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**BANGLADESH IN THE POST-COLD WAR ERA :
RELEVANCE OF EXPERIENCES OF EAST ASIAN NIES**

I. INTRODUCTION

The post-Cold War era, featured by the collapse of the former Soviet Union, eclipse of the communist ideology and unprecedented military and ideological *detente* between Washington and Moscow is likely to be one with much "flatter" global hierarchy than the one known during the 4-plus decades of the Cold War period. Debates over the nature and dimension of the hegemonic role-playing by the singular superpower apart, a poly-centric global order appears to be in the making with a handful of second and third order major powers playing enhanced role. Concomitantly, no discussion of global trends can underestimate the tremendous importance of economic and trading performances as the key elements of power in the emerging world order.

The international situation, however, continues to be in a fluid state with changes taking place at ever accelerating pace. The list of factors contributing to the uncertainties in the emerging world order would be pretty long :

- continuing regional conflicts in various parts of the world with the potential of military escalation in many cases;
- the dichotomy between the forces of integration and that of disintegration in various parts of the world;

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- ethno-religious conflicts in many regions including the republics of former Soviet Union, central and eastern Europe;
- unprecedented rise of religious fundamentalism challenging the values and institutions of democracy in regions including South Asia;
- ever widening disparities between the North and South not only in terms of level of economic development but also in the way the global developmental challenges can be faced;
- widespread population dislocations resulting, inter alia, from civil wars, political crises, ethno-religious conflicts, famines, natural disasters and above all, economic migration;
- instabilities associated with insurgency movements and drug trade; and
- environmental, health and social crises.

The list is far from all-inclusive and would be much longer if the "hard-core" security dimensions including continuing military build-up in various parts of the world as well as growing proliferation of weapons of mass destruction are added. It, however, indicates the scope and diversity of the challenges before the global community. While the complexities in outlining the features of the post-Cold War era, therefore, remain overwhelming, there appear to be few outstanding constants, and these are important in the context of a search for a *locus standi* for Bangladesh in the emerging world order. *Firstly*, in terms of political ideas, "democracy" appears to have triumphed over the forces of totalitarianism, fascism and communism which stand grossly discredited. It has to be hastily added that prospects for the vast majority of the newly independent and now newly democratized states continue to be murky. Legacies of history, mounting economic challenges and accompanying social chaos and instabilities continue to impede the process of building of democratic institutions and free market system. *Secondly*, whatever may be detailed features of the post-Cold War international order, the global power structure, though "flatter" is likely to remain pyramidal with the United States at the apex and the

industrialized West contributing to the strength of the structure, while the rest of the world would be vying for positions at the peripheries. And *thirdly*, while the cold war era was essentially one of military-political state system, the emerging era would be dominated by economic-trading-financial power of the state. The global power-configuration may thus be rather diluted with important sub-groupings within the OECD. A distinct polarization is also visible centering around trading and economic blocs in Europe, North America and East Asia. Debate over the compatibility or otherwise of the renewed advent of regionalism with the long-standing global search for multilateralism apart, there is no doubt that the vast majority of the developing countries remain outside this mainstream. Furthermore, in the context of declining prospects of flow of financial assistance, these countries are likely to face even greater disadvantages than before. The obvious exception to this are the newly industrialized economies (NIEs),¹ particularly the four "Asian Tigers" which have not only enjoyed envious growth in past few years but are also likely to continue to grow faster than most other countries on the globe. Joined by the economically thriving neighbors of the Asia-Pacific region, these East Asian NIEs are considered to be the torchbearers of the "Asian Century".

The location of Bangladesh in this context is obviously at the periphery of the periphery. The main objective of this paper is to highlight the need for Bangladesh's sensitivity to some of these changes. It attempts at projecting the major challenges facing Bangladesh and indicate the relevance of the experiences of the East Asian NIEs in facing these. An attempt is first made to briefly highlight the political challenges facing the country. This is followed by a review of the country's problems of economic management. The experiences of the East Asian NIEs are then discussed in an attempt to seek their relevance to Bangladesh.

1. The term "economies" is used deliberately to differentiate from "countries" in view of the status of Taiwan and Hong Kong.

