

## Traipsing through a region of economic variables

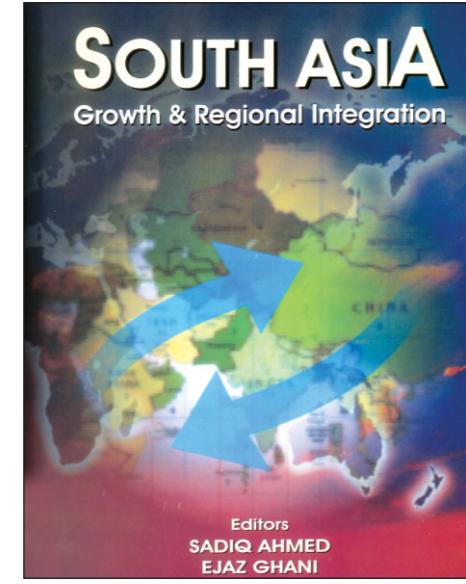
**Akbar Ali Khan** reads an insightful work and dwells on its findings

**T**he social scientists, South Asia is a minefield of paradoxes. Provoked by blatant contradictions, Joan Robinson allegedly said, "Whatever you hear about India, the opposite is equally true". The apparent inconsistencies that troubled Mrs. Robinson have multiplied in recent years. It is indeed puzzling that countries like India, Bangladesh and Pakistan had experienced significantly higher GDP growth during the period 1980-2003 in comparison to the period 1960-80, despite a perceptible fall in the share of investment in GDP. Here is a region where indicators of governance and growth move in different directions. The robust growth rates in South Asian countries in recent decades are not matched by their lacklustre performance in governance. The countries with comparable level of per capita income in other regions had much better governance. Centuries-old political, cultural and ethnic ties inextricably bind South Asian countries, yet they have now the least connectivity among themselves.

Despite low transportation costs, South Asia's interregional trade as a percentage of its total trade volume is estimated at only 3 per cent in 2004. The corresponding figure for East Asia is 12 per cent. People in neighboring states in South Asia who have shared history since time immemorial are today shy to talk to one another. "In South Asia, only 7 per cent of international cities are regional compared to 71 per cent for East Asia." Defying history and geography and commonsense, South Asia is the least integrated region in the world today.

These and other paradoxes of South Asian economy raise doubts about the sustainability of the recent spurt in the region's economic growth. South Asians are now caught between fear and hope: fear that the current surge in the economy may turn out to be a nine-day wonder and hope that continued economic growth will promote new ties that will bring prosperity and peace to a strife-torn region. The work under review focuses on these expectations and apprehensions about the South Asian economy. There are nine articles in this volume of which four were written exclusively by academics and the rest (either wholly or partly) by World Bank staff. The findings of these articles are consistent with the received doctrines of international financial institutions.

Susan M. Collins analyses the growth scenario of South Asia in her article, "Economic Growth in South Asia: A Growth Accounting Perspective". She suggests that in view of shifting capital output ratio, investment as a share of GDP may not be the proxy for capital accumulation. Her conclusion is that "sustained incomes in the region's growth" will require significant increases in the investment rate as well as efforts to increase labor force participation and increase worker's skills through schooling". The prescription for higher investment rate is also supported in the introductory article by Ahmed and Ghani who quantified the investment gap in infrastructure in the following manner. "Were the region (South Asia) try to reach China's present level of infrastructure stocks per capita by 2015, it would have to invest more than 12 per cent of GDP each year for next ten years". The issue of infrastructure gap in South Asia is so important that it recurs in at least three other articles in this volume. There is also a shortfall of resources for implement-



South Asia Growth and Regional Integration  
Edited by Sadiq Ahmed and Ejaz Ghani  
The World Bank and Macmillan

ing MDGs. According to UNDP, MDG financing gap in Bangladesh alone is about 6 billion dollars in 2006. On the basis of requirements of three Indian states, the researchers estimate that total MDG investment needs in India will average \$115 per capita year. Annual per capita foreign aid in South Asia in 2005 varies between \$2 (India) and \$12 (Pakistan). Foreign direct investment in South Asia is still a trickle, varying between 0.8 (India) to 2 per cent (Pakistan) of GDP. This volume acknowledges the resource gap but does not suggest how it could be met. The enormity of the resource gap underlines the fragility of South Asia's growth.

