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ECONOMIC PROSPERITY, SOCIAL JUSTICE AND GLOBALIZATION IN THE POST-SEPTEMBER 11 WORLD

Abstract

While dealing with the question on whether or not poverty is the root cause of terrorism in general and the terrorist attack of September 11 in particular, the paper argues that the terrorist deviations of Islamic fundamentalists do not arise primarily out of concerns about poverty, but out of irrational fear that their religion and their views of traditional Islamic practices are in danger of being wiped out. It reveals alarm about secularism and modernization as a threat to their faith. They seek a return to their vision of a medieval Islam as the path to restoring the golden age of Islamic supremacy. The West can do little to assuage such enemies, because these theological problems are rooted in the terrorists' countries of origin and no amount of outside political action or economic aid is likely to be relevant to them. The central focus of the paper has been on whether there is a necessity to radically change present Western strategy for alleviating poverty, fostering development and building a more just and prosperous society, or the West needs simply to refine and intensify what it was already doing. While many in the West have advocated the former, the author argues in the paper the case for the latter.

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The tragic events of September 11 have shaken the world and filled people everywhere with alarm and revulsion. Americans, who have never in their lifetimes experienced war on their own soil, were stunned with disbelief. Even before that fateful day, few Americans or others elsewhere had been under the illusion that all was well with the world. But the anger and bitterness of the attackers, the hate of America and western values they spewed forth, and most of all, the perverted interpretations of a great and peaceful religion invoked as justification for mass murder, were new and supremely jarring.

The war these attacks provoked is taking its course on many fronts. But it is not our purpose here today to follow that story. Rather, we are here to exchange ideas and ask how our lives and the policies we must follow have been changed by these tragic events. What have we learned about the world that we did not understand before? How can we intensify our quest for a more secure, more prosperous, and a more just society for people and countries, rich or poor?

Poverty and its ingredients, inadequate educational systems, the lack of economic opportunity, deficient health care, oppression, injustice and the lack of democracy have been described as the poisonous mix in a caldron that serves as the breeding ground of terrorism. Since September 11, voices all over the world have rushed to call for vastly increased efforts and resources to address these issues, as the only answer in the long run to counteracting the terrorist threat. At the same time, debate has intensified as to whether or not poverty is the root cause of terrorism, or whether deep seated political and theological conflicts are far more important causative factors. Whatever the merits of that argument, surely we can all agree that a more effective approach to the galaxy of political, social and economic problems underlying poverty is one of the most urgent priorities facing the world, and our approaches to it must be

improved and intensified, whether we choose to blame terrorism on it, or not.

This debate raises a crucial point: do we need to radically change our present strategy for alleviating poverty, fostering development and building a more just and prosperous society, or do we simply have to refine and intensify what we are already doing? Many have recently advocated the former. I would like to argue here the case for the latter.

In the heat of the moment, a torrent of Western voices has rushed to accept blame, simplistically equated poverty with terrorism and called for radical changes in development assistance, poverty alleviation and the workings of the global economy. Now, as we reflect a little more serenely on the past six months, these analyses sound a bit hasty and overwrought, if not needlessly apocalyptic. In my opinion, many of these prescriptions would be more likely to harm than help our real agenda of building a more prosperous global society.

We must recognize, among other things, that the circumstances and governments of poor countries are not all the same. There are vast differences in the character and cultures of their societies, the nature and severity of their problems, in their political and economic performance and in the effectiveness of their use of aid received in the past. The "one size fits all" formulas and policy prescriptions we have been hearing look very much like knee-jerk reactions to the terrorist threat and make no sense at all within the context of a serious anti-poverty strategy.

Even in the post September 11 era, and with all that we must surely do to combat terrorism, our ultimate challenges and goals remain unchanged. To pursue those goals, we must continue to find more effective ways to alleviate poverty in all its dimensions, to implement overdue internal reforms, to build and strengthen

democracy and to expand mutually beneficial integration into the global economy. Many countries have already shown us that this formula will work.

Let us focus on one particular item, namely the road to a more prosperous society and a more equitable economic order, recognizing that all the topics of our agenda are intimately interrelated.