II. DEVELOPMENTAL CHALLENGES OF BANGLADESH

a) Political

A critical question in the study of development of a country like Bangladesh is how the ruling elite makes use of the scarce resources in meeting the demands of socio-economic development which compete fiercely with those of managing the state. Both are often viewed to be identical with regime interests, and the choice tends to be in favor of regime survival and short-term stability rather than enduring welfare of the masses. Bangladesh is no exception, particularly as the country's political scene is bedeviled by endemic crisis and instability resulting from ceaseless dissensions on core national issues. Problems are associated to a considerable degree with the process of nation-building which in the literal sense of the term was not supposed to be a problem in the context of Bangladesh which is an old nation, though a new state. The fact that Bangladesh's nationhood preceded its achievement of statehood is well-documented and undisputed.²

The country's almost total homogeneity in ethnic, linguistic, cultural and even religious terms should have rendered nation building a non-issue. On a closer focus, however, the country continues to be far from having achieved the objectives of nation building. The critical factor appears to be the endemic weakness of the state and deep-rooted "crisis of governance" faced by the successive post-independence regimes. Factors in this crisis include a conflict of national identity. In the backdrop of the country's glorious history of national assertion and the indomitable struggle for liberation, controversy over national identity was not amongst the problems that could be normally foreseen before 16 December 1971 when the country achieved independence. The reality is however different, and after two decades since then the search for a consensus on the issue continues.

2. See for example, Mizanur Rahman Shelley, "Nation-Building and Political Development in Bangladesh", in M. Abdul Hafiz and Abdur Rob Khan, (eds), *Nation Building in Bangladesh: Retrospect and Prospects*, (BISS, Dhaka, 1986), p.190.

The identity traveled from *Bangalee* to *Bangladeshi* while as a core national value *secularism* made room for *Islam*. The debate in both the cases remain unresolved which continue to sharpen the process of political instability in the country.³

Undeveloped state of political institutions also contribute to chronic political instability and thereby to the crisis of governance. Very few of the numerous political parties active in the country are strictly organized, well-knit and spread upto grass-roots levels having definite policies and programs of action.⁴ Parties are born of factions and party politics is characterized by factional and parochial interests while policies and decisions reflect strong subjective bias. Political parties, whether in the government or in the opposition, lack democratic values and practices and the leadership caters to the maximization of the interests of the most influential sub-groups and power bases while the interests of the common people are bypassed. Therefore, the state authority is often influenced by parochial designs of vested interest groups.

In this broad context, the onset of the present decade was marked by happy notes and high expectations about the political future of Bangladesh. The exit of long years of autocracy in the face of massive popular uprising towards the end of 1990 and subsequently a free and fair election led to the formation of the government that today faces the challenges of sustaining the process of democratic transition in the country. In retrospect, Bangladesh's liberation struggle and independence as a spirit and as an achievement were a milestone in the process of the nation's move towards democracy. It also started off with all the arrangements for establishing a limited and accountable government in the Westminster type sovereign parliament. But soon the political landscape underwent massive transformation creating the stage for authoritarian tendencies leading

3. For a detailed discussion on the subject see, Iftekharuzzaman and Mahbubur Rahman, "Nation building in Bangladesh: Perceptions, Problems and an Approach", in M. Abdul Hafiz and Abdur Rob Khan, *op.cit.*, and M.G. Kabir, "Post-1971 Nationalism in Bangladesh: Search for a New Identity", in M. Abdul Hafiz and Abdur Rob Khan, *op. cit.*

4. Emajuddin Ahamed, "Crisis of Democracy in Bangladesh," *The Bangladesh Today*, (Weekly, Dhaka), Vol. 2, No. 16, 1985.

eventually to the establishment of autocracy either under civilian, military, or so-called civilianized military rule. In the process, the parliament was robbed of its sovereignty, the president or chief executive was made omnipotent, effectiveness of the judiciary was curtailed, and above all accountability of the government was totally lost.

The new government introduced some major political reforms and constitutional amendments aimed at the establishment of an accountable state authority. The parliamentary form of government has been re-introduced. Subsequent developments have however shown that the issue is not merely the nature of government. By the time the euphoria over the transition mellowed down, it became clear that the victory or defeat in election has largely been taken as a measure of loss or gain in a zero-sum format leading to sharp dissensions and polarization on virtually every issue of national interest.

The fall of the autocratic regime and subsequent introduction of some reforms could not be expected to provide the panacea to the myriad of problems faced by the country. What could be anticipated was an understanding between the ruling and opposition parties on ways to attain consensus on vital issues of national interest. The failure to achieve this has led to the accentuation of political violences, lawlessness, societal frustration and instability.

b) Socio-Economic

Bangladesh faces nearly all the conceivable problems of development. It is the eighth largest country of the world in terms of population size. With one of the highest densities of population, Bangladesh has virtually no resource base except its vast under-utilized manpower and alluvial farm land. The potential of the latter is ravaged almost invariably each year by recurrent natural disasters including devastating floods in its mighty rivers belonging to the Himalyan basin.

The country inherited a poor infra-structural base and economic, industrial and technological deficiencies. With independence came the series

of external economic impediments associated with the great oil shock of early seventies. Markets for the country's few exportable items shrunk while price of the same kept on falling thereby reducing the possibility of sustaining the income, supporting development and financing import. While the inherited level of external economic dependence continued to grow and productive base shrunk, pressure on scant available resources kept on mounting. The administrative and managerial inexperience coupled with distorted economic and social standards on the one hand, and political mismanagement on the other contributed to socio-political instability in the country. Series of political turmoils followed and this complex background continued to have its impact not merely on subsequent politico-economic development but also on all possible prognoses about the country's economic future.

