

BOOK REVIEW

The Crisis of External Dependence, The Political Economy of Foreign Aid to Bangladesh. *Rehman Sobhan.*

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The problem of external dependence of developing countries has been prominent in the agenda of nearly all discussions and deliberations of national and international economic issues in recent years. Majority of the Third World countries have developed a narcotic dependence for the greater part of their development activities on the inflow of external resources. When Bangladesh emerged as an independent nation in 1971, it was one of the poorest countries in the world with an already critical level of external resource gap. Over the years following independence despite massive inflow of foreign economic assistance at a rate of upto US \$ 1.5 billion a year, the country could scarcely make any progress in reducing its external resource gap. On the contrary, Bangladesh's dependence on external resources has increased more than ever, and for many the country has become a symbol of poverty.

A land of uniform and alluvial soil with world's fourth largest agricultural population, Bangladesh presents an elemental paradox as to how with per capita cultivable land almost the same as in China and more than that in Taiwan and with possibly the world's richest fisheries resources, people in this country remain hungry and malnourished. Nobody can perhaps deny the fact that the natural and human resources that Bangladesh is endowed with have the potential capability to meet the basic needs of its people. Also a fairly handsome amount of international assistance has poured into the country which coupled with the modest domestic resources could have

provided the premise for structural transformation of the country. Why then the profile of Bangladesh presents a grim scene of starving millions struggling to eke out a living worth 40 US cents a day in an economy extremely dependent on external inflow of resources? Does the answer lie simply in the country's resource shortages or in its overpopulation? What really has contributed to the accentuation of Bangladesh's external dependence which by now has chained the economy into a vicious circle of dependent development? Has the present pattern of dependent development been able to contribute to alleviation of mass poverty or rather led to accentuation of inequity in the distribution of wealth and income? Now that Bangladesh is well into its second decade of existence, these are questions that need to be scrutinised by all those concerned with the country's future. Professor Rehman Sobhan's *The Crisis of External Dependence, The Political Economy of Foreign Aid to Bangladesh* provides an insightful treatment of these questions. Professor Sobhan's scrutiny of Bangladeshi aid regime rests on the theme that external dependence of the country has been self-perpetuating and has therefore, been inimical to the mobilisation of domestic resources and the effective use of productive capacities.

The author develops his thesis in eight chapters all equipped with information drawn from Bangladesh government publication as well as donor sources including World Bank Reports. The data base of the book is enriched by Prof. Sobhan's experience not only as a Member of the country's Planning Commission between 1972-74, but also as an insider involved in the process of the country's policy making beginning as one the most articulate spokesmen of the country's problem of disparity with its pre-independent partner in the late 60s through his current position as the chairman of the BIDS.

The first chapter of the book presents the dimension of the country's external dependence. The nature and extent of this dependence is spelt out in the backdrop of inherited aid regime and structural weakness to argue that the immediate post-liberation period is the phase when "the narcotic of foreign aid was injected into the

nerves of the economy" making aid an integral prop of the old order "militating against any pressure to generate internal resources or mobilise the masses to collective efforts" (pp. 7-8). Demonstrating the fact that aid-financed development, far from encouraging self-reliance, would appear to have contributed to a concurrent decline in the country's capacity to mobilise savings. It has also been authoritatively argued that increased aid to Bangladesh is really increased income to selected exporters from donor countries.

Chapter two goes to trace the implications of the aid regime on the country's economy and society and shows that there are few areas of activity or classes in society which remains unaffected by it. The external dependence has been shown to have infected a society proliferated widely with inefficiency, waste and corruption. Alongside the conventional wisdom of targetting the ranks of the bourgeoisie, urban privileged and rich farmers as the immediate and most successful beneficiaries, Prof. Sobhan argues here that the tentacles of aid now run deep into the society, drawing wider spectrum of the population within its reach. Thus the vested interest in the continuation of the aid regime is argued to filter wider in the society.

Chapter three deals with the problem of disbursement performance, one of the most significant reasons for the tug of war between donors and recipients. In an atmosphere of commonplace notion of attributing low rate of disbursement to tardiness, misdirection and misuse at the users' end, the author provides highly interesting scrutiny of the aid disbursement policy of the donors including the largest donor countries and agencies. This review of the donors' disbursement practices reveals that a substantial portion of the responsibility for differentiated and low performance in disbursement has to be borne by not only excessive centralisation or control by the donor countries/agencies but also by their varying political perspectives towards the recipient.

Before proceeding to focus on pattern of external economic linkage and the possibility of its diversification in the fifth Chapter

the book examines in its Chapter four, the External Resources Department (ERD)—the machinery for negotiating and programming aid in Bangladesh. On the basis of his direct experiences as a member of the Planning Commission, the author crystallises here the process of evolution of aid policy in his country, and ends up with the hope that the time for reconsidering the role of the ERD may not be too far as and when considerations for internal self-reliance would be gaining momentum for compulsion either internal or external or both.