Political oppression, corruption and extreme poverty are certainly among the most powerful ingredients in the mixing bowl for terrorism. In a politically poisoned environment where too many doors to both political and economic progress are closed, persistent poverty does provide a powerful additive as tinder to a fire already threatening to burn out of control. However, poverty, while part of the underlying problem, is not the most important precipitating factor for the global terrorism and religious extremism that we have just witnessed.

The origins of these phenomena are in large part political. Most authorities in the field would agree that they reflect, first and foremost, frustration, anger and bitterness against reactionary, politically status quo regimes, often of arguable legitimacy, that have made a practice of ruthlessly repressing their internal opposition. These regimes have failed to create economic prosperity and have been unwilling to allow democratic change. The violent expressions of Islamic fundamentalism have been, rightly or wrongly, the ways and the means embraced by those attempting to challenge, supplant or overthrow those regimes and their policies.

The terrorist deviations of Islamic fundamentalists do not arise primarily out of concerns about poverty, but out of irrational fear that their religion and their views of traditional Islamic practices are in danger of being wiped out. It reveals alarm about secularism and modernization as a threat to their faith. They seek a return to their vision of a medieval Islam as the path to restoring the golden age of

Islamic supremacy. The West can do little to assuage such enemies, because these theological problems are rooted in the terrorists' countries of origin and no amount of outside political action or economic aid is likely to be relevant to them.

But it would be a serious mistake to generalize and indiscriminately extend those conclusions to all Muslim countries or all developing countries. Islamic fundamentalism is not synonymous with terrorism. Millions of deeply religious Muslims consider themselves to be fundamentalists, but they reject violence as a distortion and contradiction of their faith rather than its affirmation. And just like the "workers of the world" did not unite in response to the Communist Manifesto more than 150 years ago, Muslims of the world did not respond to bin Laden's call for a holy war against the West. On the contrary, Islamic countries came together in virtual unanimity to condemn violence and terrorism as alien to the teachings of their faith. After all, we should not lose sight of the fact that for all the worldwide reach of al-Qaeda, virtually all its agents come from fewer than a dozen countries.

Having been held at bay in these countries, terrorists shifted their grievances and the blame for their defeats to others in the West and to the United States in particular, perceiving them as long time backers of the regimes against which they had fought and lost. And so, distorting the precepts and teachings of Islam, they declared jihad as their false banner for a holy war and changed from being national terrorists to global ones. Having tasted blood in the victory over the Soviet "infidels" ten years before, they designated the "un-Islamic" countries of the West as their new enemies. They saw them as being in moral decline and easy targets lacking the strength or will to resist.

Some of this has been vaguely reminiscent of something we heard not too many years ago. I am old enough to have been around in the fifties and remember when Nikita Krushchev was pounding the

desk at the United Nations, telling the free world “we will bury you.” Well, we are still here. Now we hear a different version of the same threat, and I predict that we shall prevail over it as well.

What we witnessed on September 11 has another powerful, albeit, indirect link to poverty. Global terrorist groups have sought and successfully found sanctuary in failed states or territories that lie outside the control of a recognized government. In such places, poverty has long been a grave problem and contributes to the explosive nature of the neighborhood. However, the fact remains that, even in these instances, poor people are not the perpetrators of terrorism but its victims, as the recent events in Afghanistan have so dramatically demonstrated.

Al Qaeda terrorist leaders like, Osama bin Laden and his deputies come from wealthy and educated elites. Their regard for the lives of poverty-stricken Afghans whose ruthless oppressors they became together with their Taliban vassals was nil, just as it was for the lives of their fellow Muslims who perished in the World Trade Center. In the light of these facts, I for one have been surprised at the alacrity with which so many in the West have rushed to accept blame and fall victim to the fallacious premise that poverty and the perceived failure of western countries to deal with it more effectively are the main causes of the new global terrorism.

Since September 11, we have heard many pleas for an urgent return to the era of unconditional economic aid, at far higher levels than before. Yet, experience should have taught us that this would only repeat the mistakes of the past in the many countries where aid has been so patently wasted. In many such cases glaring economic failure, the lack of internal reforms and continuing pervasive corruption have remain obstacles impossible to overcome. Unfortunately, not much has changed in some of these aid and

reform-resistant countries to justify a second wave of “more of the same” assistance.