No discussion on the state of the Bangladesh society, its socio-economic conditions and political challenges can bypass the single-most overriding issue of poverty. Massive poverty, which has been noted by the Task Force⁵ as one of the three main characteristics - the other two being aid dependence and disaster-proneness - of the economy of Bangladesh must be identified as the greatest challenge before the country. With about 60 percent of the people of the country living below the poverty line⁶, Bangladesh is in much worse situation than most of its Third World counterparts including those closer home in South Asia. Recent estimates of poverty ratios show 23 percent for Pakistan, 27 percent in Sri Lanka and 35 percent in India. Infant mortality rate in Bangladesh is 120 per thousand live births compared to 97 in India, 68 in Indonesia and 21 in Sri Lanka.⁷

5. The Task Force was constituted in 1991 by the Interim Government that replaced the autocratic rule in Bangladesh. The Task Force composed of several hundred Bangladeshi experts and professionals who within a very short period produced a substantive report in four volumes dealing with various dimensions of developmental challenges facing the country. See, *Report of the Task Forces on Bangladesh Development: Strategies for the 1990s*, (UPL, Dhaka, 1991, vols 1-4).

6. World Bank, Report no. 9379, *Bangladesh: Managing Public Enterprises for Higher Growth*, April 1991, p.1.

7. *Report of the Task Forces, op.cit.*, pp. 26-7.

Bangladesh also ranks very low among the least developed countries in terms of human resources development measured by such basic indicators as literacy, health and nutrition. Adult literacy in this country is amongst the lowest in the world and enrollment rates in primary and secondary school at roughly 58 and 27 percent are significantly below levels achieved in comparable countries.⁸ Malnutrition of adult and child is widespread and incidence of preventable diseases is high. Massive poverty and socio-cultural factors add to the widespread discrimination against women in terms of access to services, employment and income.

Public expenditures for human resources development have remained roughly constant at about 2.5 percent of GDP between 1981-90, which is below the amount required.⁹ Bangladesh has reached a shameful stage of internal resources mobilization and it hardly generates any revenue surplus to finance development. The poor - nearly non-existent - level of national savings rate is not only an economic issue but also a measure of overall erosion of national values and norms.¹⁰ Donors have in recent times been financing not just 100% of Bangladesh's development budget but also some component of the country's non-development expenditure.¹¹

If the critical level of Bangladesh's aid dependence is a commonplace wisdom, it is also by now an open secret that the country has been vulnerable to donor's influences. Bangladesh is not alone in the community of aid-dependent countries to be so, and the linkage between aid and influence in general is well-documented. Privatisation of the economy and disinvestment of public sector enterprises have been one of the easiest and rather popular avenues of donor influence in Bangladesh. The pressure was there since the seventies and by 1989, as many as 640 enterprises have been

8. World Bank, *op.cit.*

9. *ibid.*

10. Md. Anisur Rahman, *Jatiyo Atma-Nirvarshilatar Proshno* (The Issue of National Self-Reliance), in Bangla, Najma Jesmin Choudhury Memorial Lecture, Dhaka University, October 1991, p.16.

11. Rehman Sobhan (ed.), *The Decade of Stagnation : The State of Bangladesh Economy*, (UPL, Dhaka, 1991), p.2.

denationalized and the process continues. The rationale advanced for the privatisation is that the public sector enterprises are ill-managed, under-utilized and yield low factor productivity. Add to this the global wave in favor of free enterprise economy the merit of which is hardly questioned. It is, however, important to note the way Bangladesh has been offered a *fait accompli* as the successive governments have been evidenced to accept uncritically the donor pressures in this regard.¹² Instead of examining the outcome of large-scale disinvestment already carried out, the process continues as an act of blind faith and without any attempt to empirically study whether those units have in reality performed any better in terms of productivity, capacity utilization and managerial efficiency as compared to public ownership or whether the private sector has the preparation and comparative advantages to run these enterprises.

Bangladesh's external dependence is not merely for resource inflow but also for some of the critical supplies including food, petroleum and petroleum products. On the other hand, the exposure of the country in terms of external trade is still rather low while dependence is manifested in this respect also. Only 13 countries account for most of the country's export receipts, import payments and external resource inflows, a fact that underlines the vulnerability of the country in its external economic relations.¹³ Moreover, over half of the import bill is paid out of loans and grants. In recent times remittances from the nationals working abroad have become an important source of foreign exchange earnings and, therefore, account for a sizable portion of the import bills. Here again, the country is dependent largely on a single region, the Middle East, the result being excessive vulnerability of the country to the endemically volatile nature of the region as clearly demonstrated during the Gulf crisis.

