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## **MANAGING THE GLOBALISATION SYNDROMES IN BANGLADESH: SOME OPTIONS FOR FUTURE**

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### **Abstract**

The process of globalisation is a reality for Bangladesh generating a major policy challenge for the people and government in the country. The underlying fact behind this challenge is conceived here as the problem of incongruence of pre-existing and existing rules of game which largely determine performance of government, private and non-government organisations. As a developing nation, what could Bangladesh do to cope with this new challenge? This paper critically examines the key question as to what policy option Bangladesh may pursue in order to manage globalisation syndromes? In this regard, three major policy options based on diverse conceptual foundations may be explored among which the country is destined to go after a single and appropriate path for national development. The choice of option is a critical issue in order to adapt to the process of globalisation. Based on conceptual understanding of neo-institutionalism, it is strongly argued that the most credible path in this regard is to focus on institutions at various spheres of our national life. Empirically two successful cases in our national activities – micro credit sector and electoral system - clearly illustrate that the organisational success largely depends on institutional innovation and governance structure. The four critical components of a new governance regime such as getting the rules right, public-private co-operation, changing role of the government and national information and knowledge system will enhance state capacity that may have positive impact on domestic governance in order to manage globalisation syndromes in Bangladesh.

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## INTRODUCTION

No region, no corner of this earth, can remain outside the reach of the globalisation wave that is sweeping the world although there is a debate on the conceptualisation of globalisation. In many cases it appears that the developing countries are almost blindly following market-oriented policies without looking into the critical issue of capacity building, particularly what institutional means they have to transform a static comparative advantage into dynamic one. The case of Bangladesh is not different. Whether we like it or not, globalisation is a reality for Bangladesh. Accepting this inevitability and preparing to meet the challenge head on, are the inescapable imperatives. Bangladesh has been struggling with the pursuit of economic development since its independence in 1971. From the viewpoint of Bangladesh, some analytical questions are obvious. What is the linkage between globalisation and Bangladesh state? What are the policy options available to this country and what pros and cons do they have? How is this country going to formulate a new policy framework? What theoretical tool may be used here? What are the major constituents of this approach for Bangladesh?

The paper is an attempt to critically examine what policy option Bangladesh may pursue in order to manage globalisation syndromes. Based on conceptual understanding of neo-institutionalism, it is strongly argued that the most plausible path in this regard is to focus on institutions at various spheres of our national life. The paper is organised into four sections. The first section briefly deals with some general observations regarding the linkage between globalisation and social realities in Bangladesh. The second section delves into an in-depth analysis of probable policy options that Bangladesh could look into for governing the globalisation syndromes. In this regard, a comparative analysis is made to identify the strengths and



inadequacies of each option. Policy articulation in the line of neo-institutionalism has been emphasised. The third section deals with two important cases in point to demonstrate the relevance of neo-institutionalism in order to chart the future course of national actions. The fourth section identifies the critical components of a new governance regime for Bangladesh akin to institutional approach and then, followed by conclusion.

### GLOBALISATION AND BANGLADESH : SOME GENERAL OBSERVATIONS

In contrast to liberal or critical theory, which leads to credible expectations that the process of globalisation converges with domestic institutions in a meaningful way, a remarkable degree of incongruence is observed across the patterns of domestic governance and long-term development in Bangladesh. The trajectories of the rules and norms of globalisation and those of governance in Bangladesh show that there is significant level of divergence in the pursuit of development in Bangladesh. There are two major sources of pressures on Bangladesh to bring about changes in domestic governance in the direction of globalisation. In the first place, primarily it is coming from the International Donors Community (IDC) previously through Structural Adjustment Programmes (SAPs) and Stabilisation programme and currently as a general condition of aid from all external sources governments to agencies. There has been a co-ordinated attempt from the IDC to exercise effective pressure on Bangladesh to open up its economy.

The other is that the transformation of global environment towards market, democracy and individualism with underlying principle of competitiveness has been pushing the country like Bangladesh to embrace the rules and norms of globalisation. Donors

are using the concept of 'good governance' and 'globalisation' as part of their global agenda. From IDC perspective, good governance is to promote globalisation by creating enabling environment for privatisation. The emergence of global pressures of competition and continuous IDC pressure for policy reforms has little implications for good governance in Bangladesh. The crucial actor, is still, the state with limited sovereignty and possibly restricted by a system of shared norms based on systems of management in various realms (trade, finance and energy) where civil society complies with established norms without hegemonic pressures.<sup>1</sup> The pre-existing values are still dominating the society despite the fact that several changes occurred at the functional and policy levels of state and social organisations.

Some tentative observations may be sketched based on the changes generated by the various forces of globalisation. First, with some qualitative and quantitative measures of globalisation we have demonstrated that Bangladesh is not much globalised in terms of actual economic and political effects. For example, trade openness as measured through trade as percentage of GDP shows that the share of trade in GDP in Bangladesh increased from 20.53% in 1992 to 32.65 % in 1998. The FDI has increased from 0.1 % of GDP in 1992 to .72 % in 1998.<sup>2</sup> The development of information communication technology (ICT) remains at very low level as only 3 out of 1000 people have access to telephone lines and only 46.1 out of 100,000 people have access to internet as registered customers of internet service in Bangladesh.<sup>3</sup> However, Bangladesh has accommodated the rules and norms of globalisation particularly in economic dimension

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<sup>1</sup> See, for details, B. K. Jahangir, "Consensus, Problematics and Reform Agenda," in Hasnat Abdul Hye, (ed.) *Governance: South Asian Perspectives*, (Dhaka: University Press Ltd., 2000), p. 41.

<sup>2</sup> See, *World Development Indicators 2000*.

<sup>3</sup> *The Daily Janakantha* (Dhaka), 24 December 2000.



in substantive degree. More so, the civil society movements as an important qualitative indicator of globalisation witnessed major changes during the last decade.

Second, globalisation and market orientations do not cover everything related to development. The market is not everything. It is just an additional force and it functions only in proper environment. Kaul makes a strong point about this. He argued that we must understand that markets are not actors in and by themselves; they are means. When we say "the markets" we really mean "private business", "investors" and "consumers". In a way, we mean "us" because we are all consumers and an increasing number of people world-wide has joined - and continues to join - the ranks of investors (due to the expansion of new financial services such as mutual funds and privatisation of pension schemes).<sup>4</sup> The single-minded pursuit of economic development through the market cannot be the best or even an effective mechanism for achieving human development. A nation needs capability building in a constant manner to face globalisation since the past ways of doing things may not be relevant presently.

Third, the developing countries should not blindly treat globalisation either as an integrative or disintegrative force, on the one hand, or a catalyst or impediment for economic growth, on the other. To some globalisation is seen as a benefit to humanity, bringing unprecedented prosperity and peace, while to others it is a driving force of exploitative capitalism, and to others still it is a carefully stacked house of cards in which severe economic crisis in one region can cause states in other areas to collapse.<sup>5</sup> They should

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<sup>4</sup> Inge Kaul, *Globalization and Human Development: Challenges for a New Century*, Office of Development Studies, United Nations Development Programme, New York, Available Online: [http://www.unu.edu/unupress/planet.html#Human 17/2/01](http://www.unu.edu/unupress/planet.html#Human%2017/2/01)).