The term donor fatigue describes the disillusionment rampant in developed countries with outside aid in light of the failure of many third world countries to remedy internal structural failures, to develop their own abundant natural resources or to overcome entrenched vested interests that are an impediment to change. This fatigue now affects even the most altruistic of donors such as Scandinavian countries. In the public opinion of most western democracies, the rationale for the return to a one-dimensional strategy of greater flows of economic aid to those countries that have misused it so flagrantly in the past is not going to regain support.

What is more, certain types of outside aid such as educational and curriculum reforms that many well-meaning outsiders advocate so fervently, have proven to be almost impossible to introduce in countries where gaps in culture and traditions between themselves and the West are too great. In such countries, attempts at western involvement have meant the kiss of death. Finally, those who go to the extremes of calling for a far-reaching redistribution of wealth from the rich to the poor through the expedient of massive economic assistance in the name of combating terrorism are deluding themselves. It will never happen and it would never work.

By contrast, we all know that examples of more rational and effective policies for economic growth, poverty alleviation and social progress already exist in a score of developing countries, Bangladesh among them. In such cases, host countries have taken responsibility for needed structural reforms and permitted greater openness to enable programs to function more effectively. Well-managed development aid has gone hand in hand with steps toward the global economy and an increase in foreign trade and investment. NGOs usually played a major role and there often was greater private sector

involvement. Now is not the time to tamper with a proven formula that in many places is beginning to yield promising results. What we must do instead is to build on it.

It is worth calling attention to the fact that in these areas, Bangladesh has provided a powerful example of an alternative way, a peaceful, tolerant, constructive and democratic way, a way fully consistent with Islam, to foster real progress toward social justice and economic opportunity in a poor but developing country. Among the crucially important factors that were an integral part of this process have been the development and maturation of democracy and the beginnings of integration with the global economy.

Too few western observers have grasped the significance of these advances. Chris Patten, the European Union's external affairs commissioner, was quoted in the *Financial Times* less than a month ago to the effect that the U.S. and its allies must tackle the "darker sides of globalization" such as poverty, to avoid creating "new Osama bin Ladens." I would suggest that Mr. Patten come to Bangladesh and ask the families of the nearly two million women who have found jobs in the garment export industry in recent years how they like living on the darker side of globalization.

Looking toward those countries where starting globalization has proved to be too difficult up to now, U. S. President George W. Bush has recently proposed that 50 percent of the resources of the International Development Association (IDA) for low-cost loans to the world's poorest countries be distributed as grants. Such a measure would effectively increase the amount of World Bank assistance to poor countries, and could serve to enhance the partial success the World Bank has experienced lately in channeling more aid to the best-performing countries. Coupled with the hope for opening of rich country import markets, this new initiative could be

one more step to help put many of the poorest countries on a sustainable growth path.

Other initiatives are also in the works that should offer additional future benefits to developing countries, such as increased availability of affordable medicines for the poor, particularly for the alarming epidemic of AIDS in impoverished African countries, targeted and well-structured relief for the most heavily indebted countries and, very importantly, improved access for developing country exports to western markets.

There is little doubt that in all too many countries the number one enemy of economic, political and social progress is corruption. Sadly, corruption is an egalitarian vice. No country, developed or developing, is exempt from it. It would not be much of a stretch to call it the most insidious form of internal terrorism. Exploitation, fraud and deception, the deadly sins of which capitalists have historically been accused, have now been globalized and perfected in the many forms of corruption we witness in virtually every country around the world, including the very poorest. No obstacle to economic and social advance or to strengthening the rule of law carries a higher cost than this treacherous and ubiquitous vice. No country that fails to come to grips with it can hope to advance very far.

More than one billion people in today's world live on less than US\$1 a day. More than 130 million children do not go to school. Some 7 million people die unnecessarily each year from preventable diseases. Hundreds of millions are living without enough food to eat, without safe water to drink, without healthcare for their children, that is to say without the most basic requirements of human dignity. These problems are no less urgent today than they were before we had to engage in the war against terrorism.