The issues relating to governance in South Asia are investigated in two articles in the volume. While Mary C. Hallward-Driemier examines the investment climate in South Asia, Ana Margarida Fernandes and Aart C. Kraay evaluate the governance situation in the region. An analysis of linkages between business climate and performance of firms in South Asia suggests that favorable business climate benefits not only entrepreneurs by stimulating investment but also workers by raising wages. The study concludes that "If Pakistan and Bangladesh were to raise their investment climate variables to the level of China, wages would be 23 and 31 per cent higher". There are, however, three limitations of the study. First, the definition of business climate in this article is different from "Ease of doing business ranking" as ranked in the IFC-World Bank joint publication entitled Doing Business. According to this study, Bangladesh (65), Nepal (55), Pakistan (60), and Sri Lanka (75) had better ranking than China (91). However, Bhutan (104) and India (116) lagged behind China. The business climate as defined in this study included infrastructure variables such as electricity outages, access to telephones, distance to major markets and distance to major ports.

If we accept the data on ease of doing business

ranking, China should try to catch up with Bangladesh and not vice versa. Secondly, FDI decisions are very often undertaken on purely short-term profit consideration rather than long-term business climate. David Newbery emphasises this point in his study on the power sector in this volume. He wonders why AES decided to invest in Bangladesh power sector knowing full well that Transparency International rated Bangladesh as the most corrupt country in the world. His answer is that cheap gas in Bangladesh made the investment attractive. Similar arguments could also be offered to explain why China with much lower ranking in ease of doing business significantly outperforms Pakistan and Bangladesh in FDI. Finally, there is still scope for improving the accuracy of data on doing business. According to these data, the time for enforcing a contract in Bangladesh in 2004 was 270 days: in 2005, 365 days, and 2006, 1442 days (according to Doing Business data-base). Obviously, there is no justification for such sudden changes. These cross-country data will have to be used with extreme caution. However, according to a survey of entrepreneurs quoted in this study, electricity outage is a much more damaging obstacle to growth than institutional factors like tax or regulatory uncertainty. The importance of electricity was also stressed in David Newbery's article in this volume. It quotes a World Bank study that estimated the economic cost of electricity outage in Bangladesh at \$1 billion per annum that is equivalent to about 1.3 per cent of GDP. The articles in this volume clearly identify electricity shortage as a potential threat to sustainable growth in South Asia.

The complex relation between governance and economic growth in South Asia is explored in Fernandez and Kraay's article. They conclude that in South Asia property rights institutions (as measured by the incidence of corruption that curtails property rights of owners) matter much more than contracting institutions (as measured by time and cost of enforcement of contract). However, the performance of Bangladesh is very poor on both counts. The authors suggest, "Bangladesh's current relative high income levels (given its weak institutional quality) are more likely to be unsustainable". In reality, Bangladesh's growth experience is entirely inconsistent with the linear relationship of growth and governance postulated by the advocates of good governance hypothesis. Despite unbounded corruption and unusual political turbulence, Bangladesh in FY 2006-2007 achieved a growth rate in the range of 6 to 6.5 per cent. It is indeed paradoxical that South Asia sustained high growth rates in the face of weak institutions. In another article in the same volume, Ahmed and Ghani suggest that institutional weakness in South Asia did not stifle economic growth because it has "performed very well in implementing major policy reforms that are good for growth". Such an assertion is not supported by the experience of Bangladesh in the late 1990s where significant growth took place without the pains of major policy reforms. Indeed, the relationship between growth and governance is much more complex than what is presented in the received doctrines. Another possibility as suggested by Kaushik Basu is that governance is not a binding constraint at low level of income while it assumes greater urgency as per capita income approaches middle level and above.

Despite these limitations, this volume raises some important questions about South Asian economies. It also provides very useful policy prescriptions. The editors deserve congratulations for a very timely and lucid analysis of very difficult and emotive issues. Because of the scale of South Asia's poverty, the World Bank as a knowledge bank should continue to undertake more studies of this nature on South Asia.