Frederic S. Pearson. & Simon Payaslian, *International Political Economy: Conflict and Cooperation in The Global System*, (Boston: Mcgraw Hill College, 1999).

properly conceptualise the impact of globalisation on the society, economy and polity taking stock of its pitfalls and promises for national development. We need to strike a balance between market and institutions. On the one hand, globalisation may promote capitalism without moral principles; it can generate economic efficiency, on the other. For the developing country like Bangladesh, globalisation is rooted in government failure and subsequently it leads to the decreasing role of the government. Increasing deregulation and privatisation is related to the crisis of governance as economic inefficiency and huge losses in public operations are exacerbated by the crisis of governance.

Fourth, liberalisation or changes in any facet of society must be linked with the existing domestic realities in the society. The standardised package of policy prescriptions irrespective of socio-political realities of a country is prone to be faltered. For instance, as per rule of deregulation the government of Bangladesh raises interest rates to reflect the real value of money. It becomes meaningless if borrowers can simply default on their loans, thereby making the cost of money irrelevant. Another glaring example is that according to market principle, prices of telephone calls, electricity and gas are raised. Such a change becomes irrelevant when bills are not properly paid and illegal connections and under-bills are important to the users of utility services. So, institutional issues are fundamental to any understanding of where globalisation is going in Bangladesh.

Fifth, problem of policy formulation is not the priority. The creation of more agencies will not solve the problem. It may be argued that institutional failure is the root cause of poverty, underdevelopment and political instability in Bangladesh. Bangladesh has some of the very old political, legal and economic organisations. Because of colonial rule Bangladesh inherited much



organised bureaucratic setting and legal framework. The country also established other political organisations of modern state such as constitution, legislature, military, and political parties immediately after independence. It experimented with socialist as well as western type of economic ideas and organisations. Nevertheless, the country remains poor for the last three decades. Poor performance of these many different types of organisations is related to widespread institutional failure that largely depends on domestic governance structure.

Sixth and more importantly, for obvious reasons, the clash of values between domestic governance and globalisation is hindering the national development process. Similarly, evidence suggests that even the transplantation of the rules of globalisation by creating considerable degree of convergence is also not contributing to development of Bangladesh. The question whether globalisation is beneficial or harmful becomes greatly irrelevant when one discovers that economy lacks dynamism in spurring development.

Despite the existence of mismatch between the pre-existing domestic and globalisation values, the fact is that a changed national environment has been created that needs new governance strategies and institutions. What new rules and norms can help to adjust to the process of globalisation? This requires addressing the fundamental problem of the society that lies in the failure of organising appropriate governance mechanisms. The problems of development in Bangladesh are far beyond the traditional diagnosis of the limitations such as resource constraints, population growth, unfavourable terms of trade, aid dependency, global capitalism. Instead the problems are related to the institutional character of the state and society that breeds rent seeking and corruption, chaos and anarchy and mistrust in the society. Hence globalisation has a very

limited role to eliminate them. Moreover, the process of globalisation is creating further pressures to govern the country through autonomous ways. To quote Quibria, a senior economic advisor of the ADB, "Flagrant and frequent violations of rule of law, regular encroachment of the separation of powers, rampant political violence, intolerance toward other viewpoints, incessant *hartals* that do not enjoy people's support and flirtations with theocratic politics: none of these would certainly augur well for liberal democracy.<sup>6</sup> So, we observe that the basic nature of the problem in Bangladesh is more political and societal than economic. It is from this perspective that the next section deals with the question of possible options that Bangladesh could pursue in combating the challenge of globalisation.

## OPTIONS FOR GOVERNING GLOBALISATION

The continuing underdevelopment and the growing incongruence between the rules and norms of globalisation and domestic governance clearly reflect the urgency of looking for an appropriate agenda of action in future.

### A Reformist Agenda

The traditional approach for facing the challenge of globalisation, for that matter the problem of disintegration or divergence, may be the continuation of present path of neo-liberalism with more changes in policy and organisations. Conceptually, it is related to functional approach that mainly depends on the role of organisations. Organisation can be defined as 'a functional body organised by a set of rules', in other words, agents of actions.<sup>7</sup> It focuses on what

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<sup>6</sup> "Editorial Page", *The Daily Star* (Dhaka), 16 April 2001, 9 pages, Online, <http://www.dailystarnews.com/200104/16/n1041602.htm#BODY4> (22 April 2001)

<sup>7</sup> Hayami Yujiro, *Development Economics: From Poverty to the Wealth of Nations* (Oxford: Clarendon Press, 1998), p. 198.



organisation performs and how well it performs. The functional approach is heavily influenced by agency theory, which states that the agents take care of the interests of the principals. They also provide more focus on policy than institutions. Right policy could solve any difficult problem, because bad policy creates inefficiency. Donors, bureaucratic and political elite and several development thinkers strongly suggest that Bangladesh must not abandon its current strategy of emphasising neo-liberal policy changes. As Jahangir suggests Bangladesh could pursue a reformist agenda that reflects pro-poor policy measures to address the increasing marginalisation in society caused by both SAPs and distorted elitist ad hoc based public policies.<sup>8</sup> Thus, policy reform is the key to national strategy for development.

Although the reformists recognise that globalisation has both its merits and demerits since it can bring immense economic benefits to the country and simultaneously it can also have adverse social consequences, the right mix of policies can bring maximum benefits of globalisation and minimise the social costs. Bangladesh needs to enhance export competitiveness through appropriate exchange rate management as well as through increased labour productivity. Sound industrial relations promote labour productivity and lead to higher profits.<sup>9</sup> To them, two issues are crucial. First, it is necessary to bring changes in the policy line and the role of stakeholders in the process of globalisation.<sup>10</sup> Sobhan emphasises policy ownership from the donors who have monopolised their control over domestic policy

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<sup>8</sup> Jahangir, *op. cit.*, p. 47.

<sup>9</sup> *The Bangladesh Observer* (Dhaka), January 23, 2001, "Social Effects of Globalization: The Role of Policy", jointly organised by the ILO and the Ministry of Labour and Employment, Bangladesh.

<sup>10</sup> Dani Rodrik, *Has Globalization Gone Too Far* (Washington D.C.: Institute for International Economics, 1997), pp. 77-85.

arena. Second, despite the pressures and interference of the IDC, development co-operation is still needed to reduce disintegrating effects and to promote integrating mechanisms of globalisation.<sup>11</sup> They believe that Bretton Woods institutions provide useful models of development that could lead to national development in the long run. Muhit envisages a new aid partnership in which the areas of aid distribution will be continued poverty eradication and environmental protection programs.<sup>12</sup> As a matter of fact, they support a reformist agenda keeping the present line of national priority on policy.