The terrorist attack, if nothing else, has added weight to the warnings sounded in recent years by the critics and protesters who have sought to end what they denounced as the apathy of the rich to the desperate plight of the poor. Until September 11, the main culprit for the failure to reduce poverty as these critics saw it, was globalization, or at least the perceived shortcomings of that process. Political protest against globalization and capitalism became increasingly shrill beginning in Seattle nearly two years ago, and while its vehemence abated somewhat in the most recent gathering in Porto Alegre, Brazil, the plethora of criticisms and of the remedies offered has multiplied exponentially.

Let us not forget that poverty and injustice are not ills that will ever be completely eradicated, much less cured overnight. It will take decades of incremental advances, hopefully spreading to an ever-widening circle of countries, to achieve significant reductions in poverty around the world.

In answer to the critics, one key point bears emphasis: globalization is not a silver bullet, not a cure-all, nor a panacea. Globalization is a process of economic transformation that in a significant number of countries, its limitations notwithstanding, has already played an unquestionably key role in accelerating development and alleviating poverty. While, without a doubt, some of the protesters' points have merit and deserve to be considered, the argument that globalization is incompatible with social justice and has only benefited the rich at the expense of the poor is far off the mark. In fact, the exact opposite is the case.

The Swedish author Johan Norberg writes in his recent book *In Defence of Global Capitalism* that with the advance of globalization in recent years, many rich have indeed become richer, but extreme poverty, particularly in Asia where it was quantitatively the most serious, has greatly diminished. Between 1965 and 1998, the income

of the poorest one-fifth of the world's population has more than doubled, growing much faster than averages for world citizens as a whole. In China, the World Bank has spoken of "the biggest and fastest poverty reduction in history." It bears emphasis that according to the same sources, Bangladesh is the other Asian country that has achieved an absolute reduction in the number of people living in severe poverty in the same period.

In a recent op-ed article in the Financial Times, UN Secretary General Kofi Annan expressed the view that the more than one billion people still living in abject poverty today are "...not victims of globalization. Their problem is not that they are included in the global market but that, in most cases, they are excluded from it." And, while echoing the theme that it is not enough to look to the richer countries to come to their rescue with increased aid, he makes another cogent point: "If today's poor countries are to grow and prosper, they need to get their own houses in order so that they can mobilize domestic resources and attract and benefit from foreign investment."

Karl Marx was one of the firsts to start the polemic against capitalism arguing that it would enrich the few and impoverish the many. Marx was considered an exceptionally farsighted man by his followers, and I must admit that I agree with them up to a point: Marx was so farsighted, that today, nearly 120 years after his death, not one of his predictions has yet to come true. For those in our times who engage in similar predictions and believe that globalization and capitalism are flawed ideas that should be radically changed if not abandoned, I have one thing to say: you are wrong. A recent World Bank Policy Research Report entitled "Globalization, Growth and Poverty; 2002," a virtual textbook on the workings, successes, limitations and challenges of globalization and economic integration, provides powerful fresh evidence to prove that exactly the opposite is true.

Before we look more closely at the findings of that report, I would like to offer a few additional thoughts about the process of globalization. The term first came into general use twenty some years ago and at the outset referred only to issues of economics, trade and investment, and to the greater and unrestricted flow of goods, services and capital across national borders. The concept expressed the recognition that three major developments had permanently changed the landscape of global economic relations. The energy crisis that first manifested itself through the petroleum embargo in the 1970s, made patently obvious the growing and unavoidable interdependence of nations engaged in an accelerating tide of modernization. As of that time, the concepts of economic self-sufficiency and of closed economies rapidly became obsolete.

Soon thereafter, the revolution in communications and later in information technology ended the isolation and lack of awareness of hundreds of millions of poor in a score of countries and propelled them into greater expectations for the economic benefits enjoyed in more prosperous parts of the world. Finally, the technology revolution rendered obsolete the stagnant manufacturing and agricultural processes in economies protected from outside competition, thus imperiling their ability to survive.

