepare cheap or costly ones. In future there may appear machine-readable IC or smart card with various information,

which may be used for machine-voting or on-line voting. The cards usually need to be replaced or renewed every 5 years or so. It may not be wise to go for costly card at this initial stage. Transparent ballot box may not be essential if election is held in peace and under military supervision. No foreign assistance may also be necessary for this purpose. If some want to donate, they may provide computers, printers, digital cameras and CCTVs, subject to acceptance by the government.

Local government and police system study committee: Our local government system, comprising Union Parishad, Upazila Parishad and Zila Parishad, must be institutionalized on the principle of local autonomy. The success and effectiveness of the local government will depend on whether or not it is non-party-based. As this is a non-party government, it is a great opportunity to establish non-party local government institutions to serve the people. A multi-disciplinary committee may be formed to prepare necessary operational details. In consideration of the area of Bangladesh, and the necessary remuneration to the members of the local government bodies, the number of Zilas may be reduced from present 64 to 20-25; Upazilas from 507 to about 250 and Unions from 4,484 to about 3000, while Divisions may be abolished. This author wrote many papers on the subject, which may be available to the committee.

Industrial revitalization committee: On various pretexts many vital industries are closed down or dismantled. For our economic future, we must restore them to profitability. There are various mechanisms and policy instruments to achieve the goal. A committee may be formed to work out action plan. Without technology-based high-value adding industries, economy cannot develop fast. We must

review the policy of turnkey projects without induction of technology and know-how. Low-interest or even interest-free investment fund may be set up for targeted industries. National Standard and Testing Institute, and the Department of Environment may need be revamped to provide effective service to the industries without creating additional problems. There may be introduced laws to promote basic and vital industries, and to require the government to purchase a certain percentage of public procurement from local industries, SMEs and engineering industries. The Industrial Bank and Shipra Rin Sangstha may be revamped to provide financial service for promotion of industrialization. The issue of energy security must be studied and handled with high priority.

Technology assessment committee: We import machinery, equipment, design and engineering and other services for most of our infrastructure and plant facilities. We need R&D facilities to evaluate such technology. We lose, if everything is bought as black box. A multi-disciplinary committee may be formed to study and recommend the institutional and other needs to strengthen our technological capability.

Agricultural co-operative promotion committee: Our small farmers are financially weak individually. For arrangement of agricultural inputs, procurement of agricultural machinery, marketing of products, irrigation, cash crop cultivation, and off-seasonal job creation, they are in a disadvantageous position. There are examples of very scientific and successful cooperative systems such as in Japan, which a committee may study and adapt to our requirement.

FDI evaluation committee: All FDI's are not necessarily good at all stages of development. The inward FDI's need to be evaluated to protect national interest. Terms

and conditions need to be clear enough to avoid ambiguity. A committee may be set up to study and formulate relevant guidelines and necessary regulations. FDI in mining, service sector, such as banking, medical care, telecommunication, retail store, real estate, utility service, transport, port facilities, roads, education, etc., may be restricted, regulated or prohibited to protect long-term national interest. FDI shall be expected to accompany the technology we need. Many issues of FDI need be studied in details to avoid conflict with the investors at some later stage. Funds may also be established for investment abroad by Bangladeshi investors in the fields of our advantage.

External loan, aid and debt-waiver study committee: A committee may be set up to study and frame guidance on external aid or loan evaluation and negotiation. No ministry or agency should prepare any project based on foreign loan. The ministry may simply indicate its local-currency and foreign-currency requirements. An external cooperation agency may be created, which shall carry out all evaluation and negotiation regarding foreign loan or aid. The government may immediately start negotiation with World Bank, IMF, ADB and other multilateral and bilateral aid providers to write-off our past debts, as recommended in G-8 forum and hinted by some UN officials.