The major limitation of this reformist agenda is that it fails to resolve the conflict of interest between agency and principals. The problem with policies or development models is that they do not lead to dynamics of positive change in economy as we observed in our findings. At best, development models or policies can explain changes over time, but they fail to capture the real problems of development. Policies do not emerge from a vacuum but generally are the result of bargaining among contending groups – with the interplay among them shaped by the institutional and political “rules of game”.<sup>13</sup> National differences that condition development strategy are closely linked with unique institutional characteristics and governance mechanisms. Pauly and Reich identified that the capitalist and developed countries like the US, Germany and Japan have differences in political and economic institutions that shape their governance structure.

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<sup>11</sup> Takahashi Kazuo, *Agenda for International Development 1998*, FASID, Tokyo, Japan 1999, Chapter 1.

<sup>12</sup> Abul Maal A Muhit, “Governance and International Development Community,” in Hye, *op. cit.*, pp. 476-477.

<sup>13</sup> Louis W. Pauly and Simon Reich, “National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization”, *International Organization*, Vol. 51, No. 1, Winter 1997, p. 161.



Table 1 demonstrates how deeper the national differences exist between the industrialised countries in an institutional context. This signifies the importance of the same for the developing countries. Another problem with the policy paradigm is that it depends mostly on neo-classical assumptions, which have serious limitations in understanding human behaviour and interactions. They rely on 'hyper rationality' of human being - possessing perfect information and unbounded cognitive capacity. Moreover, the social reality in Bangladesh is such that demands a rethinking of the current approach involving an enormous scale of imagination. Only changes in policy keeping the current stress on agency may not address the fundamental issues behind continuing underdevelopment.

**Table 1: National Institutional Differences**

	United States	Germany	Japan
Political Institutions	Liberal democracy, divided government, highly organized interest groups	Social democracy, weak bureaucracy; corporatist legacy	Developmental democracy; strong bureaucracy; reciprocal consent between state and firms
Economic Institutions	Decentralized, open markets, fluid capital markets, unconcentrated, antitrust tradition	Organized markets; bank-centered capital markets; universal banks	Guided, bifurcated, difficult-to-penetrate markets; bank centered capital markets; tight business networks

Source: Louis W Pauly and Simon Reich, "National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization", *International Organization*, Vol. 51, No. 1, Winter 1997, p. 161.

### **Structural Transformation: 'double movement', 'counter-hegemonic bloc' and 'de-linking'**

One radical option to face the process of globalisation as advocated by the neo-Marxists is to transform the existing hegemonic relations reinforced by the process of globalisation. They take a highly critical view of market device in a society. Polanyi castigates 'the self-regulating market' as a dangerous myth.<sup>14</sup> To him, the ideology of market distorts human quality through commodification of life and creating an atomised society. He advocates 'double movement' referring to society's 'inevitable self protection against the commodification of life'. In his view, modern society was governed by a double movement: the expansion of market and a counter-movement for checking the expansion of the market. Similarly, Gramsci also attacks the market for creating hegemony in the society.<sup>15</sup> Gramsci's conceptualisation of the relation between structure and agency on the basis of power suggest that the problem of globalisation can be resolved by developing a counter-hegemonic bloc composed of the disadvantaged and disaffected such as labour, human rights, environmental, consumer and women groups.<sup>16</sup> A counter-hegemonic bloc of this nature would be committed to replacing the current corporate view of liberalisation with a more democratic, participatory model based on socialism.<sup>17</sup> In this counter hegemonic struggle, civil society will play the leading role.

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<sup>14</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origin of Our Times*, (Boston: Beacon, 1957), quoted in V. Birchfield, "Contesting the Hegemony of Market Ideology: Gramsci's 'Good Sense' and Polanyi's 'Double Movement'." *Review of International Political Economy*, Vol. 6, No. 1, Spring 1999, pp. 38-48.

<sup>15</sup> Stephen Gill (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge: Cambridge University Press, 1993); Robert Cox, "Gramsci, Hegemony and International Relations: An Essay in Method", *Millennium*, 12, 1993, pp. 124-143.

<sup>16</sup> Theodore H. Cohn, *Global Political Economy: Theory and Practice*, (Sydney: Longman, 2000), p. 356

<sup>17</sup> *ibid.*, p. 357.



Finally, the most radical approach stems from the 'dependency school' and other neo-Marxist variants that development is not possible in the poor countries without delinking the dependent relationship between centre and periphery. According to their view, the process of globalisation requires the process of delinking between the developed and developing nations. While Polanyi and Gramsci are extremely critical about the dangerous effects of market hegemony, they overwhelmingly depend on the notion of 'democratic society' led by either civil society or any other social force. Despite the proliferation of NGOs and other social organisations, there is very little evidence that they are united to challenge the market hegemony or interested to build a broad coalition in a counter hegemonic bloc. Rather, in many cases, they co-operate with the market forces and their protectors. The emergence of a 'global civil society' phenomenon is far from the reality of organising counter hegemonic force. What we observe is an issue-based coalition such as environment, labour rights and human rights. Moreover, the current geopolitical circumstances do not allow them to gather enough power to replace the hegemony. So, the structural transformation as a path to face globalisation is not plausible. Nevertheless, the social movements have some merit given the aggravating global poverty and marginalisation. They could exert influence on the state as a pressure group to alter certain policy directions.

While coming to the question of the relevance of this option in Bangladesh it is clearly observed that there has not been much constituency to go for such structural transformation. Although Bangladesh witnessed a major shift in the expansion of civil society organisations during the last decade, there is very little evidence that they stand for building a counter hegemonic bloc. Ironically enough, they have joined hands with market forces through their active

participation in the market. The Grameen Bank and BRAC, the largest NGOs in Bangladesh, are heavily involved in business activity from issuing bonds in the capital market to exporting goods. Second, they are also heavily dependent on external sources of financing coming from international public and private funding organisations that have no such agenda of transforming the present system. Finally, there is no substantive degree of political activity in this direction except scattered and radical rhetorics by the so-called left parties. So it is very unlikely, if not impossible, that the agenda of structural transformation will be pursued by the state and society in future.