Worse, the cost of acquiring new technologies with ever-shorter life spans proved to be prohibitive. The only way around it was to greatly increase exports and earn the hard currencies needed to pay for them. But to do that, countries had to manufacture higher quality products that could be competitive in international markets. This proved to be a chicken or egg situation that could only be solved by opening up to foreign investment, in ways that for political or ideological reasons had been anathema in the past. Thus was born the theory of export-led growth. Henceforth, if a country wanted to join the world in its march toward prosperity, globalization became absolutely essential.

The incipient process of globalization, however, led to immediate resistance by an array of powerful groups with a vested interest in preserving the status quo. Protected domestic industries and failing state-owned enterprises that saw their survival threatened by foreign competition, bureaucracies that depended on administering mountains of suffocating regulations, trade barriers designed to keep foreigners out, and politicians whose existence has traditionally depended on handing out subsidies and favors such as free electricity or water to name just a few, were not about to welcome a change with open arms. They became the leading opponents to globalization in every country and have been the main reason for the halting pace of its advance.

So the battle was joined from the start. It was all the more difficult to prevail, because it required a radical change in thinking by ruling elites and government leaders, and the acceptance of the fact that the days of doing “business as usual” in traditional ways were gone forever.

Economic globalization is not a new system or model that was devised or invented by capitalist powers, by a cabal of multinationals or by multilateral entities like the World Bank, to be crammed down the throats of less prosperous nations of the world. Rather, it is a process that, while entirely voluntary, has inexorably picked up speed and become unstoppable because of one simple reality: no nation, not even the wealthiest, or one endowed with the most natural resources, has an alternative, given the interdependent world in which we live today.

What in the “old world” once upon a time were elaborately designed systems and third world development models, such import-substitution and socialist, mixed or communist economies, have all collapsed and disappeared, because they had no workable answers for the economic and social challenges of what has now become the

reality of the 21st century as we know it. This new world is not a centrally planned, government controlled system, but involves hundreds of different players in business, banking, government, foundations, NGOs and many more, that function semi-independently and interact in one joint universe, with limited influence over each others' activities.

As we look back on the past 20 years, it is apparent that countries have had greatly disparate degrees of success at adopting and adapting to this new process. That goes in equal measure for both developed and developing countries. Anyone laboring under the illusion that it was the United States that "invented" the global economy need look only at the passionate battles that have consumed the U.S. Congress about having to swallow the "bitter, WTO-imposed pill" of phasing out the multi-fiber agreement, the intense debate going on even as we speak about anti-dumping provisions against foreign steel imports, reaction to violent European objections to U.S. exports of hormone-treated beef and genetically-modified seeds, and pressures to modify U.S. tax laws that allegedly act as export subsidies. The cry in Congress that WTO provisions imperil U.S. sovereignty is just as intense at times as that heard in other corners of the world. Like it or not, we are all in the same boat.

There are many reasons for the unequal rates of success with globalization. One of the most important has been the ability of a given country to implement the internal reforms without which little of what we have been talking about can take place. This includes reducing tariffs, eliminating subsidies, liberalizing foreign investment rules, reducing bureaucracy, increasing transparency, combating corruption and instituting tax reforms. Experience has shown that the benefits of doing so are very significant, but their enactment is by no means easy.

The political side of the equation is even more important. Without political will and leadership, none of these changes are possible. Without a strong, functioning democratic system, adherence to the rule of law, respect for human rights, and political stability without domestic violence or insecurity, the international investor community will shy away from getting involved and will choose to go elsewhere in search for a more favorable investment climate.

Inequality in the rates of globalization is also due to other factors. Geographic location, differences in the richness of the soil and the availability of natural resources are a few of the elements that mean we will never reach a point where all nations are equally prosperous. Inequality is not just a factor of political failures or the persistence of social injustice, but also a matter of the inequality of natural resources and of countries' abilities to make use of them. Not every nation has the soils that enable it to be self-sufficient in food, much less to become an exporter. Not every nation has a large enough domestic market to become a magnet for foreign investment, and not every nation has a favorable geographic location, modern port facilities and low transport costs to facilitate access to world markets. And not every nation is endowed with many decades of natural gas reserves worth billions of dollars that could dramatically increase its wealth in a few short years.