Dr. Akbar Ali Khan is former adviser to the caretaker government of Bangladesh and has served in various high positions in the civil service.

This does not, however, mean that governance reforms can be postponed indefinitely at low level of income. At bottom, good governance is a social capital that can only be created over a long time. The reforms for good governance should, therefore, have started yesterday and not today. It is unnecessary to justify good governance as an instrument of economic development; it is the end and not merely the means of development.

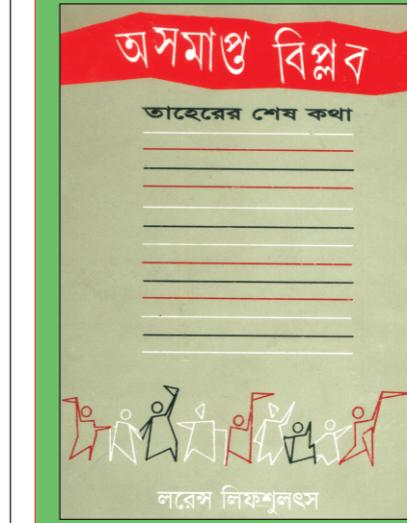
A major part of the book deals with economic potentialities of regional integration in South Asia. Arvind Panagariya is skeptical about the benefits of SAFTA and concludes that the case for SAFTA on both economic and political grounds is "not specially persuasive". Apparently, the opportunities of SAFTA are limited because South Asian economies are competitive and not complementary and the rules of origin and so-called "sensitive list" further erode the scope of trade. Apart from SAFTA, the papers in this volume stress the likely economic benefits of trade and cooperation in energy, trade facilitation and infrastructure development. However, the long-term prescription for expansion of trade is an Asian Trading Bloc via Indo-China FTA. It is not clear from Panagariya's analysis as to what extent small countries like Bangladesh will benefit from such an arrangement.

A book should be judged not only by what it says but also by what it does not. An important omission in this compilation is the issue of poverty. It is interesting to note that the terms "poor" and "poverty" are conspicuously missing even in the index of a book which aims to deal with South Asian economy. It is true that there have been significant reductions in poverty in this region during recent decades. Nevertheless, South Asia as a region contains the highest concentration of the poor. In 2001, the total number of ultra-poor (based on \$1 a day criterion) in South Asia was 431 million whereas the comparable figure in sub-Saharan Africa was 313 million. The total number of poor by \$2 a day criterion stood at 1064 million in South Asia in 2001: the corresponding figure for sub-Saharan Africa was 516 million. There is debate on whether economic growth is bypassing the poor in South Asia. There is also a close correlation between political boundaries and poverty. The land-locked northeastern states in India contain one of the deepest pockets of poverty. The Food Security Atlas of Bangladesh indicates that much of its northern areas also suffer from similar problems. In this context, this volume would have been richer by including an analysis of the likely economic costs and benefits of Bangladesh-Bhutan-Northeast India-Nepal Growth Quadrangle Initiative.

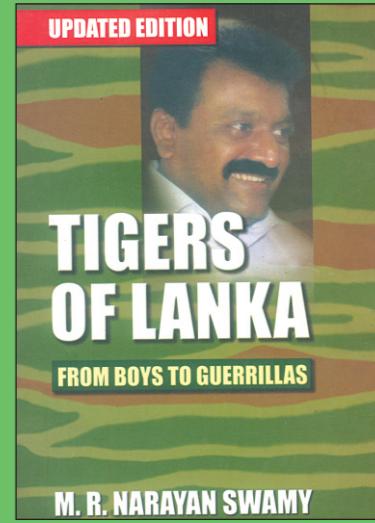
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The work, a translation of the author's seminal work, Bangladesh: The Unfinished Revolution, is aimed at those who feel more comfortable with Bengali. It is basically an enunciation of the final phase of a life that was as dramatic as it was tragic. Lifschultz is clearly intent on presenting Taher as a hero done in by the man he had earlier saved from his enemies.