### **New Institutional Approach**

The relevance of institutional approach, more specifically, new institutionalism for national development stems largely from the failure of the existing system of governance in Bangladesh, which is based on neo-liberal ideology. Such kind of realisation or disillusionment is relatively a recent phenomenon. The realities in Bangladesh suggest that reformist agenda based on organisations and policy prescriptions or the so-called structural transformation could not meet the development challenges as created by the process of globalisation. There are two successful examples in Bangladesh where institutional transformation plays a critical role in ensuring better performance, which are micro credit sector and caretaker government for electoral governance. Thus, Bangladesh has better prospects if it strongly pursues new institutionalism as the overriding national philosophy for development. In the context of Bangladesh's development needs, Sobhan makes it clearer:

"Institutional reform in Bangladesh is a top priority. This ranges from such institutions as land administration, to the management of our education and health care system, to the regulation of our banking system, to the functioning of the



bureaucracy, to the workings of parliament and the judiciary. Wherever you look we are facing not so much a crisis of policy but a crisis of governance, which makes us unable to implement any policy."<sup>18</sup>

Now the question is how do we conceptualise institutions and their necessity in Bangladesh. It requires a certain level of theoretical exposition as to how institutions could function in national environment of Bangladesh. Previously, both the neoliberals and structuralists heavily undermined the role of social relationships and institutions for development. Specifically, neoclassical economists argue that institutions do not fundamentally matter – that is they do not alter fundamentally the choice-set of actors - since it assumes perfect information and stable preferences, and therefore, efficiency.<sup>19</sup> Several studies (Coase, 1937, 1960; North, 1981; Granovetter 1985; Ostrom et al. 1988; Campbell and Lindberg 1990; DiMaggio and Powell 1991; Nee and Lian 1994; Evans 1995; Adams 1996) challenged these basic assumptions of the neoclassical paradigm and brought back institutions at the centre of social sciences.

Table 2 demonstrates that the scope for institutions is wider than other paradigms. While the behaviorist/utilitarian perspective emphasises individual or agency preferences based on behaviour and competition, new institutionalism stresses a diverse source of interests, mechanisms of political process and formal procedures. At the theoretical centre of the new institutionalist paradigm is the concept of choice within constraints. North has made a major contribution in theorisation of institutional approach and establishing its relevance in the context of social reality. Institutions are “rules,

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<sup>18</sup> Rehman Sobhan, Interview with Sabir Mustafa in *The Daily Star* (Dhaka), January 29, 1999.

<sup>19</sup> Victor Nee, “Sources of the New Institutionalism”, in Mary C. Brinton and Victor Nee (eds.) *The New Institutionalism in Sociology* (New York: Russell Sage Foundation, 1998), pp. 1-2.

enforcement characteristics of rules, and norms of behaviour that structure repeated human interaction.”<sup>20</sup> Institutions are meant to provide frameworks for all kind of participation as well as flexibility to adjust to the evolving circumstances that may come over time. In the words of North, an institution ‘concerns the endless struggle of

**Table 2: The Institutional Approach Contrasted with Other Paradigms**

	Institutional	Behavioralist/Utilitarian	Social Determinist
Interests	Diverse sources of individual and collective interests; institutions influence their articulation and expression in politics	Subjective; Preferences revealed through behavior; each individual best judge of his/her interests	Objective: Social group/class based
Political Process	Problem of aggregation, form of process affects quality and results of participation	Utility aggregation with efficient transmission of preferences (in politics, in market, in interest group market)	Correspond to social/class structure
Normative	Procedural democracy: Substantive justice through formal procedure	Formal democracy: Fairness of process guarantees justness of results: Formally open access to markets/politics; competition protected	Substantive democracy: social harmony-organic solidarity/end of class exploitation
Example	Rousseau, Montesquieu, Toqueville, Weber, Habermas	Bentham, James Mill, Milton Friedman, Dahl	Durkheim, Marx

Source : Ellen M. Immergut, “ The Normative Roots of the New Institutionalism: Historical-Institutionalism and Comparative Policy Studies”, University Konstanz, 1 December 2000, 35 pages, Available, <http://www.uni-konstanz.de/FuF/Verwiss/Immergut/publications/kon3>.

<sup>20</sup> Quoted in Yoshitaka Okada, ‘Institutional Arrangements and the Japanese Competitive-Cum-Cooperative Business System’, 1995, p.1.



human beings to solve the problems of co-operation so that they may reap the advantages not only of technology but also of all the other facets of human endeavour that constitute civilisation'.<sup>21</sup> New institutionalism refers to the ways how things are organised and managed. It covers a wide variety of sectors such as political system, educational system, financial system, interpersonal relations and organisational relations etc. So, broadly, institutions are defined as webs of interrelated rules and norms that govern social relationships that comprise the formal and informal constraints that shape the choice-set of actors.<sup>22</sup>

Now the question is in what ways institutions could contribute to national development. There are four different, but interrelated ways through which institutions could provide a better choice for the society. First, institutions cover a wide variety of issues in the society from conflictive or integrative and from socio-economic to politico-cultural. Neoliberal market based ideology could address only the issues of equilibrium in the society as it deliberately ignores those related to disintegration or disequilibrium. Second, institutions offer a dynamic framework of human interactions by restricting and stimulating individual organisational behaviour. Institutions create constraints for human interactions, which eventually leads to institutional change for development. More importantly, this institutional change accommodates the current reality in society. Third, institutions provide a structure of ordering choices in the society, which is very significant for optimum outcomes from a particular action. Both formal norms such as contracts, property rights, laws, regulations, and the state and informal constraints like personal relationships, traditions and customs etc. are critical in

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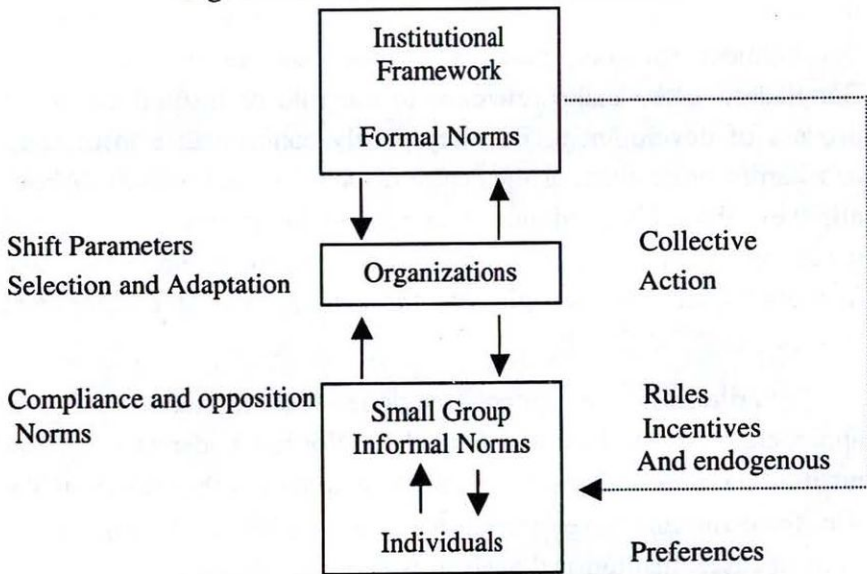
<sup>21</sup> Douglas North, *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990), p.133.

<sup>22</sup> Victor Nee, *op. cit.*, p. 8.

structuring the framework of choice. Fourth, institutions ensure better performance of organisations through defining the opportunities and incentives that determine outcomes for actors in the process.

Institutions ensure effective enforcement of rules of game emphasising the credible commitment of the actors in the process. Figure 1 provides a model how institutions function within a country. It demonstrates that organisations and their actions are dependent on the formal and informal norms in a society; on the one hand, there is a symbiotic relation between state and individuals based on incentives and preferences, on the other.

