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THE GOLDEN BANGLADESH: MORE THAN A DREAM?

ASPECTS OF GLOBALISATION, REGIONALISATION AND LOCALISATION

There are golden eras in most countries’ histories, but rarely is such an era remembered so often and so vividly as in Bengal. And it is not for history’s sake: History is to repeat itself and should be even surpassed: if there was a golden past, why not also a golden future. I feel very honoured, indeed, that the organisers of this round table have asked me to present a paper on “The Golden Bangladesh More Than A Dream?” and its political, social and economic implications. This is more, since we have to think of the challenges and opportunities of Bangladesh’s future, and not only of problems and setbacks. And I think it is the future you sing about in your national anthem “Amar Sonar Bangla – My Golden Bengal”.

I

ENTITLEMENTS

Being not a historian, I shall not dwell on the question of how golden the golden Bengal was or whether it was golden
for all the Bengalis. I should rather think of how “golden” would translate into an economist’s vocabulary. One of the great sons of Bengal, Amartya Sen, who spent his youth here in Dhaka, was so shattered by witnessing the Great Bengal Famine of 1943, that he wrote his seminal work on poverty and famine [1994]. Certainly, he was not the first to do so and much of what he said had been said before by others, but he did it in a very convincing way. It is the idea of entitlements he wrote of, which is so stimulating. Not being deprived of these entitlements should be considered as a prerequisite of an economic goldenness, if I may say so. Entitlements have been interpreted as a right to government handouts, wrongly, as Professor Sen repeatedly tried to explain, which leads us to the question on how an economy should be organised in order to entitle its people to well being if not a golden Bangladesh.

This is a matter of macroeconomic policy as well as of the institutional environment, and it is a matter of domestic as well as of international factors. Many, if not most of them, are beyond the power of the government and citizens of Bangladesh, if we only think of natural phenomena like weather or the development on the world markets. But even here a certain level of preparedness can help to soften the impact, as has been the tradition for example with regard to floods. Bangladesh has been supported in these endeavours by friendly nations and Germany certainly is prepared in doing so also in future.
II
MAJOR ISSUES, POWERFUL FORCES AND CLUSTERS OF CHANGE

Some weeks ago, the World Bank has presented the new world development report [1999-2000] under the title "Entering the 21st Century" and long sections read as if they were written especially for this occasion. What I found as a very welcome message is the insight, that there are no easy answers: "Governments play a vital role in development, but there is no simple set of rules that tells them what to do." [p. 13]. I may add, that it is most probably also a very limited role that foreign advice can play: firstly for lack of insight into the peculiarities of another economy and society, and secondly for the difficulties of translating the macro recommendations of political programmes and economic strategy papers in the micro implementation of day-to-day decisions. More emphasis is also needed on political responsibility: I often heard the complaint, that decisions must not rest with advisors, who cannot be made responsible for the effects of their advice. And governments escape responsibility if they change every few years and blame their predecessors.

The World Bank lists six major issues of the 21st century:

- poverty
- population growth
- food security
- water scarcity
- climate change
- cultural preservation.
Among the "many powerful forces, both glacial and, fast-paced, [which] are reshaping the development landscape", five are emphasised:

- innovations in technology
- the spread of information and knowledge
- the ageing of populations
- the financial interconnectedness of the world
- the rising demand for political and human rights.

The report focuses on two "clusters of change", i.e. globalisation and localisation, and three aspects of each of the two:

- globalisation
- trade in goods and services
- international flows of capital
- global environmental issues (climate, biodiversity)
- localisation
- decentralisation of political power to sub-national levels of government
- movement of population and economic energy towards urban areas
- provision of essential public services in these growing cities

Regionalisation would be a third "cluster of change", not listed by the World Bank; I shall come back to it later. I shall discuss all the three: globalisation, localisation and regionalisation.
1. GLOBALISATION

Let us accept that globalisation basically means a system of international division of labour, free trade and free financial flows, although with some regulations on the part of the capital account. The free movement of labour across borders, however, is not generally accepted as being a prerequisite of globalisation as we know from the stiff resistance to the movement of labour within South Asia. Globalising one’s economy may be more important for smaller countries than for larger ones. But if India was hardly successful with its policy of swaraj and self-reliance, Bangladesh certainly has to go global: the country cannot hope to produce the range of industrial products it needs and also does not have a developed financial market that could provide the necessary financial means. And as one of probable victims of global warming it depends on international action.