## At a glance

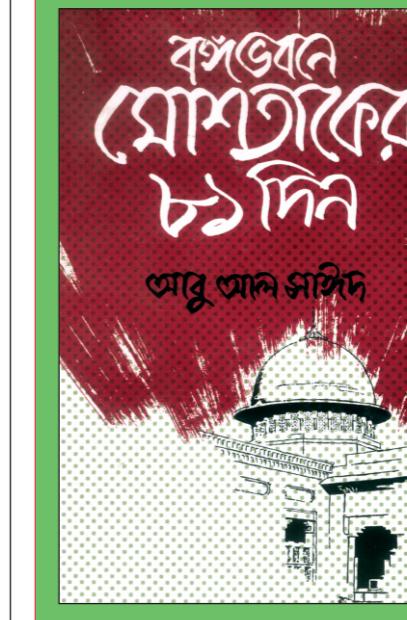


অসমাপ্ত বিপ্লব  
তাহেরের শেষ কথা  
Ashampta Biplob  
Taher-er Shesh Kotha  
Lawrence Lifschultz  
Nawroze Kitabistan

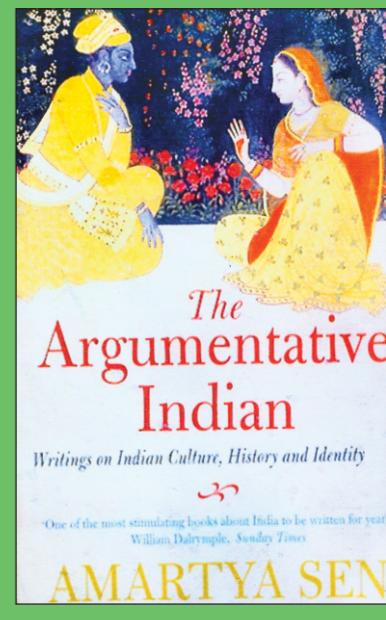


Updated Edition  
TIGERS OF LANKA  
FROM BOYS TO GUERRILLAS  
M. R. NARAYAN SWAMY  
Tigers of Lanka  
From Boys to Guerrillas  
M.R. Narayan Swamy  
Vijitha Yapa Publications, Colombo

Anyone interested in understanding the long history of how the Tamil Tigers came to be a vibrant and violent force in Sri Lanka will find this work extremely informative. It is not just Prabhakaran's boys Swamy talks about. It is also a litany of the many phases of discrimination exercised against the Tamils by the country's Sinhala ruling class.



বঙাবন মোষ্টাগের ৮১ দীন  
তাহু আল সায়েদ  
Abu Al Sayeed  
Agamee Prakashani



The Argumentative Indian  
Writings on Indian Culture, History and Identity  
Amartya Sen  
Penguin Books

As always, the Nobel laureate educates the reader on issues that are at the core of human thought. The canvas is of course India, a large enough ambience for philosophy to base itself on. Sen does not indulge in praises of his class or cultural background but instead seems pretty harsh about some of the traditions he has never been able to shake off, or is not willing to.

## A tale of the soul

**Efadul Huq** is touched by tenderness and pristine passion in a love story

LOVE is so musical that, to the musician who has found love, Mozart would sound out of sync; so tender that the choicest muslin feels like a torn rug to the maiden who has discovered love. They say if love be the music of life let it play, so play on it.

This very love is the theme of the piece I am going to speak on today. And Vikram Seth comes like the 'Pied Piper of Hamelin' playing the tune of love and casting a binding spell on each of you who possesses a romantic soul. Ladies and gentlemen, welcome to *An Equal Music*.

Set in the glorious world of the European classical music circuit, *An Equal Music* is a sensitive, meticulous novel that has the delicacy of a haiku. Gone is the splendid sweep of *A Suitable Boy*. Seth's *An Equal Music* is an intimate story of love wrapped in melody.

Michael, the lovelorn narrator, is a violinist in a London string quartet. He is in love with a memory: it has been years since he has seen Julia, a pianist with whom he fell in love while studying in Vienna. After so many years the memory takes a realistic shape and Michael crosses paths with Julia on a bus in London. The way Seth describes it here is very moving. Although she is married and has a son, soon their passion rekindles. Julia is no more the perfect person Michael knew her to be. She is a deaf musician!