In his investigation into the possibility of diversifying the source of external resource inflow into the country the author shows that Bangladesh's aid diplomacy in the socialist bloc and the oil exporting Muslim world has not so far been particularly productive. It is argued that potential aid donors in the socialist bloc as well as in the OPEC has only been marginally tapped and there is a wide scope of focusing on the enormous petro-capital market.

Of particular interest are chapters six and seven where Prof. Sobhan brings into scrutiny the politics of aid by the Western donors including the World Bank. By identifying the areas where pressure from the donors come, the nature and implications of the donors' interferences are exposed to show that they relate to the comprehensive gamut of formulation and conduct of economic policy in the country. An interesting feature of the findings is that the "exercise of power and influence has.....remained the monopoly of particular DCCs and their institutions" (p. 156) including the World Bank and the IMF. The author describes how the Western powers including the United States, Japan, the UK., FRG, and Canada use the World Bank in articulating their own concerns and "lecture the Planning Commission in bilateral sessions on virtues of private enterprise". It has been argued on the other hand that the socialist bloc countries have thus far tended to refrain from inflicting their ideological and policy preferences on Bangladesh and that "there was never any suggestion that the level of their assistance to Bangladesh would increase if Bangladesh adopted a particular line at home or abroad" (p. 149).

A matter of particular topical interest, is the appraisal in this regard, of the donors from the OPEC and the Islamic Development Bank member states including Saudi Arabia. The author argues that these countries while giving aid tend to be "unconcerned with the direction or specifics of Bangladesh development strategies... the nature of domestic policy and its impact on the local economic environment" (p.163). It has also been strongly refuted that Saudi lending to Bangladesh may have given some influence on Bangladesh's external policies and domestic affairs. The position of the Islamic Development Bank has also been shown to be without significant bias in their lending programmes, which have been argued to be more technical, focusing on their economic feasibility. These revelations are of specific interest in the context of diametrically opposite position exposed by the author in relation to the western multilateral donors including the World Bank, the IMF and the Asian Development Bank.

The author also brings into scrutiny the recent 'target group' rhetorics of western donors. By showing the way in which the growth of intermediary bourgeois classes are fostered by aid which in turn leads to perpetuation of aid dependence, it has been argued that to the extent that aid philosophy remains committed to promoting capitalism in the country under the sponsorship of the state and underwritten by aid funds, the trend towards concentration of wealth and power is likely to be perpetuating. Prof. Sobhan thus shows that the World Bank and the IMF "have now, under cover of their multilateral format emerged as highly effective proxies for the western powers" (p. 249).

While arguing that the World Bank continues to remain as a major political force in Bangladesh, the author suggests that any serious attempt by the Bangladeshis to resume sovereignty over policy making will involve a confrontation with "those who have married their class and personal interests to the fortunes of the principal aid donors in Bangladesh and the policy package the Bank has designed

for the country" (p.200). Thus in putting forward the policy implications in the final chapter of the book, the author argues that self-reliance for Bangladesh will require a fundamental re-structuring in the balance of class forces within Bangladesh and a redirection in its development and resource mobilisation strategies. In reviewing the scope for self-reliance a comprehensive set of measures have been put forward including steps for aggressive trade diplomacy for enhancing export earnings, import substitution and raising productivity. Some of these issues like jute, South-South co-operation, food security and stable import policy should be made into the integral components of Bangladesh's foreign policy. All these, the author rightly argues, would require a fundamental restructuring of the prevailing social order, to the tune that Bangladesh's policy makers would no longer have to "wait upon decisions in Washington, London, Tokyo, Bonn and Paris before they formulate their annual development budgets, announce import policy, formulate a food policy or even decide how many children would be born." (p.226).

So far so good. The final concluding paragraph of the book, however, seems to include some simplified remarks on the importance of Bangladesh in the present international system. The author thus seems to contradict himself by saying that the "world system does not need Bangladesh all that much and could cut it adrift without concern and perhaps even with feelings of relief." How far this is true may be put to question because Bangladesh is not definitely playing the role of that of 'taker' alone in the international system. One of the major components of the fundamental theme of the book in itself seems to provide counter argument to this effect. The fact that the donor nations—most of them major actors of the international scene—try and continue to gain leverage from Bangladesh in exchange for their aid seems to be sufficient enough an argument to testify that the fate of nearly 100 million population cannot simply be left adrift in the contemporary world.

Notwithstanding this and some very minor printing errors especially in tables, *The Crisis of External Dependence* provides

an excellent reading with important policy implications for not only Bangladesh but for all those Third World countries which are striving to relieve themselves from the perpetual agonies of external dependence.

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