In the first instance, the function of any society and government is to create an environment where every citizen can satisfy his basic human needs. That means bread on everyone's plate, shirts on their backs, roof over their heads, school for their children, and health care and medicines for the sick. Today we know for certain that the best way to make that possible is for every person of working age to have a productive job. And, it has become crystal clear that the market economy can perform that task of job creation through economic growth, if allowed to do so, better than any of the systems and

models of the past. Only through maximizing economic growth can job creation meet the demands of a growing population. And only if economic growth is greater than population growth can that goal be accomplished.

But man does not live by bread alone. Job creation, economic growth and economic globalization cannot occur in a political or social vacuum. They can only produce results in an environment where social justice, security, honest government, the rule of law, democracy and human rights are also steadily strengthened and expanded. Social justice is the end; economic growth and globalization are just the means.

Social justice as a guiding principle to how societies and governments should operate can be an elusive goal on both sides of the developmental divide. Often we hear about it only when one side finds fault with the systems and policies of the other, rather than in terms of one's own country. When aspects of social justice are raised by outsiders, they quickly morph from questions of morality to perceived attacks on sovereignty and interference in the internal affairs of the host.

Questions related to it have been arising more and more as the concept of globalization gains broader interpretations beyond economics and trade. Human rights, labor and environmental issues, democratic reforms, the rule of law and others, have increasingly become a new and integral dimension of the international relations agenda. These intensely sensitive issues often provoke strong reactions, because they impinge on traditional concepts of sovereignty and inevitably transcend national boundaries. But addressing them has become an unavoidable part of doing business successfully with other nations in the global economy.

Sovereign boundaries were drawn up decades or centuries ago along geographic lines, sometimes for the convenience of colonial

powers, at times according to ethnic, linguistic or religious criteria, and at other times by the power of force or conquest. They were not drawn up to promote social justice and equality between neighbors, much less to facilitate the sharing of natural resources with other countries near or far. On the contrary, they were drawn up by people as a means to protect themselves, their cultural values, their wealth and their resources from the ambitions of others. These territorial boundaries are still considered sacred. Over time, however, they have served not only to protect what a country has, but as a barrier to the entry of new ideas, new technologies or the winds of change blowing in, for better or worse, from the outside world. In today's changing world they have had to become a little more porous and flexible in coming to terms with the new global issues and exigencies of our times.

Like it or not, we have to accept that these new issues of the global agenda will not go away. The quality or pollution of the air we breathe does not stop at geographical boundaries. Neither does its contamination by carbon dioxide or acid rain. Nor does the ethics and morality of those dedicated to the defense of human rights, a concept that reflects universal human aspirations. People who care deeply about these issues do not think in terms of a rigidly compartmentalized world with strict geographical dividing lines, but one of common values based on the Universal Declaration of Human Rights and the need of people in the entire world to protect and share a clean and livable environment.

What about child labor and the right of free association in labor unions? What about the equitable sharing of river waters running through two or more countries? The difficult answers to all these questions are part and parcel of the dialogue about today's global agenda, in quest of a more just society and a more prosperous one as well.

The findings of the World Bank Policy Research report mentioned earlier bring out the fact that globalization has helped reduce poverty in a large number of developing countries, but it must continue to be improved and be harnessed better to help the world's poorest, most marginalized countries, which have not benefited so far. This is especially important in the wake of September 11 and the current worldwide economic slowdown, which is expected to hit poor people particularly hard.

The study shows that twenty-four developing countries have successfully increased their integration into the world economy over the two decades ending in the late 1990s, and thereby achieved not only higher growth in incomes but longer life expectancy and better schooling as well. People in these integrating countries saw their wages rise and the number of those living in poverty decline. These countries, home to some 3 billion people, enjoyed an average 5 percent yearly growth rate in income per capita. Very interestingly, the countries that advanced the most in globalization were not drawn from the higher-income developing countries but from among the poorer ones.