**Figure 1: A Model of New Institutionalism**



Source: Mary C. Brinton, and Victor Nee, (eds.) *The New Institutionalism in Sociology*. (New York: Russell Sage Foundation, 1998), p. 31.

We think that new institutionalism based on the above-mentioned conceptual grounding offers the best option to face the challenges of globalisation, particularly the emerging disintegrating forces within



domestic governance. We believe that although new institutionalism is close to equilibrium approach, it also accommodates conflictive elements in the society. As we observed from our empirical evidence on Bangladesh, globalisation has the elements of integration and disintegration in the society. Globalisation is a question of political choice than necessity. When markets are allowed to set the priorities, they opt for profit seeking ventures without any concern for public goods that aggravates socio-economic conditions by generating conflicts and tensions among various stakeholders in the society. The enduring institutional and ideological foundations within which political and economic organisations remain most deeply embedded offer more plausible explanations for success or failure in adapting to the process of globalisation. It must be noted that social scientists, development thinkers, political activists and recently donors in Bangladesh often make reference to the role of institutions in the process of development. But they poorly conceptualise institutions and hardly bring them at the centre of development activity. Above all, they always subordinate their role to the policy or functional paradigm. Amid such negligence we vigorously emphasise that institutions must be brought into the centre stage of development debate.

Nevertheless, we cannot overlook few limitations of this approach. First, it is much related to North's understanding that institutional approach overwhelmingly emphasises the market as the way for economic development that limits the scope of imagination. In most cases, institutional analysis is dedicated to strengthen the role of market in society. This is what currently becomes as the major thrust of IDC projects on institutional capacity building in various sectors of state and economy. Second, limitation concerns with its relations with organisations. Is it institution or organisation that creates the dynamics of change? North also identifies organisations

as the principal agents of institutional change.<sup>23</sup> Despite these limitations, we believe that institutionalisation is more relevant concept in Bangladesh than a plethora of development models and policies.

Having established the importance of institutions, it is necessary to deal with the question how the diverse orientations of institutions could contribute to national development. Here comes the issue of governance because the utility of institutions largely depends on the pattern of governance. Governance comes at the centre in a sense that institutions refer to 'a set of rules to organise people into the functional body', which are enmeshed with governance.<sup>24</sup> We understand governance as a pattern that refers to the rules and norms that guide internal relationships between and among the actors in various sectors of the state. In this context, governance considerations may be more fundamental in the sense that they may provide the appropriate incentives and rules within which appropriate policies are most likely to be chosen and implemented.<sup>25</sup> More importantly, as Feeny argues that governance includes the setting of rules, the application of rules, and the enforcement and adjudication of rules.<sup>26</sup> So the domestic governance has to be based on institutional arrangements to harmonise national activities in order to achieve development. The roots of national problems in Bangladesh as we have identified earlier, are intricately related to institutions. There might be several ways of organising governance such as

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<sup>23</sup> North, *op.cit.* 1990 and 1993.

<sup>24</sup> Hayami, *op. cit.*, p. 1999.

<sup>25</sup> Nauro F. Campos, "Development Performance and the Institutions of Governance: Evidence from East Asia and Latin America", *World Development* Vol. 27, No. 3, p. 441.

<sup>26</sup> David Feeny, "Institutional Arrangements and the Commons Dilemma", in Ostrom et. al. (eds.), p. 172.



governance through the regulatory role of the state and governance through transaction costs minimisation. While all these are interdependent, it is an inescapable imperative to establish the primacy of rules in national life. In this context, we may introduce two successful cases of governance in Bangladesh where institutional arrangements played a critical role.

## EXAMPLES OF INSTITUTIONS-BASED GOVERNANCE STRUCTURE

### **Micro-credit Operations in Bangladesh: A Success in Poverty Alleviation**

The micro-credit sector is a success story in Bangladesh, which is widely replicated in different countries around the world. Since poverty continues to be the key economic problem in Bangladesh, the programme of micro financing is of critical importance for the country. Particularly, the impressive performance of micro credit sector during the last decade makes it increasingly popular in Bangladesh. But this is contrary to the neo-classical market principles. It offers an excellent example of 'good governance' through institutional development. Continuing poverty leads to wider role of the credit programmes by the civil society organisations (CSOs) in Bangladesh. For example, the *Grameen* Bank in Bangladesh reached 2 million households in 1997, while the Bangladesh Rural Advancement Committee (BRAC), the largest NGO in the world reached some 40 million people. Moreover, NGOs entered in the capital market by issuing bonds for the first time in the world as BRAC introduced securitised bond in the capital market of Bangladesh in 2000. Although the contribution of micro-credit to poverty alleviation is very impressive and highly lauded around the world, it is being questioned time and again in the recent time. NGOs

are charging much higher rate of interest for their loans (ASA charges 24.5% first loan, 31.5% fifth loan, BRAC 31 % first loan, 39% third loan, *Proshika* 31.7% first loan).<sup>27</sup> Also it is alleged that the destitute (poorest of the poor) are left out of their credit programme. But the persistent market and government failure in Bangladesh has been creating more opportunities for active role by the civil society organisations. Whatever the criticisms as to the role of NGOs, it is almost universally recognised that the micro credit operations have substantive contribution to poverty alleviation in Bangladesh.

However, the success of micro financing in Bangladesh particularly during the last decade may be attributed to a distinctive type of governance based on institutional innovation. The major characteristics of this type of governance may briefly be explained in order to conceptualise the smooth functioning of the organisations. First, the basic pattern of their governance is not based on exclusively a market or hierarchy. Rather it is based on institutional arrangements that provide a wider scope for harmonising their diverse activities taking into consideration realities going beyond the market and hierarchy. For example, almost all the micro-credit organisations implement a creative mechanism to prevent loan defaulters as observed in other traditional banking or credit programmes. It follows a new rule; if any member defaults, the whole group is ineligible for additional loans. So, the issue of group responsibility comes at the centre of credit programmes by the borrowers. Second, these NGOs are not happy with just group responsibility. They maintain strict supervision of the activities involving the borrowers and the bank. They follow both hierarchical and bottom up approaches to monitor and evaluate activities at the field level. On

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<sup>27</sup> Tasneem Siddique, *The Independent* (Dhaka), 13 October 1999.



the one hand, they rely on their recruited officials for supervising its members, on the other, they depend on the group-based organisation of members to screen, monitor and provide incentives to the borrowers to repay their loans. Third, they maintain a favourable environment for training and motivation that would increase personal and social responsibility as well as the overall capacity of their members. Along with its financial services, they implement several programmes aimed at promoting social development and employment generation. For example, they train how to develop nurseries, to maintain dairy farms and several other household-based income generating projects. Fourth, these NGOs provide strong incentive structure to the participating actors, particularly the borrowers as the main actor. In the first place, loans from these NGOs are collateral free that provide more scope to the people to utilise the credit system to generate more economic activities. Moreover, there is an incentive of sanctioning additional loans instantly to the borrowers of these organisations who pay their loans timely. So, we observe that in addition to group responsibility of the members or the supervision of the officials, they provide strong incentive structure to ensure the better performance of their credit programmes.