Bangladesh is also a society of sharpening social inequalities and cleavages. On the one hand, there is abject poverty pervading the society, and on the other there is acute inequity in the distribution of income and

12. Rehman Sobhan (ed.), *op.cit.*

13. Raisul Awal Mahmood, "Bangladesh's External Economic Relations", *Büss Journal*, vol.13, no.4, p. 483.

wealth in both urban and rural areas. The available data show 42 percent of national income distributed to the highest quintile while its lowest counterpart gets only 12 percent. In terms of land distribution the inequality is even sharper with the top 10 percent of owners occupying 49 percent of cultivable land while the smallest 10 percent own only 2 percent.¹⁴ Although poverty, socio-economic underdevelopment and sharpening inequity determine the composition and structure of the society in Bangladesh, the class character is hardly reflected in the social and political formations nor do the disadvantaged sections have any effective political lobby at the policy or decision level.

On the other hand, the growing dependence on external aid has been expanding and strengthening the network of the aid-sustained elite. The elite of Bangladesh maintains its exclusive position literally by trading poverty. The political aspect of this "poverty trade" has been manifested in the pernicious destruction of the representative institutions which have been replaced by widespread use of fraud, corruption and malpractice. The concept of public accountability has withered away. Delivery of patronage rather than programs for societal welfare became the criterion for popular support. Political and administrative decisions became overly personalized undergoing arbitrary and subjective change. All these factors add to a pervasive societal frustration, lack of social accommodation, growing tension and uncertainty.

The country has agreeably attained some progress in economic growth and poverty alleviation in recent years as a result of some major adjustment programs which include cautious monetary and fiscal measures, liberal trade and industrial policies and reform of the financial system. On a longer term perspective the structural impediments continue to bedevil the prospects of sustaining the process. Domestic savings remain low, dependence on foreign resources remain high, export base continues to be narrow, level of human resources development remains far from satisfactory, and agriculture with its low productivity continues to hold the key to the country's prospects for economic growth in the foreseeable future.

14. World Bank, *World Development Report 1992*, Annex Table.

III. EXPERIENCES OF THE EAST ASIAN NIES

In the context of the above, it would appear wishful to compare Bangladesh with the East Asian NIEs, referred to often as "four little dragons". But there were times when Bangladesh was indeed in comparable economic conditions.¹⁵ Per capita income of Bangladesh in the sixties was at the same level as in the then Republic of Korea, so was the value of exports. The table below shows that Bangladesh's GDP in 1965 at \$4,380 million was higher than that of Korea (at \$ 3,000m.), Singapore (\$970m.), and Hong Kong (\$2,150m.). At a time when Bangladesh plunged into the status of the test case of least developed economies the NIEs, e.g., South Korea, Taiwan, Singapore and Hong Kong were achieving sustained double-digit growth and captured a major part of the global trade. In terms of export these countries surpassed any other nation or region of the world with Korea and Taiwan, for example, achieving 23 and 35 percent of export growth in 1960-70.

15. Other than sources mentioned for the table, the analysis presented in this part draws on the following works : Julian Weiss, *The Asian Century*, Facts on File, Oxford, New York, 1989; E. Lee, *Export-led Industrialization and Development*, Geneva, ILO, 1981; Renato S. Valeso, "Lessons from Asian NICs for the Philippines", *Contemporary Southeast Asia*, vol. 12, no. 2, September 1990; Edward Chen, "Asia's Newly Industrialized Countries in Transition", *Korean Journal of International Studies*, vol. 19, no.2; Bela Bellasa, *The Newly Industrialized Countries of the World Economy*, New York, Pergamon, 1981; S.A.M.S. Kibria, "Resurgent Asia: Where is Bangladesh", *The Daily Star*, 9 October 1992; also his "Industrial Development: Gap Between Theory and Practice", *The Daily Star*, 30 August 1992; "The Media Round-Table", *The Daily Star*, 23 November 1991; Stephen Haggard and Tung-jen Cheng, *State and Capital in East Asian NIEs*, Berkeley, Institute of International Studies, University of California, 1987; Asian Development Bank, *Asian Development Outlook 1991*, Manila, 1991; and UNDP, *Human Development Report 1992*, Oxford, 1992.

Sources for the table :

World Bank, *World Development Report 1992*, Oxford University Press, 1992, Tables 1-16, pp. 218-249; UNDP, *Human Development Report 1992*, Oxford University Press 1992, Table 4, pp. 134-135 and Table 15, pp. 156-7; Far Eastern Economic Review, *Asia Yearbook 1992*; and Asian Development Bank, *Asian Development Outlook 1991*, Manila 1991, pp. 80, 278, 283-5.

Table: Basic Economic Indicators of Bangladesh compared with East Asian NIEs.