As for trade, Bangladesh’s imports at present are funded by export earnings, remittances, aid and (other) capital imports. With import requirements increasing, no hope of aid returning to levels Bangladesh was used to, and remittances stagnating, Bangladesh has to widen its exports and attract foreign investment. The impressive performance of the garments sector again has proven that exports do not require a domestic raw material basis. What is needed are ideas, initiative, capital, physical and financial infrastructure, a well-trained workforce and captive markets. Without those, the success in the garments sector never would have been possible. Under the rules and regulations of the World Trade
Organisation (WTO), Bangladesh has access to the world market, and, as people say, competition is an unforgiving master. Bangladesh has gone a long way since the attempts at a socialist order at the beginning of the 1970s. And it has gone further than any other South Asian country. The achievements are remarkable: hardly any inflation and a rising per capita income, the latter also thanks to the welcome drop in population growth. Bangladesh did not suffer too much from the Asian crisis: remittances of workers in Malaysia went down but since Bangladesh mainly exports to the industrial countries and imports from Asia, there was no dent in the balance of trade. Other world regions, however, are more advanced with respect to liberalisation and much is left to do to attract foreign capita, if I only think of privatisation.

Globalisation has been discussed in Germany quite controversially, depending on the hopes and fears of the individuals. Time and space lost much of their importance: information is possible around the globe instantly: what happens on one end of the earth is known seconds later at the other end and transport is possible within hours. Transport also has become less costly and much safer, with the effect, that production world-wide is being re-organised. It is no longer the question, where the goods are produced but which part of a product is produced and which step of the production process is being done where. Identifying a country by its characteristic goods has become very difficult: high tech goods carrying an impressive brand name of a European, Japanese or American firm may contain few parts produced in the
country where the firm is registered and countries where the production actually has taken place may earn little reputation except in well informed circles.

As you know in Bangladesh better than we people in Europe, the importance of the availability and cost of labour have been grossly over-estimated in the past. If cost of labour would be responsible for investment decisions alone, Bangladesh would have seen a more impressive stream of investment (The opening of the former Eastern Bloc not so much provided the industrial countries with attractive markets for their products but with cheap labour at their doorsteps).

**Weightless products:** Globalisation, however, also provides many opportunities for newcomers to the international markets, especially in connection with information technology. India’s first software exports were ridiculed as being not more than body shopping, i.e. exports of manpower, simple programming jobs or just feeding data. In the meantime, software exports have developed so well, that they soon will become India’s number one foreign exchange earner, especially if measured by value added; Indian firms have registered themselves in the New York stock exchange [FT 1999]. After Bangalore, Hyderabad, Pune and also Calcutta have become centres of an impressive software industry and I see no reason why such a development should not be possible in Dhaka, which also has been an important seat of learning with abundant English speaking manpower. India, however, invested in their research and development, and, even more important, in their communications system.
Given the scarcity of land and the population growth, Bangladesh cannot hope to employ more people in agriculture. The rapid urbanisation is a proof of the rural exodus; but employing those millions elsewhere will be difficult, if Bangladesh does not restructure or reforms its education system so as to create professionals capable of facing the scientific and technological challenges of the twenty first century.

Technical education, we feel, should get more emphasis almost everywhere. The German dual system of vocational education, however, is difficult to replicate. This is due to the fact that this system has two components, i.e. the practical training in a firm (mostly private) and the theoretical education in the state run vocational schools, this is why we call it a dual system. Boys and girls finish school usually after the ninth grade and then enter a contract for training with a private firm, or previously master craftsmen, usually for three years. They receive a nominal monthly wage and spend three and a half-day each week in their firm or with their master craftsmen and attend school for another one and a half-day. After three years, they have do undergo a final examination with a practical and a theoretical part. Once they passed it, they are considered to be trained workers. They can undergo further training to finally become master craftsmen and, thus, being entitled to train apprentices themselves. This system is rather unique and to be found only in some European countries. It is not so much, that this kind of training is so outstanding, but the fact that almost every young boy or girl undergoes it, as far as they are not opting for higher education, as a Royal Commission found out. The system is based on the guilds of
medieval times and has been reintroduced a century ago in Germany after the restrictions of the guild system had been lifted almost everywhere during the early years of liberalisation in the 19th century. It is been held to be a relict of a corporate state and presently is being discussed in order to adopt it to the needs of modern technology, but it is the backbone of Germany's economy.