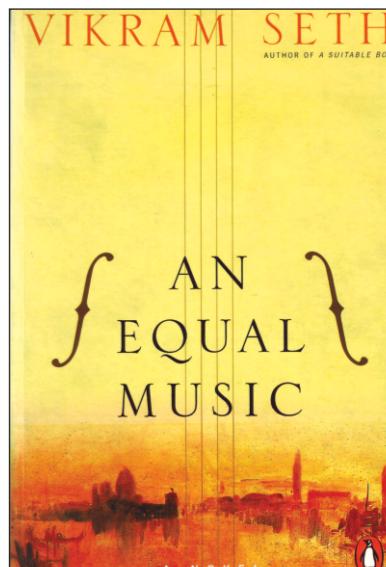
Blended with the strokes of a Mozart piano, synced with a Bach harmonica and a Schubert violin, *An Equal Music* is a treat for the connoisseur and the laymen. There are many emotional twists and turns and at its best the book is a gripping and profound meditation on love, music and the irrevocability of time ("the swift ellipses of the earth," in Seth's masterful words).

Narrated in the present tense, in an insistent first person, it is intensely personal, unlike anything Seth has previously written. The novel also has remarkable psychological portraiture. However, these portraits are not convincing at times. In places the narrative sometimes falters on the very quality that elsewhere glorifies it.

Well, they are just the risks you have got to take while writing about art and love. It is certainly true that Seth has undertaken no small task in trying to distill something original from a subject that is almost by definition nonspecific and sentimental.

"I'd be bored unless I wrote a book that in some sense was a challenge," he recently told an interviewer. In my words, he has overcome this challenge through *An Equal Music*, a tale that promises to touch its reader to the core!

Efadul Huq is a young writer and regular book reviewer



AN EQUAL MUSIC  
Vikram Seth  
Phoenix House

The poetic language sounds archaic ("What hath closed Helen's eyes?") and the intensity can descend into generic even maudlin expressions of romantic anguish. "My life has shewed towards desolation," Michael whines, and "If I didn't love you, things would be quite a bit simpler," says Julia.

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BOOK LAUNCH  
Omni Books and Writers.Ink have organised a reception on the occasion of the publication of South Asian Writers in English in the Dictionary of Literary Biography Series at 5 pm today, Saturday 28 July, at Omni Books, Genetic Plaza, Road No. 27 Dhanmondi. Comprising entries by scholars from around the world, the work has been edited by Professor Fakrul Alam.

## Impressions and more --- an eclectic pleasure

**Shahid Alam** reads a book of essays and is appreciative of it



Impressions: Bangladesh 1975 and Other Writings  
Syed Badrul Ahsan

Syed Badrul Ahsan

Impressions: Bangladesh 1975 and Other Writings  
Syed Badrul Ahsan  
Wessex Press (Wantage)  
Ltd., Oxfordshire, UK

The last lines of this essay, though, contain a stark truth that has been haunting the traditional secular (signifying personal devotion to ones faith and tolerance of all other faiths and denominations, and not atheism) as some misguided fundamentalists insist on characterising it) ethos of the average Bangladeshi, as well as Bangladesh's quest for establishing liberal pluralist democracy as its policy of choice.

The tenth essay, "Ahmadiyyas and our tribalism" dwells at length on the plight of a community under threat from the very same religious fanatics, followers of the teachings of Maulana Abul A'la Maudoodi, who had once tried the same kind of Inquisition in Pakistan in the early 1950s, and was initially sentenced to death (later commuted to imprisonment) for his nefarious activities. Truly, "(it) is morally wrong to have religion turned into politics." But politics of cynicism has been portrayed in one of the most interesting essays in the volume, "Zulfikar Ali Bhutto of Pakistan." The author succeeds in making Bhutto out to be "a combination... of Othello and Iago. He was at once an aspirant Caesar and a shrewd, calculating Cassius." The allusion to Shakespeare is appropriate. Bhutto was, from almost all available accounts, as responsible as anyone for the sufferings of the Bengalis in 1971 as Pakistan itself unravelled (an event which, by certain accounts and innuendoes, might have been partly a result of his planned machination in the first place). However, Ahsan, as in a few other essays dealing with different subject matters, contradicts himself with regard to Bhutto. In Chapter 27, "When Tajuddin Ahmed came home...", in the process of comparing him to another of the author's revered personages, Tajuddin Ahmed, Ahsan calls the

Pakistani politician "a charlatan with, as is usual with charlatans, not much of intellectual substance in him." Yet, in Chapter 2, he had characterized Bhutto as a man "whose intelligence, sharp wit and ambition was surely taking him a long way."