Sl. No.	Indicator	Country				
		Bangladesh	Korea Rep.	Singapore	Hong Kong	Taiwan
1.	Population (millions 1990)	106.7	42.8	3.0	5.8	20.5
2.	Area(000 sq.km)	144	99	1	1	36
3.	Pop. density (per sq. km.)	740	432	3000	5800	569
4.	GNP per capita (\$ 1990)	210	5,400	11,160	11,490	7,332
5.	Av. growth rate of GNP(1965-90)	0.7	7.1	6.5	6.7	-
6.	Life expectancy at birth (Years/1990)	52	71	74	78	74
7.	Adult literacy rate - 1970	24	88	-	-	-
	- 1990	35	96	-	-	93
8.	Public expenditure on education (%)1989	10.5	23.3	11.5	15.9	14.9
9.	Growth of GDP(%)					
	1965-80 (71-80)	1.7	9.9	10.0	6.4	(9.7)
	1980-90 (86-90)	4.3	9.7	8.6	7.1	(9.9)
10.	Structure of GDP (million \$)					
	- 1965	4,380	3,000	970	2,150	-
	- 1990	22,880	236,400	34,600	59,670	-
	- Agriculture(%)					
	- 1965 (1970)	53	38	3	2	(16.9)
	- 1990	38	9	0	0	4.2
	- Industry(%)					
	- 1965 (1970)	11	25	24	40	(35.5)
	- 1990	15	45	37	26	(43.4)
	- Manufacturing					
	- 1965	5	18	15	24	-
	- 1990	9	31	29	18	34.14
	- Services, etc.					
	- 1965 (1970)	36	37	74	58	(47.7)
	- 1990	46	46	63	73	52.3
11.	Gross domestic savings(% of GDP)					
	- 1965	8	8	10	29	-
	- 1990	2	37	45	33	28.2
12.	Gross domestic investment (% of GDP)					
	- 1965	11	15	22	36	-
	- 1990	12	37	39	28	22.2
13.	Growth of merchandise exports(%)					
	- 1980-90 (1989)	7.6	12.8	8.6	6.2	(9.2)
14.	- Structure of merchandise exports(% share 1990)					
	- Primary Commodities	26	7	27	4	3.2
	- Machinery & transp. equipm.	1	37	48	23	-
	- Other manufactures	72	57	25	73	74.7
	- Textiles and Clothing	60	27	5	39	-
15.	Human Development Index (global ranking)	0.185(135)	0.871(34)	0.848(40)	0.913(24)	-

Source : See Page 195

The Table reveals some striking features. Density of population of the NIEs is not generally comparable with that of Bangladesh since two of them as city-states have extraordinarily high density. But, significantly enough, Korea and Taiwan are also not too sparsely populated with 432 and 569 persons respectively per square kilometers compared to Bangladesh's 740. The ratio of gross domestic savings in Bangladesh in 1965 was 8 percent - the same level as that of Korea. In 1990 the ratio came down to 2 percent in Bangladesh while it shot up to 37 percent in Korea. In case of Singapore the rise was from 10 percent in 1965 to 45 percent in 1990 and in case of Hong Kong it rose to 33 percent from already high level of 29 percent. The corresponding figures for the rate of change of domestic investment are also striking. In case of Bangladesh it remained rather static at 12 percent compared to 11 in the base year while in Korea it grew from 15 percent to 37 percent, in Singapore from 22 percent to 39 and though fell in case of Hong Kong from 36 percent in 1965, the ratio remained high at 29 percent. The result was obvious : while in Bangladesh the GNP grew at the rate of 0.7 percent between 1965-90, in Korea it rose at the rate of 7.1 percent, in Singapore at 6.5 percent and in Hong Kong at 6.7 percent. In Bangladesh GDP grew by barely 5 times during past 25 years while from a lower level than Bangladesh in 1965 the Korean GDP shot up by nearly 27 times. The transformation of the economy was also spectacular. Like Bangladesh the contribution of agriculture in the Korean economy was the highest in 1965. But whereas in Korea it fell from 38 percent to 9 percent during the period, in Bangladesh the ratio remained 38 percent. On the other hand, the contribution of industry in the Korean GDP rose from 25 percent in 1965 to 45 percent in 1990 while in case of Bangladesh it remained at 15 percent in 1990 compared to 11 percent in the base year.

The economic strides of the NIEs are significant furthermore as they were accompanied by fast alleviation of poverty in all four of them and at the same time problems of unemployment was dramatically resolved while income distribution became fairly even. Similarly, high literacy rates were

achieved, so was high living standards as reflected by very high rankings achieved in terms of human development index.

The unusually short period of time in which these achievements were made as well as the striking similarity in conditions from which the economies took off compared to most of the developing countries, particularly Bangladesh, make the performances of the NIEs most remarkable. Hailed as they are as the success stories in economic gain the East Asian NIEs have indeed become "models" which many development specialists tend to zealously recommend for emulation by developing nations. In Bangladesh too, there have been notable degree of yearning in favor of learning from NIE experiences for facing the mounting development challenges of the country. The rest of the paper identifies some of the common features of the NIEs that may be relevant to Bangladesh.