Higher education reform committee: As we don't have a strong industrial base and almost no private R&D facilities, and virtually no industry academia interaction, our technical education lacks practical orientation to produce high-tech manpower with practical and R&D experience. A committee may be formed to study and recommend reforms necessary in the field of education, R&D and manufacturing technology adaptation.

Institutional and legal reform committee: A committee may be set up to study and recommend necessary reforms, amendments, or overhaul of the institutions and the laws guiding their performance. The official secrecy act, public disclosure act and public servant's code of conduct may be reviewed.

Monetary policy and banking reform committee: Our currency value eroded from Taka 7.30 to a Dollar in 1971 to about Taka 70 in 2006. We may recover it to about Taka 40 in some years. Lending rate is around 12 to 15%, a prohibitive one for industrialization, maintaining a spread of about more than 6% with the discount rate (bank rate), which may be fixed at around 0.5% or so. This figure may be beyond the imagination of our bankers not used to severe banking regime. A multi-disciplinary committee may be formed to study all aspects of the monetary policy from national perspective. Our budgeting practice need be overhauled to launch long-term development.

Administrative restructuring committee: A multi-disciplinary committee may be formed to restructure the total administration system. Number of ministries may be reduced to 15 to 18, and the number of ministers to 22 at the most. Probable constitutional changes may be studied to make proposal for future amendment.

There may be committees formed to study city planning, transport planning, railway and mass transit planning to create slum-free cities accessible from long distances. Reform and restructuring may be needed in many other areas where work can start simultaneously, to make good for shortage of time. It is hoped that the government will take necessary initiatives.

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India: Poverty retreats with globalization's advance

The proportion of population below the poverty line was 55 percent in 1973, after which there has occurred an impressive decline. By 2000 it stood at 26 percent. Although the last figure is disputed because of changes in survey design, there can be no doubt about the long-term decline. The line of causality here clearly runs from globalization and liberalization to acceleration in the growth rate and then to poverty reduction.

BALDEV RAJ NAYAR

AS the driving force of the world economy since the mid-1970s, globalization has become a lodestone for a wide-ranging attack across a large expanse of the developing world for its alleged malign consequences.

Reduced to its essentials, the attack posits the impact of globalization to be economic stagnation, deindustrialization, economic destabilization and growing inequality.

Marked by vigour, the critique lacks in empirical rigour. Whatever the merits of this critique for the rest of the developing world, the empirical evidence from India, both quantitative and qualitative, constitutes an emphatic refutation.

India forms a valuable test case by virtue of its vast size, huge population and rampant diversity.

Put simply, India has been a significant beneficiary of globalization despite its rather modest integration into the world economy.

After a stringent regime of "autarky and command and control economy," from 1956 to 1975, India started on a slow path of reintegration into the world economy, albeit in nascent form. Interestingly, India's reintegration coincides with the onset of the larger process of globalization. However, carried out in stealth, economic liberalization, the national policy counterpart of globalization, remained tentative and minimal in India.

Not until 1991 did India, amidst enormous economic crisis, make a paradigm shift to liberalization, though still limited.

Empirical comparison of the

period before and after liberalization demonstrates that, instead of economic stagnation, India achieved a marked acceleration in economic growth after liberalization.

Indeed, India broke the barrier of stagnation that had been the lot of the country before globalization.

India's rate of growth from 1975 to 2007 has been over 5.5 percent, compared to the derisively termed "Hindu" rate of growth of 3.4 percent over the period 1956 to 1975, and especially to the pathetic 2.6 percent over the decade prior to the nascent liberalization in 1975.

In the dozen years from 1995 to 2007 the growth rate has been over 6.5 percent; during the last four years India has sustained an unprecedented average growth rate of over 8 percent.

It is difficult to exaggerate this accomplishment in growth acceleration. It has provided additional resources not only for investment in human capital but also for expenditures on the social sectors and poverty alleviation.

Besides, the economic dynamism associated with this growth has imparted a self-confidence for successfully building a consolidated nation-state.