Similarly, his observation in "Pakistan's Nawabzada politics" that "in his zeal to divide India, Mohammad Ali Jinnah seriously began to believe that a religious community could choose to call itself a nation. That was as flawed a judgement as any..." needs to be perceived in the context of the reality that religion has formed the basis of (and is considered by international relations theorists to be a legitimate part of) nationhood. Ahsan himself has referred to the phenomenon in two of his essays, "Mourid Barghouti's Ramallah" (Chapter 16), where he mentions "Palestine (being) supplanted by a Jewish state," and in "Edward Said's passions of modernity" (Chapter 19), where he talks about "the Zionist state of Israel." Zionism, it may be mentioned, was a Jewish nationalism movement with the goal of establishing a Jewish state in Palestine. Hungarian (by birth) Zionist leader Theodor Herzl organized a world congress of Zionism in Switzerland in 1897, which eventually blossomed into a political movement of worldwide significance that eventually culminated in the creation of the state of Israel.

The piece on Said, thoughtfully and compassionately composed, highlights the plight of highbrows essaying in the often rough-and-tumble world of politics. In fact, some of Ahsan's best writings are the essays on literary figures. "Pablo Neruda, spring and cherry trees" and "Nissim Ezekiel: Poetry in time and space" evoke glimpses into what the author philosophises. "The poetic man is the complete man, in communion with nature and meshing in with it." He is almost equally adept at writing about legendary singers, of those times gone by, icons of (my and his) generation, but who should be timeless. "Old songs and the passing of Anjuman Ara Begum" and the essay immediately following, "Rafi and life as a wisp of smoke" not only take us back to our days of youth with the mention of songs that we loved, but also by reference to other icons who have either passed away or are in the twilight of their lives. Although I strive to keep in tune with the times, Ahsan strikes more than a sympathetic chord in me when he despairs, "...it has been my feeling that all this screaming attempt to fall in line with trends devised in the West, this unsettling yearning on the part of younger singers to be celebrities rather than artistes has taken something out of the soul of our music."

Ahsan is a romantic, and his writings provide ample proof of that sublime trait. "The rhythm of rain, the laughter of children" (Chapter 23) is poetry disguised as prose that conjures up his passion and nostalgia for the two cities he loves: Dhaka and London. As he says, at least for me, "No one who has once lived in London will be able to stay away from it for very long." And "Reflections on beautiful women" (Chapter 18) ah! Now

that surely is a piece to stir the hearts of gallants! He finds that "reflecting on beautiful women is what keeps the imagination going," and, surely, his conclusion that, "In that woman there was the fire of Dido or the soul of Portia" is ample testimony to that statement, not to mention rich literary allusion. On a personal note, I could not be more gratified than on reading this little gem: "increasingly ravishing Catherine Deneuve." Now, there is beauty, eyes of the beholder or no!

There are a number of interesting essays that constraint of space does not allow for even a perfunctory treatment. However, "The lessons of Dien Bien Phu" is notable for several reasons. Lucas has taken exception to the author's contention that "socialism remains by far the best guide to the building of a just world order." One can see where Lucas is coming from, especially in the context of the fall of communism (only vestiges remain in Cuba, DPR Korea, and the political system of China), although the time for pronouncing any final word on the efficacy of socialism is a long way off. It could well be that Francis Fukuyama's "end of history" might only be the beginning of a new phase in history. However, Dien Bien Phu was not the first to have "proved the efficacy of guerrilla warfare as a means of political liberation." There have been other instances, with the creation of Israel being a more recent preceding case in point. And only a confluence of a number of factors might conceivably highlight guerrilla or low/medium intensity conflict as being pivotal to political liberation. After all, there have been far more examples of short-term and protracted guerrilla tactics having failed in accomplishing their objectives. And, another thing, General Vo Nguyen Giap actually used classic conventional warfare tactics to achieve his