It should be noted that even among the four countries under consideration, there are differences including those between the two large countries - Korea and Taiwan - and the city states - Hong Kong and Singapore. Differences relate also to the patterns of relations between the government and enterprises both domestic and foreign and also to the way individual countries have been responding to the externally generated economic shocks over the years, particularly during the 1970s and 1980s. Such differences notwithstanding, some benchmark commonalities are worth noting.

i) Export-driven growth

The first and possibly most commonly observed factor in NIE achievement is the export-oriented industrialization strategy which the countries adopted and implemented most vigorously. The notable aspect of this strategy has been its deliberate and over arching stress on the labor-intensive and light manufactured products. At the initial stage the countries gained comparative advantages by adapting mainly Japanese technology for use by a low-wage labor force. Subsequently, however, the comparative

advantage has shifted to skill-intensive high-quality production. The result was the tremendous export growth as indicated earlier. The gains were particularly notable as compared to the parallel strategy of import-substitution pursued by the vast majority of the developing countries including the other less successful of NIEs like Argentina, Mexico and Brazil. The East Asian NIEs' success indeed prompted the almost universal prescription in favor of export-oriented policies and open economy.

ii) "The economic nationalism"

The next important aspect is often mentioned as "economic nationalism" meant to pursue economic and industrialization policies specifically designed to suit and harness the economic potentials and interests of the nation-state. Instead of being in either extremes of central planning type state control on the one hand and laissez-faire on the other this implies a system of pervading direct controls within wide ranging incentives for industrialization particularly responsive also to the pulls and pressures of the world market. Thus, even countries like Korea and Taiwan known for the export-oriented industrialization supported their domestic firms, gave them fiscal incentives and protected them from imports and foreign competition during the early phases of their take off. Both went for gradual withdrawal of state support only when legal and institutional arrangements were firmly in place to regulate foreign inflows in such a way that complemented national economic goals and potentials. Thus, even in today's Korea and Taiwan measures including joint ventures, equity conditions, competitive bidding and local requirements are more or less prevalent. Foreign investments are practically excluded from most of the consumer and primary sectors as land owning and investment in agriculture and mining remain restricted while heavy and strategic industries like petroleum, chemicals and fertilizers continue to be in state hands. In case of Singapore too, the prominent role of the state as an economic actor, specially its presence in the key sectors of the economy, limits the country's dependence on foreign investors.

iii) Investment in human resources

The third most striking feature of the East Asian NIEs is that development has centered on high quality, abundant and most importantly committed human resources. The countries have invested heavily in people and have virtually achieved universal literacy. High investment in social expenditure has profusely benefited the people with human development indices reaching highest global levels. The industry sector also benefited highly from well-coordinated vocational training and science-based education. Proportion of students in Singapore for example, graduating from tertiary education - one third of them in science - is among the highest in the world. Korea on the other hand has some 50 scientists and technical persons per 1000 people, compared with an average of less than 10 in the developing world as a whole.

The other dimension of human resources of the East Asian NIEs is socio-cultural. Peoples of these countries like those of their predecessor NIE namely Japanese, are culturally cohesive, disciplined and highly motivated. The phenomenal success of NIEs has drawn culturist and Weberian interpretation, in many cases being attributed to the Confucian tradition. Individuals of societies in Confucian tradition are usually committed to national and corporate interest ahead of personal ones. People usually have positive attitude towards life, and are inclined to follow corporate and government policies without much debate. Harmony, rather than divisiveness is the distinguishing feature of these societies. Comparatively rigid political control aimed at keeping industrial unrest at minimum levels was easily possible in such societal structure. Productive labor and adaptable entrepreneurship are also considered to be linked with Confucian ethic which not only helped place labor union under control but also promoted export-oriented industrialization. Export growth was facilitated as much by a macro-economic policy framework conducive to investment, specially foreign direct investment, as by workers' participation in the export growth and productivity gains. Foreign investment has also been attracted by the educated, disciplined and committed workforce.