It has indeed transformed a country that had been mocked as "the sick man of Asia" -- an inveterate supplicant for foreign aid -- into a credible contender for a major role in the balance of power in Asia.

Similarly, far from the specter of deindustrialization held out by the critics, foreign imports have not swamped Indian industry after tariffs were lowered as part of India's reintegration into the world economy.

Rather, Indian industry has

grown at a higher rate than it had prior to liberalization of the economy. The growth rate of manufacturing has been around 6.5 percent since 1975 and close to 7 percent during the dozen years up to 2006.

At the latter rate, the value of manufacturing doubles about every 10 years -- not exactly deindustrialization. The advance in manufacturing has been broad-based and not limited to consumption goods.

As regards denationalization, industry in India initially faced serious challenges from the entry of foreign multinationals.

Yet foreign investment has served to supplement, not supplant Indian industry.

India remains master of its economic destiny. Besides, under the invigorating impulses imparted by increased foreign competition, Indian industry reoriented its horizon beyond the domestic market to the wider world economy in terms of not only exports and establishment of subsidiaries but also of substantial, some indeed spectacular, purchases of foreign firms abroad.

More recently, India has been on a course of "reverse imperialism" with its firms on a buying spree abroad. India is now the third largest investor in the UK.

As for economic destabilization, the autarkic period prior to the initial and nascent opening to globalization in 1975 was ridden with grave economic crises.

Indeed, throughout that entire period, India laboured under an enormous and debilitating foreign-exchange constraint, which both retarded and distorted its development.

The period of intermittent,

incremental liberalization, 1974 to 1991, still saw some crises but the leadership used the occasions creatively to advance liberalization.

After the paradigm shift to economic liberalization in the early 1990s, India has not yet seen another economic crisis and no longer faces a foreign-exchange constraint because of its accumulating reserves, currently at some \$170 billion.

The absence of a foreign-exchange crisis has boosted the self-confidence of the nation. The reserves had sunk to \$1.2 billion during the 1991 crisis.

As for impoverishment, the globalization period has seen welfare enhancement through a long-term decline in poverty.

The proportion of population below the poverty line was 55 percent in 1973, after which there has occurred an impressive decline.

By 2000 it stood at 26 percent. Although the last figure is disputed because of changes in survey design, there can be no doubt about the long-term decline.

The line of causality here clearly runs from globalization and liberalization to acceleration in the growth rate and then to poverty reduction -- a remarkable testimony to the robustness of the much-maligned "trickle down theory."

Still, it would be heartless, indeed cruel, to make the performance on poverty reduction an occasion to celebrate liberalization, as much poverty still remains, even when defined minimally in caloric-intake terms.

Indeed, the persistence of poverty for massive numbers, inherited from the past, underscores the passion that goes into critiques of globalization.

However, the conclusion that flows from a comparative analysis of the trends since the beginning of liberalization in 1975 -- when set against the condition prior to it, of staggeringly high poverty and economic stagnation -- is different.

Higher rates of economic growth, facilitated by periodic doses of liberalization, pushed forward poverty reduction.

The policy implication therefore is that more, not less, liberalization fosters and sustains rapid economic growth.

Meanwhile, there has been no marked increase in inequality in terms of hard data; distribution of consumption expenditure to the lowest 20 percent of the population has remained substantially stable.

However, there is no doubt that the top 20 percent of the population has benefited enormously from globalization.

At the same time, widening of regional disparities in poverty reduction from the Hindi heartland of Uttar Pradesh and Bihar to the booming provinces in the South is of deep concern.

On the other hand, the earlier situation of relatively smaller regional disparities was associated with economic stagnation in contrast with the current economic dynamism.

Meanwhile, the greater advance by some states should serve as a stimulus to the laggard states to set their own house in order to promote growth.

In short, contrary to the position of the critics, globalization has served as the agent of deliverance for India from economic stagnation and perpetual economic crises even as it has reduced poverty.

However, India continues to be dogged by deep-seated societal problems that persisted throughout the autarkic period.