Many Germany's successful entrepreneurs had been inventors with such a technical training, this also should explain the typical German strive for technical perfection. There have been technical training centres in Bangladesh, but the main problem in recreating our system is that it needs the private firms qualified and ready to train young workers even if they may not be employed in these firms later. And it needs strong organisations like the German chambers of industry or the chambers of crafts, which play a prominent role in organising the education and in supervising the respective firms. This means in legal terms, that private organisations, or NGOs as you may call them, enjoy para-statal privileges and powers. This brings me to another role of such organisations: the chambers of commerce and industry, the German Trade Organisation and, for example, the German Asia-Pacific Business Association assist German exporters and importers in their endeavours in getting access to new markets. The owner of an old and established jute-trading firm, for examples, heads the Bangladesh committee. A number of government and semi-government research institutes and organisations also collect market intelligence and make it available to interested firms. All these institutions have their share in Germany's extraordinary success in exports: during
the last years, Germany was the second largest exporter after the USA and before Japan.

If one thinks of actions to be taken by the Government of Bangladesh, it is not just the choice of policy, like the discussion of the past on the roles of the private and the public sector. It is also a matter of choosing policies, which find universal support and thus can be enacted. The finest body of legal provisions will be of little help as long as they are applied in an arbitrary way, an aspect that usually is meant when talking of the rule of law. Policies of obstruction are not totally unknown to us in Germany and we also feel that great damage is done to our society and economy if the enactment of decisions, which were passed by parliament, is held up for tactical political reasons. Such manoeuvres are seen as a lack of political will. The lack of consensus is a certain deterrent for foreign capital. The increasing emphasis, which has been laid on good governance during our deliberations is also some kind of a peace dividend: As long as the Cold War was going on, we, the West, were less interested in the quality of governance, if only governments were siding with us.

2. LOCALISATION

Localisation in economic terms is a matter of dis-economies of scale, because costs of information and implementation can become higher than the economies of scale in large organisations like a government. Bangladesh’s independence from Pakistan has become a textbook case of however-centralisation can lead to the break up of a country.
Bangladesh has seen some attempts at decentralisation, which obviously is difficult given the long tradition of British-Indian and Pakistan administration, which aimed at extracting revenue and, correspondingly, maintaining “law and order”.

In Germany, we talk in this connection of subsidiarity, a principle, which means, that decisions should be made and action taken at the lowest possible level, or, in a multi-tier set up, on the lowest possible tier.

We are tempted to recommend our multi-tier system of political decision making and administration, but have to bear in mind, that the two systems, i.e. in Bangladesh and Germany, are very different, indeed. Firstly, it is the many levels of political decision making and not just administration. Besides the national and European parliaments, Germans elect their local, i.e. village or town, committees, the country (or district) councils and their Länder, you may call them provincial, assemblies; only our Regierungsbezirke, i.e. divisions, are strictly administrative units. And the Bürgermeister, i.e. the chairmen of the village and town committees, are also elected directly. Local as well as regional parliaments also have fiscal power: they can raise their own taxes and decide on spending of the money, although within certain rules. The system is far from being ideal and subject to constant revisions, but generally accepted. It can become complicated: education, for example, is a regional matter and teacher’s salaries are paid by the regional bodies, put the federal government gives subsidies to universities and the local bodies have to co-fund building of schools and bear material costs of schools.
What might surprise you, is the amount of money thus spent by the various bodies: Of all German public spending (1998: DM 1.218.5 billion, excluding social security) 38 per cent are spent by the federal, 39 per cent by the regional and 23 per cent by the local bodies [IDW 1999 :86].

But Germany has not necessarily to serve as a role model: India allows some political power to sub-national levels of government and in Sri Lanka a very stimulating discussion of devolution is going on.