iv) Effective land reform

The success was driven also by a rather equitable distribution of assets and income. There are considerable variations in the endowment of physical resources of the four. While Singapore and Hong Kong have very limited, almost no land for agriculture, Taiwan and South Korea have plenty of land. Well-designed and effectively executed land reforms in these two contributed to the development of the agriculture sector on the one hand and transfer of agricultural output and surplus for industrial development on the other. The experience of Taiwan appears particularly notable. Taiwan used rather coercive measures to attain two-way objectives of the land reform: to wipe out the indigenous land elites and establish a reasonable degree of equity in land distribution; and to generate substantial level of surplus for the industry sector coming from the agriculture. This was done in four stages. At the first stage in 1949 farm rents were drastically reduced which was followed in 1951 by the selling of public lands to tenant farmers. At the third stage in 1952-54 a three-hectare retention limit was imposed and finally in 1954-60 the state purchased land for resale to farmers. This final stage was particularly drastic as land prices were set far below the market value. Moreover, 70 percent of the payment was made in the form of commodity bonds at very low interest rates (4 percent compared to 16 percent bank rates) and the rest 30 percent in the form of shares in some designated government enterprises. The strategy resulted in transformation of some landlords into farmers or urban workers while others became capitalists with stakes in government corporations. The power of the landlords to control rural supplies was broken which in turn generated considerable capital outflow from agriculture to industry and other priority state projects. A similar land reform was implemented in South Korea too, where the reform was also effective in containing agrarian unrest. The governments have been "ruthless but fair" in implementing such vital policies with the help of an army of dedicated, non-corrupt and efficient administrative machinery.

v) The political costs

The economic miracles of East Asian NIEs have been achieved in exchange for what is often noted at high political costs. All the four have always put the goals of economic growth over any other and indeed never hesitated to sub-ordinate non-economic consideration such as human rights and political democracy. The state authority which in all four cases have been fairly strong and rather authoritarian without any challenge from the opposition, played the pivotal role in economic development. Two of them, Singapore and Taiwan have since their establishment been one-party rule, in South Korea a strong presidency backed by military since the 1961 coup led by Park Chung-Hee has been on the steering while Hong Kong has been ruled as a colony of U.K.

Often described as "benevolent authoritarians" these state authorities were able to develop strong and efficient bureaucracies free from parochial interests and dictates of the elites. The state authorities, particularly of Taiwan and Korea, like those of the Japanese rulers of the Meiji era chose industrialization as the key weapon against both internal political instability and external threat. National interests were defined principally in economic terms rather than political. And towards these goals the state helped the establishment and promotion of the industrial bourgeoisie that led the process of industrialization under state guidance. Private participation in public enterprises was on the basis of competitive advantage and efficiency rather than political or subjective criteria. The role of the state has been visible and firm in almost every major policy decision and implementation such as land reforms as already indicated earlier, wage control, switching from import substitution to export oriented growth. It has to be added hastily that this firmness of the state authority was hardly to ignore the realities and constraints abiding within the society and the limitations and opportunities arising out of the prevailing international system.

One pivotal factor in the political economy of East Asian NIEs development is the overriding national consensus and agreement on basic national economic issues as well as continuity of policies. A unique pattern

of state-business alliance has been prevailing uninterrupted often implemented, as earlier mentioned, through a combination of coercive measures with collaborative schemes. The element of consensus has been found to be critical in societies which often suffered from political instability as in case of Thailand, considered to be on the threshold of becoming an NIE. In case of the 'four tigers', however, consensus was almost invariably supported by stability achieved at the expense of basic political freedom which did not exist in the way it does in liberal democratic systems. Only recently some liberalizations have been taking place though still in very limited degrees. Initiated in 1987 South Korea has now opted for free national elections as the means to come to power while Taiwan's Emergency Decree which imposed restriction on freedom of speech, assembly and the press was lifted in 1987. The latter also enacted laws in 1989 promoting competitive politics for the first time since 1949. On the other hand, scheduled for reverting to China in 1997, the political future of Hong Kong remains uncertain while Lee Kwan Yew's successor continued with more or less the same policies pursued by the People's Action Party since 1965.

vi) International environment

Discussion on the NIE experiences cannot be complete without a reference to the highly conducive international economic and political situation in which the growth took place. South Korea and Taiwan as the frontline states of U.S. strategic interest vis-a-vis mainland China and North Korea were the beneficiaries of huge amount of U.S. economic and military assistance. Hong Kong and Singapore also benefited from the fall-out of the Cold War dividends. Hong Kong gained from large inflow of technically skilled labor and a considerable segment of Shanghai capital and managerial know-how which came to the island in the wake of revolution in mainland China. Singapore's partisan stand during the Vietnam War was a kind of gigantic public relations operation in order to gain the confidence of the western, particularly U.S. investors and multinational companies.

Singapore like the rest of its sister NIEs also benefited from the process of globalization of production initiated by the Multinational Corporations (MNC) in the 70s when in the wake of the oil crisis the MNCs were forced to look for the free trade zones of these countries which offered cheaper and skilled labor. The process was strengthened by the easy access to international financial capital through the massive re-cycling of the petrodollars of those days by the IMF and World Bank as well as international commercial creditors.