With these characteristics in our mind we may argue that it is their typical governance structure based on institutional arrangements that plays a critical role in ensuring better performance of these credit organisations. There are several indicators of their performance, however, the most significant ones are the rate of loan recovery and the proper utilisation of the credit. As indicated earlier, these NGOs have a higher rate of loan recovery, which was hitherto beyond imagination. The borrowed money is also invested in such a way that generates income and opportunities for the members, which ultimately contributes to poverty alleviation. It may be noted that the

operations of these NGOs are significantly different from global force and traditional ways. Conceptually, in the current phase of national activities in Bangladesh there is not much difference between globalisation and traditional ways. Both rely exclusively on the market, while the NGOs depend on different ways of doing things. They make use of markets, hierarchy and networks. When it is the question of the interest rate they count on profit margin. They charge high rate of interest and cumulative rates stand much higher than those from the traditional banks and informal moneylenders. Again, when it is the question of implementation, they resort to hierarchy maintaining an active and accountable work force to supervise, regulate and monitor the credit programmes. Another significant aspect is to instil group networks based on co-operative relations among the members. They provide extensive opportunities for training and motivation to cultivate group responsibility and co-operation among the borrowers. Above all, they overwhelmingly rely on institutional arrangements manifested in different rules and regulations to govern their overall activities and to cope with the new realities.

### **The Non-Party Caretaker Government: A Success in Electoral Governance in Bangladesh**

According to the Constitution of Bangladesh, the mechanism of multiparty elections is the only legitimate way of transferring power whether it is presidential or parliamentary form of government. Ironically, until 1991 all elections in Bangladesh were grossly irregular because of widespread 'vote rigging' and 'media coups' and several other unfair means. It is alleged that most of these crucial general elections were conducted under the auspices of the ruling regimes, which in most cases happened to be the military rulers. Although the Election Commission (EC), equipped with a chief



election commissioner and members is statutory and independent body, in reality, it was heavily subservient to the executive and ineffective. Therefore, it was a major concern for political scientists as well as democrats in the country as how to devise a viable electoral mechanism that would contribute to elect a government without resorting to massive irregularities in elections. The fall of the autocratic Ershad regime in 1990 provided the historical opportunity to search for impartial and effective electoral instrument to ensure free and fair elections in Bangladesh. The long standing but rare show of political consensus among the opposition political parties in Bangladesh that was established in 1986 to oust the dictatorial regime facilitated this initiative. In fact, unprecedented in the electoral history of developing countries, the political parties in Bangladesh worked out a unique political device called a non-party caretaker government to ensure free and fair elections. A non-party caretaker government will be established as a transitional government after the national parliament is dissolved and will remain in the office until a new Prime Minister enters office. The primary responsibility of this government is to render to the EC all possible assistance that may be deemed necessary for holding the general elections of the members of the Parliament peacefully, fairly and impartially. The caretaker government consists of the Chief Adviser as its head and not more than ten other advisers. This unique political institutional innovation in Bangladesh politics is significant for two crucial reasons: (i) ensuring free and fair elections and (ii) smooth and peaceful transition to power.

The first elections under the non-party caretaker government headed by Justice Shahabuddin were held in February 1991. Immediately, it passed to the history of Bangladesh as a legend for holding free and fair elections. It also received high appreciation from the international community. This successful holding of the

elections has put the issue of a non-party caretaker government for holding general elections on the political agenda of Bangladesh. Subsequently, this was institutionalised through the 13<sup>th</sup> amendment of the Constitution of Bangladesh in 1996.<sup>28</sup> The constitutional provision for a caretaker government in Bangladesh is an excellent example for a local solution to the problem of electoral process. This has largely improved electoral governance in Bangladesh by establishing neutrality and fairness in the parliamentary polls. Now the question is: how did the EC, which has always been subordinated to the executive, more specifically the ruling elite of the country, become so independent and effective in ensuring free and fair elections? In a closer observation, it is revealed that the success of this political device largely depended on institutional transformation of the electoral process in Bangladesh through the incorporation of new electoral rules that were absent earlier. While the non-party caretaker government itself is a new institutional mechanism, the newly incorporated rules play a vital role in establishing better performance. This mechanism without such rules would have not been so effective in this regard. Since it is not possible to analyse all these new rules here, we would introduce few of them that are very important. First of all, the EC was empowered through the amendment of existing Representation of the People Order 1972 (RPO) to exercise its constitutional role as an independent body. According to this new law, the EC was given power that was erstwhile exercised by the bureaucrats at the behest of the executive. For instance, the withdrawal of any officer on election duty election obstructing the poll and the authority to constitute pre-poll enquiry body are now in the hands of EC. Second, a new code of conduct has

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<sup>28</sup> See, for details, the Constitution of Bangladesh, Article 58A, Chapter II A; The Report of the Fair Election Monitoring Alliance (FEMA) on Parliamentary Elections: June 12, 1996, 2 pages, Available, Online, <http://www.femaonline.org/library/library-el96-background-p1.htm> (16 March 2001).



been introduced with the understanding and co-operation of all political parties. Third and more importantly, some rules are devised which are unique to the conditions of Bangladesh society, which may not be observed in many developed countries. These are the ineligibility of loan defaulters in seeking election nomination, banning the use of scooters on election day and holding state organised projection meetings for the contesting candidates. Finally, all these rules have contributed to new electoral governance in Bangladesh that enjoys public confidence, co-operation from the various political parties, accountability and transparency in the process. Thus an erstwhile ineffective and unreliable political institution has been made largely effective, efficient and reliable.

These two cases clearly illustrate that the organisational success largely depends on institutional innovation and governance structure. Here the governance pattern is based on institutional arrangements. The experiences from these cases can be applied to other areas of national activities in political, economic and societal domains. However, it must be noted that both the micro-credit programme and caretaker government function in an environment, which is free from political interference. In this connection, the government machinery and the political parties do not directly influence their governance process. Another interesting point is that their institutional transformation took place in a path dependent way meaning that it was not conditional on external factors. With these observations, we argue that these two cases have enormous relevance for governance structure elsewhere in Bangladesh.

#### CRITICAL COMPONENTS OF A NEW GOVERNANCE REGIME

Based on our findings of the study and experiences of the two successful cases as already mentioned, we intend to focus on four critically important areas for organising new governance regime in

order to address the challenges stemming from the implications of globalisation for Bangladesh state.