Devolution of power to the local, that is village and town, level is also indispensable when it comes to dealing with the movement of population and economic energy towards urban areas and organising the provision of essential public services in these growing cities. With Dhaka becoming a megacity, we should expect in the ongoing round of urbanisation secondary centres like Chittagong and Khulna to absorb a greater share of the rural exodus.

Devolution of power may also help in disaster management: Natural hazards still lead to disaster in Bangladesh and threaten the very existence of its people, namely cyclones and floods, but also landslides, drought, earthquakes, epidemics etc. Some of these hazards are regionalised but most of the Bangladesh people are threatened by more than one of them. Coping with disaster is not just a matter of single-issue solutions like building shelters or organising relief. The coping capacity is formostly a function of income, wealth and education. Any development automatically also increases the coping capacity. And the same may apply to rural development: Bangladesh still is an
agricultural country and incomes of most of the people rely on agriculture, directly or indirectly. Yields are still low in international comparison; increasing agricultural productivity must be a foremost goal. The World Bank, of course, is aware of this and lists items like poverty, food and water. Education should help in spreading information and, thus increase agricultural productivity. NGOs come in where local institutions are lacking. One could discuss whether NGOs could be substitutes for local government, given the fact that they are often highly centralised and offer very different levels of participation.

3. REGIONALISATION

Before I close let me, please, come to regionalisation: It was an initiative from Bangladesh, which lead to the formation of the South Asian Regional Co-operation for Development in 1985, a step which was welcomed in Germany as in all Europe. Many had hoped, that SAARC would become as successful as the European Union or as ASEAN. After 15 years we know, that things are not that easy. Given the difficulties in South Asia, SAARC has been no mean achievement and certainly had kept channels of dialogue open when official relations had turned into a border war, but if we look at regional trade, there has been little improvement. Exports and imports among member countries amount to not more than 3 per cent of total (aggregate) foreign trade. The percentage is higher for the smaller countries and subject to wild fluctuations. It is difficult to see, how a South Asian Preferential Trading Arrangement (SAPTA) or even a South Asian Free Trade Area (SAFTA) can be realised given the
highly discriminatory trade legislation in South Asia and the deplorable state of relations between India and Pakistan. In this connection, BHAGWATI et al. have been emphasising, "that politicians, and much of the media, often do not understand the distinction between Free Trade and Free Trade Areas", and advocate to "push for world-wide freeing of trade [...] so that the preferences implied by the PTAs [Preferential Trade Areas] are rendered void because preferences relative to zero are zero."[1998 :1146].

Looking at the EU or ASEAN may have led to the wrong conclusions: The economic miracle in the ASEAN states most probably was less the effect of ASEAN but helped ASEAN to gain recognition. If we only look at trade, we find a surprising low share of trade among ASEAN states and if we exclude trade with Singapore, which serves as a regional hub, it is even less impressive. The combination of favourable factors, like endowment with natural resources, prudent decisions in the past (education), favourable external conditions (security, oil prices) and the opening of the economies, made high growth rates in the member states possible.

These developments cannot just be copied in Bangladesh: At independence, Bangladesh's only asset was its near monopoly of the jute market, but natural fibres lost much of their markets to synthetic fibres, and jute lost some of the market to cotton. Recent discoveries of large natural gas fields raised high hopes of Bangladesh becoming a major gas exporter. That may be difficult to achieve, given the technical restraints and India's almost monopoly as a purchaser of Bangladesh gas.
CONCLUSION

Let me summarise: There should be no reason why Bangladesh should not have a bright future. It may not turn golden immediately and there are many obstacles beyond Bangladesh's control, but there are also opportunities for change. Talking of Amartya Sen's entitlements does not mean that the government has to provide the essentials of life, like food, clothing and shelter directly. The government has rather to create and guarantee an environment, which allows initiative and growth to the benefit of all the population. That may not immediately lead to a golden Bengal, but help to escape the poverty trap. That is, of course, not only a matter of economic, but also of social and political development. In order to stimulate a most certainly fruitful and lively discussion, let me conclude with Carl Christian VON WEIZSACKER [1999: 123], who tries to convince us, that the problems of the world will be solved by leaving the lead to economics rather than politics.

REFERENCES