But it is precisely the accelerated growth generated by globalization that has provided the additional resources to alleviate, if not yet to remove, them.

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China wins hearts in Southeast Asia

I WIBOWO, The Jakarta Post

RELATIONS between China and several Southeast Asian nations have been fast improving. ASEAN leaders now regularly speak highly of China, and of the nation's recent successes. This positive atmosphere was unheard of 10 years ago.

During his visit to Laos in 2000, Chinese president Jiang Zemin received a very warm welcome, in which banners were hung across the capital lauding Jiang, and endless banquets were held in his honor. This scene was replicated in Cambodia, where over 200,000 cheering schoolchildren welcomed Jiang's motorcade.

In the early '90s, Cambodia opposed China's involvement with the Khmer Rouge. While Myanmar, suffering from an embargo implemented by Western nations, showed its gratitude to China for its support by bettering economic and political ties between the nations.

Thailand is no exception from this pattern. A long-time British and US ally, the nation now considers its diplomatic relationship with China -- along with India -- essential to furthering its own position in Asia.

Vietnam has been at war with China since 1979, but from 1991, when diplomatic relations between the nations were restored, Vietnam's relations with China have continued to improve.

In February 2002 the two nations proposed the "Four good themes": good neighbours, good friends, good camaraderie and good partners. As a result, Cambodia, Laos, Myanmar, Thailand and Vietnam, which all hug the Mekong River, have benefited

tremendously from trade with China. Under the framework of the Greater Mekong Sub-region (GMS), China has implemented a development program in the Mekong Basin. It has been noticeable that China has paid great attention to this region through aid giving. It is within the Mekong area that China's soft power is most evident.

Similar trends have been evidenced in Malaysia, Singapore, the Philippines and Indonesia. Malaysia, under Mahathir, has developed a close relationship with China, and at both economic and diplomatic levels the two countries are on good terms.

Singapore remains a "natural friend" of China as the majority of the city-state's population are of Chinese descent. Although their relationship was strained during the '70s, as of 1990 it has been reinvigorated by increased trade and two-way visits from the nations' leaders.

Meanwhile, relations between China and the Philippines have been caught in a dangerous dispute over Mischief Reef. Yet, in the past five years, relations between the two countries have been bettered due to high-level exchanges. The Philippines have also received a loan of \$500 million to build railroads.

Relations between Indonesia and China suffered after a diplomatic break-up lasting 32 years. Yet, over the past eight years, Indonesia and China have worked to better this situation. Visits by leaders of the two countries have been more frequent, while exports and imports have grown. When the Asian financial crisis hit Indonesia, China also increased its assistance to the region.

In addition to \$400 million in stand-by loans as part of an IMF rescue package, China also

increased its export credit facilities by \$200 million. During the 2004 tsunami disaster, China was among the first of nations to provide not only financial assistance to Indonesia, but also medical assistance.

Throughout Joseph Nye's term in office, China increased its "soft power". This differs from "hard power" in that soft power does not rely on military strength to subjugate a country, but rather on values and culture. If power is defined as a means to acquire the intended result, then soft power is still within this boundary of definition, except that it rejects the use of force or violence.

"A country may obtain the outcome it wants in world politics because other countries -- admiring its values, emulating its example, aspiring to its level of prosperity and openness -- want to follow it," Nye says.

The increase in China's soft power is evident among the various cultures to which citizens of ASEAN nations belong. One observer said, "Chinese culture, cuisine, calligraphy, cinema, curios, art, acupuncture, herbal, medicine and fashion fads have penetrated into regional culture." He also says Chinese films, pop-music and film stars, such as Gong Li and Zhang Ziyi, are now extremely popular among Southeast Asia's youth.

Mainland Chinese brands such as Haier, TCL and Huawei have also become increasingly popular in many Southeast Asian societies. According to a poll conducted in Thailand in 2003, 76 percent of respondents considered China to be Thailand's closest friend.

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