### **Getting the Rules Right**

Influenced by the neo-classical assumptions, a large body of literature demonstrate “getting the prices right” was the key to economic development. The introduction of SAPs and stabilisation programme was based on this slogan. However, the recent studies on economic development reveal that these economic forces cannot act in isolation. They interact with the institutional and political arrangements at work in any society.<sup>29</sup> Institutional structure is important because of its role in expanding human choice, which is fundamental goal of economic development.<sup>30</sup> Institutional background do make the best use of resources, it is not the market or hierarchy. The existing institutions are to be used in a way that would generate dynamics out of the whole system. When institutions are established, they generate the change of behaviour among the participating actors. Concept of rule is important because it defines the role of the actors. For instance, a firm defines roles such as distributor, customer, director and supplier. Traffic rules define roles such as driver, passenger, and pedestrian. Rules come in a variety of forms, not all of them legislation. Rules govern the structure, functions and revenue of national and local governments. It may be mentioned that there is a variety of sources of rules, norms and policies from party nomination practices to “superlaws” of the constitution. Rules and norms can be of formal or informal nature. They can be either implicit or explicit. An explicit reflection of rules in society is the formulation of policies to regulate behaviour of the

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<sup>29</sup> Norman Nicholson, “The State of the Art”, in Vincent Ostrom (eds.) *Rethinking Institutional Analysis and Development* (San Francisco: International Center for Economic Growth, 1988), p. 3.

<sup>30</sup> *Ibid.*, p. 4.



agents and to ensure development by implementing those policies in reality. Norms are people's beliefs about the attitudes and behaviours that are normal, acceptable, or even expected in a particular social context. Domestic norms shape the preferences of agents. While neo-liberals and regime theorists emphasise a role to norms in a limited way, they facilitate co-operation among self-interested actors. So, by identifying the dominant rules, norms and policies in different sphere of human activity we could understand the nature of the organisation whether it could facilitate or hinder the development process. More significantly, they signify the major directions of the state and economy in a most credible way. Mere structural or organisational change cannot ensure economic development. Explicit legislation is nevertheless a key element of successful political change. Explicit rules reduce uncertainty and provide a common set of ground rules for the political process.<sup>31</sup> They provide a focal point to co-ordinate diverse national activities, while restricting the national or subnational actor's scope of bargaining. Implicit or informal rules are also crucial for development. Feeny identifies three categories of rules.<sup>32</sup> The first category of institutions refers to the constitutional order, which specifies the fundamental rules that establish the conditions of collective choice. Burki terms it 'Superlaws', which can be used to strengthen the credibility of the most important rules. These Superlaws can take the forms of constitutional provisions or other legislations that can be altered only by exceptional majorities or complicated amendment procedures.<sup>33</sup> The second category of institutions refers to the institutional arrangements created within the framework of the constitutional order, while the third category

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<sup>31</sup> Shahid Javed Burki et. al. *Beyond the Center: Decentralizing the State* (Washington D.C. : The World Bank, 1999), p. 18.

<sup>32</sup> Feeny, *op. cit.*, p. 172.

<sup>33</sup> Burki, *op. cit.*, p. 18.

denotes normative behaviour codes which are related to cultural norms and ideology in a society.

Rules may be revised and enforced. Rules address the basic problems in economic or political processes. For example, the party fragmentation is a serious problem in Bangladesh. One effective way to reduce the party fragmentation is to change electoral rules. Rules govern the structure, functions, and authority of national, local and non-governmental systems. It addresses the questions like what would be the role of the central government? What would be the role of local government? What would be the role of political unit in income distribution, macroeconomic stabilisation or resource allocation? With regard to structure the relevant questions might be what are the stages of delivering services to people? How functional responsibilities can be distributed to a particular tier in each level of government? Even a market type of operation is based on the development of institutions such contract system, property rights etc.

Based on the preceding analysis, we believe that with the establishment of relevant rules, the political, economic and societal problems can be resolved in Bangladesh to a great extent. The traditional ways of governance that include bureaucratisation, corruption and rent seeking, centralisation of authority, non-compliance of law etc. may greatly be reduced by the dynamic use of rules. For example, the bureaucratic performance in Bangladesh may be improved through changing the recruitment and promotional system and introducing new incentive structure in the civil service. The stopping of political appointments to the Public Service Commission, the highest constitutional body for recruiting public servants, introducing a completely merit based selection procedure and bringing in performance based criteria instead of seniority could be possible rules that may bring qualitative changes in public service.



Similarly, the low performing capital market can be revamped through introducing new rules such as capital flight control, disassociating the stock exchange members from the share business and special surveillance on the foreign traders. Banning *hartals* and delinking the student organisations from national politics can be powerful rules to reduce political violence in the country. Political extortion can be reduced by introducing rule like public auditing of the income and expenditure of political parties in the country. It is also necessary to revive the informal sources of rules stemming from social norms such as co-operation, collectivism, and trust that would establish social stability and harmony in the country.

### **Rethinking the Role of Government**

In pursuing the path of new institutionalism the role of government is critical because whether the 'rules of game' in ever expanding private sector are enforced properly needs to be regulated by the government. In this context, Bangladesh will have to redefine the role of the government. As the fifth five year plan of Bangladesh correctly envisions the role of government, there is the necessity to overhaul the rules and processes by which the government conducts its policy and decision making functions; streamlining the regulations, laws and processes through which the government interacts and regulates citizens and the private sector. It will have to maintain an honest, efficient, committed and professional public service which enhances the accountability and responsiveness of public agencies to citizens they are mandated to serve.<sup>34</sup> Government guidelines are necessary for market failure. Moreover, the concept of fairness, equality and co-operation are necessary for society that may

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<sup>34</sup> The Fifth Five Year Plan, 'Chapter II', 3 pages, Available, [http://www.bangladeshgov.org/mop/ndb/ffy\\_plan/13.htm](http://www.bangladeshgov.org/mop/ndb/ffy_plan/13.htm) (3 April 2001).

be best ensured by the government. Behind the success of East Asia was the role of state as the central actor.

The issue of public goods has revisited. The government has a crucial role in funding basic scientific research as in the many developed countries in the East and West. The government can pick technological winners in the society and disseminate information among the industrial entrepreneurs. Thus, the role of government is critical for technology development. Similarly, the regulation of government is important to clean the Judiciary. Contrary to the conventional wisdom, "the process of globalisation has given rise to new forms of intervention by state authorities (regulatory bodies after privatisation, new forms of supply side policies affecting the provision of public goods at local level, training policies, policies towards SMEs, etc.). This opens up the possibility for a variety of responses at national and sub national levels to international competitive pressures. These responses are shaped by historically grown and – often – nationally defined institutions, forms of political struggle, etc."<sup>35</sup> As Hirst argues that while a state's capacity for governance has changed and in many respects have weakened considerably, it remains a pivotal institution, especially in terms of creating conditions for effective international governance.<sup>36</sup> Along with liberalisation, government should maintain a certain balance between privatisation and to encourage foreign investment and state regulation to maintain its influence and patronage for national capability building.

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<sup>35</sup> H. Hagemann et al. "Special Issue of Structural Change and Economic Dynamics: Beyond the Nation State", *Structural Change and Economic Dynamics*, Vol. 8, No. 1-4, 1997, p. 4.