IV. IN LIEU OF A CONCLUSION

As Bangladesh faces the challenges of the post-Cold War era, which as mentioned earlier is likely to be dominated by overriding consideration of economic development, it is now appropriate to ask whether any of the findings of the above survey is relevant for the country. It has to be understood first that the experiences of the East Asian NIEs cannot be viewed to form a package of models that can be easily replicated in any developing country, and for that matter in Bangladesh. In the context of what has been presented in part II of this paper, to anticipate that Bangladesh can transform itself into an NIE in even another couple of decades would indeed be quixotic. Some concluding notes, nevertheless are in order here which may be useful in stimulating further debate on developmental challenges of Bangladesh.

First of all, difference between the NIEs and Bangladesh lies not in any strict divide between state intervention and free market or between an export-led and import substitution industrialization, but essentially in the nature of the state which in reality determines how a particular strategy is adapted to the specific national conditions and no less importantly on the quality of the people in charge. Bangladesh has tried state intervention as well as free market as also it experimented with import substitution and now a professedly export-oriented growth. Whatever policy measures have been adopted in the country have almost invariably been circumscribed by machinations of various elite interest groups. This actually leads to the root

of the problems articulated as "crisis of governance"¹⁶ There are growing pressures and clamors in Bangladesh, for example, to go for all-out free-market system without clearly knowing how much the private sector is prepared and viewing free market as an exclusive alternative for role of the state.

There is certainly no escape for Bangladesh from gradually moving towards the free market system. But what NIE experience shows is that free market cannot be introduced by a single stroke or indiscriminately. The conditions have to be created first before being able to say, as the Malaysian Prime Minister does, that the government has no business to do the business.¹⁷ The private sector has to be given the support and shelter to prepare itself to do the business for the economy. Needless to add, this support has to be on the basis of comparative advantage and efficiency rather than political or subjective criteria. Even countries like Korea and Taiwan, as already indicated, supported their domestic firms, gave them fiscal incentives and protected them from imports and foreign competition during the early phases of their take off. There is a tendency in Bangladesh to undermine the element of complementarity between the private and public sector. As we have seen above the state in all the NIEs have played a pivotal role in supporting and guiding the private sector. We have located ourselves rather in two opposing poles : either over expanded the state sector and restricted the private sector arbitrarily, or provided the sheltered market and investment facilities to promote the interests of vested groups. This has to be stopped and only a "ruthless and fair" leadership can do that. There is then the question of the climate conducive to investment, production and business - an area which possibly needs top priority. The prevailing political instability and the associated syndromes of lawlessness, strikes, violences and work-stoppages must be curbed. Here, the reality has to be faced, Bangladesh does not have the Confucian culture and tradition, and people would possibly remain volatile in nature, nor can any regime in

¹⁶ "The Media Round-table", *op.cit*

¹⁷ Quoted in *The Daily Star*, 13 February 1993.

Bangladesh afford to introduce measures to curtail political freedom. The fact remains that while NIEs achieved development at the expense of political freedom, Bangladesh's unrelented struggle for democracy has turned out to be at the expense of economic development. Failure of a democratic system to deliver the goods - no matter how drastic that failure may be cannot warrant losing faith in the ability of the system itself. The fault lies not in the system but in the way it has been executed. Moreover, just as NIEs are examples of economic success within a system short of democracy, there are plenty of examples of how authoritarian regimes have brought worse economic disasters. The challenge indeed is to appreciate the real implications of democracy and political freedom as Lee Kwan Yew is quoted as saying : "the ultimate test of the value of a political system is whether it helps the society to establish conditions which improve the standard of living for the majority of its people, plus enabling maximum personal freedom compatible with the freedom of others in the society."¹⁸ The crux of the NIE experience in this regard is to define national interest with strong bias for economic goals and this does not necessarily imply sacrificing the basic tenets and values of democracy. It rather warrants even more vigorous observation of the same through the strengthening of democratic institutions and ensuring accountability of the system.

The other area which the NIE experience must draw the attention is Bangladesh's failure in human resources development which needs immediate attention. It is now widely recognized that investment in social sectors, particularly in education and training is an indispensable condition for development. Bangladesh has no escape from this if it has to break the vicious circle of poverty and eventually chart a course of sustainable development.

Finally, we have indicated above how national consensus on basic issues has been critical in the success of the NIEs. And unless Bangladesh is able to develop a mechanism to achieve at least some degree of consensus

18. Quoted in *ibid*, 21 December 1992.

on basic national issues of both political and economic nature our goals of facing the challenges of development are bound to remain a far cry. A reasonable degree of social equity and spontaneous and active popular participation are indispensable in building of an economically vibrant society. Economic growth and political development should be viewed as components of one and the same process while national consensus on basic issues is the key to resolution of the crisis of governance. The political leaders - both in the government and in the opposition must demonstrate their commitment not only to the cause of sustaining the process of institutionalization of democracy but also to the cause of enduring and self-sustaining welfare of the masses. A sense of belonging and commitment may then be expected to develop among the people at large following which they can constitute the pivotal factor in the country's economic development.