Many of these countries, including Bangladesh, have chosen to adopt policies and create institutions that have enabled people to take advantage of global markets and have thus sharply increased the share of trade in their GDP. In this respect, Bangladesh ranked sixth highest in the world. In fact, Bangladesh is in the first group of the new globalizers whose shares of manufactured exports are above the world average of 81 percent.

At the same time, the report shows that many other countries, particularly in sub-Saharan Africa, the Middle East and the former Soviet Union, home to some 2 billion people, have not achieved such results and, as a consequence, their economies have contracted, poverty has increased and education levels have risen less rapidly

than in the more globalized countries. In general, they had less open trade and investment policies and less effective policies and institutions in other areas than the successful globalizers.

Bangladesh makes an excellent case study of how a combination of internal reforms and the liberalization of foreign trade and investment can lead to a significant reduction in the number of people living below the poverty line. In the past ten years particularly, life expectancy and literacy have improved remarkably, while population growth rate and infant mortality have been greatly reduced. Bangladesh has achieved near self-sufficiency in food production, economic performance has been relatively strong, private foreign direct investment has been rising and annual GDP growth has averaged 5 percent.

What has been especially impressive is Bangladesh's ability to create nearly 2 million new jobs, most of them in the export-oriented garment industry, the strong performance of non-governmental organizations, the empowerment of women, forward strides in child nutrition and in increased social mobilization of the poorest people.

BRAC, the Bangladesh Rural Advancement Committee, is one of the largest indigenous NGOs in the world. While its past record is impressive, its future potential is even more promising. The new BRAC University has established a faculty for information technology that is designed to be one of the best in Bangladesh. As the third wave of development takes flight, namely the move to broaden the manufacturer-exporter base to include modern service industries, the possibility of entering the global information technology market represents a potentially huge opportunity for Bangladesh. That obviously requires the development of a pool of highly trained, specialized human resources, a realistic goal in a country with large numbers of English-speakers.

In short, Bangladesh has a strong record of pursuing in tandem the goals of poverty reduction, expanding social justice, achieving economic growth and reaping the benefits of globalization. That, it seems to me, is an excellent record on which to build.

Two years ago I was traveling in Europe when one day I picked up a copy of Italy's leading daily, *Corriere della Sera*. Imagine my surprise at learning that European aid agencies were considering the adoption of the "Bangladesh model" of microcredit financing as part of the Kosovo reconstruction plan. Today, that plan has been effectively implemented. The microcredit program originated here by the Grameen Bank and now widely introduced in a number of countries has been one of the most original and creative Bangladeshi contributions to social and economic development, first at home and then beyond its borders. And, by the way, the world has surely noticed that its founder and creator, Mohammed Yunis, is a Muslim. Another powerful piece of evidence to show that the salutary effects of globalization are, indeed, a two-way street, and can be realized wherever enlightened leadership can create the necessary preconditions for it.

The major donor countries now preparing a humanitarian and economic reconstruction program for Afghanistan, would be well-advised to consider the Bangladesh example as an appropriate model of how one of the very poorest countries in the world at the time of independence has managed to achieve so much economic and social progress.

We all recognize, of course, that with all the progress that has been achieved, the challenges that lie ahead are no less daunting. The farther a country travels down the path of reforms, development and integration with the global economy, the more imperative it becomes to squarely face up to the remaining obstacles that can keep it from completing the journey.

Poverty in Bangladesh continues to be deep and pervasive, with nearly half its population still living below the poverty line. A multitude of severe deficiencies still exist in all social development sectors, from health and nutrition to educational and environmental protection. Inefficient state enterprises and uneven revenue collection are a serious drain on the country's fiscal resources. The magnitude of these problems notwithstanding, what Bangladesh has accomplished so far is extraordinary, particularly if we keep in mind the incredibly difficult conditions it faced at independence and the painful and violent political legacy of its first thirty years as a nation.

The progress that Bangladesh has made in recent years would not have been possible were it not for the advances achieved in the creation and institutionalization of democracy. In the recent election, voter turnout was more than 75 percent, an exceptionally high figure. Moreover, the percent of female voters was close to 56 percent. The peaceful transfer of power following the elections made another powerful statement.