<sup>36</sup> Paul Hirst and Grahame Thomson, *Globalization in Question: International Political Economy and the Possibilities of Governance*, (London: Polity Press, 1996), p. 256.



## Public-Private Co-operation

It is widely held that a system of state-business institutional arrangements contributed to the development of East Asian countries, particularly Japan, Korea and Taiwan. Accordingly, it was emphasised in the famous World Bank report *East Asian Miracle* that a close communication and co-operation between the state and private sector was one of the central causes for economic development in East Asia. Like East Asia, public-private co-operation also played a critical role in the development process of the western industrialised countries. However, in this context, the Japanese experience of institutionalising public-private co-operation appears to be more relevant for the countries, which have traditions of strong public sector. The root of government-business relations in Japan lies with the unique understanding of the role of state in the society. Japan believed that it was "a function of the state to induce, guide, and accelerate the structural changes needed for long-term growth."<sup>37</sup> In this regard, Ministry of International Trade and Industry (MITI) played a vital role by carefully crafting government-business relations in a constructive way. Similarly, Korea developed the MITI style administrative guidance and the Japanese conglomerates like *keiretsu* through *chaebol*, which played a critical role in its economic development.

The fundamental issue here is not simply co-operation, rather an institutional basis of this co-operation deserves utmost significance. The empirical evidence on Bangladesh demonstrates that the process of privatisation under the broad agenda of political and economic liberalisation has been failing to produce substantially positive results

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<sup>37</sup> G. I. Lodge, *Comparative Business-Government Relations* (New York: Prentice Hall, 1990), p. 6

for national development. This makes us to rethink present pattern of relations between the government and private sector. While looking at this current pattern we observe that Bangladesh lacks an institutional framework to forge meaningful co-operation this two important actors in development process. For instance, referring to the banking sector reform process in Bangladesh, the former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Abdul Awal Minto laments that the government has been taking reform measures without consulting the private sector banking in the country.<sup>38</sup> What is observed in Bangladesh is nothing but few scattered meetings between the government and business community and enlisting some businessmen in government's entourage during visits in foreign countries. There is no system of regular consultation between government and representatives from the private sector as manifested in East Asia through the 'deliberation councils'.<sup>39</sup> This institutional mechanism facilitated discussion on market trends and negotiated concrete policies that have larger implications for development. The challenge of globalisation with continued political instability must be an inescapable imperative for Bangladesh to establish institutional mechanisms for building co-operative relations between the government and private sector.

### **Strengthening Information and Knowledge Systems**

Basically, the process of globalisation poses a technological challenge to the developing countries. Those countries that are economically underdeveloped and technologically backward will

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<sup>38</sup> Abdul Awal Minto, Interview with Akbar Imam, *Holiday* (Dhaka), 5 April 1998.

<sup>39</sup> Beatrice Weder, *Model, Myth or Miracle? A Reassessment of the Asian Experience* (Tokyo: UN University, 1998).



face this challenge in its extreme form. Bangladesh is one of those countries. More importantly, the information and knowledge system that is based on technology is a catalyst of institutional change in a society that finally contributes to increase national capability. North argues that the key to institutional change is the generation and diffusion of skills and knowledge by competing organisations.<sup>40</sup> Being a technologically backward country Bangladesh needs to strengthen the information and knowledge system of the country without any delay. In today's information and knowledge driven world, science and technology play a critical role in development. In stimulating development in a country ICT plays the role of two-edged sword. On the one hand it allows countries to leapfrog stages of economic growth by being able to modernise their production systems and increase their competitiveness faster than in the past. On the other hand, for those economies that are unable to adapt to the new technological system, their retardation becomes cumulative. The ability to grasp ICT depends on the capacity of the whole society to be educated.<sup>41</sup> More importantly, effective integration into the globalised network requires science and technology literacy as well as diffusion.<sup>42</sup> According to the Trade and Development Report 2000, two big forces are competing for the world's attention: one is the promise of a 'new economy' underpinned by the information and communication technologies and the other is the emerging problem of globalisation. However, it is universally recognised that appropriate information and knowledge system can meet challenges of any nature from any source. A country like Bangladesh that lags

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<sup>40</sup> North, *op. cit.*, 1993, p. 1

<sup>41</sup> Manuel Castells, "Information Technology, Globalization and Social Development", 20 pages, <http://www.unrisd.org/infotech/conferen/castelp1.htm> (2 October, 2000).

<sup>42</sup> Charla Griffy-Brown, "Globalization and the Political Discourse of Science and Technology in Development: An Analysis of China and India's Space Technology Experiences", *IDRI Occasional Paper*, No. 14, 2000, pp. 2-3.

behind even in basic technological development cannot wait for any moment to seize every opportunity to strengthen national information and knowledge system. Although, the new frontiers of technology such as ICT, biotechnology and genetic engineering deserve utmost importance for national development, the country should take serious steps to build the basic infrastructure of information and knowledge.

## CONCLUSION

Throughout the foregoing analysis it was attempted that for a country like Bangladesh globalisation syndromes generate a major policy challenge for the people and government in the country. The underlying challenge of globalisation for Bangladesh is conceived here as the problem of incompatibility of pre-existing and existing rules of game which largely determine performance of government, private and non-government organisations. Three major policy options based on diverse conceptual foundations were identified in this regard although the state is constrained to pursue a single and appropriate path for national development. Therefore, the choice of option is critical issue in order to adapt to the process of globalisation. It was emphasised that neo-institutionalism is a right kind of approach for Bangladesh which takes into consideration the critical issue of national capacity building and competitiveness. It may be argued that the pursuit of transnational integration and convergence will have to be associated with adequate domestic preparedness for competitiveness. This competitiveness stems from national capability based on a complex mixture of endogenous (social engineering and technological development) and exogenous factors (global market orientation, global pressures for democratisation, accountability and transparency and global technology orientation).



In addition, it encompasses a diverse array of factors from politics to economics and culture to be considered for changes under the new conditions of governance. But the changes in political and societal spheres are much needed. Recently, some leading development thinkers of the country emphatically argued that Bangladesh needs structural adjustment for politics and society, which is beyond the capacity of global force.<sup>43</sup> It is basically an indigenous exercise, but a complex process that has to be relied on institutional transformation. Because an institutional framework has the capacity to arrest the global forces as represented by globalisation and local resources to solve the problem of development. So we argue that the establishment of primacy of rules in national life and the appropriate role of the government will create an enabling national environment. Public-private co-operation and a strong national information and knowledge system will provide further impetus to this emerging environment. This will enhance the process of harmonising activity in different sectors of the state and economy with appropriate institutional orientation. Finally, the developments in these four critical areas of national activities may have positive impact on domestic governance in Bangladesh in order to face the challenge of globalisation.

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<sup>43</sup> For example, Rehman Sobhan, Wahiduddin Mahmud and many others emphasised this issue in different forums. See, for details, *The Daily Star* (Dhaka), 28 April 2001.