These accomplishments are convincing evidence of the maturation of a fledgling democracy. But, according to most contemporary models of political development, it is not the finish line for the institutionalization of the democratic process. These models suggest that a democratic system must have a stable structure of two or more viable political parties. The concern for the overriding importance of the "rules of the game" must drive the losing parties not only to accept the results of the election but to remain peaceful in their opposition, to play, if reluctantly, the rôle of a loyal and constructive opposition, while continuing to advance their own positions. The same respect for the sanctity of the rules must encourage the winning party or coalition to avoid the "winner take all" approach that has doomed other maturing democratic systems.

Students of the democratic system share the belief that both winners and losers are needed in a democracy to effectively serve the basic interests of its people and make them better off. And many of those observers would suggest that for a maturing democracy to become a functioning democracy, to cross that finish line, means the transfer of political contention and conflict, no matter how passionate, from the streets to the chambers of parliament.

To stay on the road that has brought Bangladesh such a long way, a consensus seems to exist that the next round of unprecedented decisions on development and globalization will require even greater courage, vision and statesmanship. To continue the creation of the hundreds of thousands of new jobs that will be needed every year to keep up the forward momentum of economic growth, still greater efforts will be needed to attract investment, to build up the country's infrastructure, to develop its abundant reserves of natural resources, and to intensify involvement in the global economy.

Bangladesh is especially blessed by the fact that its abundant energy reserves have the potential to build up its infrastructure and transform its economy in ways most developing countries can only dream of. The realization of that potential could create a greater leap in prosperity and economic growth than anything accomplished so far. To outside observers viewing this from afar, it seems perplexing that the revolutionary benefits of such a fundamentally important approach to resource management might be put off for an indefinite future. Such observers may be wrong, but to some it might seem that if a country did that, it would be in effect taking the food out of the mouths of its own citizens.

Looking ahead, the World Bank Report's agenda for action calls for seven key policies that will make globalization work better for the poor in the future. The first calls for a "development round" of trade negotiations to sharply increase market access to rich countries for

the products of developing countries where the latter have a comparative advantage. The second argues for improving the investment climate in developing countries. The report underlines the points we made earlier, that an environment of good economic governance – control of corruption, well-functioning bureaucracies and regulation, contract enforcement and protection of intellectual property rights – are essential, along with political stability and a peaceful environment based on law and order and respect for human rights.

The World Bank report also emphasizes the importance of better delivery of education and health services, social protections tailored to a more dynamic labor market and, very importantly, a greater volume of better managed foreign aid. Finally, the action agenda calls for debt relief combined with policy reforms for those who qualify for the Heavily Indebted Poor Country (HIPC) initiative.

To sum up, all the evidence points to the fact that the past twenty years of globalization have resulted in major advances for many countries in the world. Without a doubt, they have done much more good than harm, and Bangladesh has been a major beneficiary. None of us should expect that globalization, or any other process, will solve all the problems of the world in the foreseeable future. We should be encouraged, however, that in addition to the progress we have achieved, the experience of the past two decades has taught us a great deal about how to improve the process of globalization and make it more equitable, enable it to reach a larger number of countries and make it increasingly effective for all. All these underline the basic thesis of the paper that in the countries that have adopted the appropriate policies, we have been on the best path to development, poverty alleviation and social change, and with continued improvements in those policies, should continue to stay on it.

As for global terrorism, we have learned quite a bit about it in the last six months as well. Its perpetrators came from a very small number of countries. The overwhelming majority of the more than 1.3 billion Muslims of the world reject their flawed beliefs. Virtually every country on our planet has condemned their actions. They may be far from being defeated and removed from every nook and cranny where they hide, but they have suffered major blows and their aura of invincibility is gone. They may strike again, but they will encounter a much more vigilant world the next time they attempt it.

I fail to see how any reasonable person can believe that these morally and intellectually bankrupt terrorists should be allowed to intimidate us or dictate our agenda for how to continue moving toward a more just, secure and prosperous society in all our countries. We have accomplished a great deal in our objectives for achieving a better world, and building on what we have done so far, I know that we will do even better in the future.