

5. BANGLADESH'S ECONOMIC OPTIONS

Ashraf Ali, D.Sc.*

5.1 Introduction

This article attempts to address the fundamental problem of economic development in the developing countries. The aim of the article is to expose the logic of the world economic system and place the economic development problem of Bangladesh in proper context. An in-depth analysis of each relevant issue is beyond the scope of this article. A number of the related issues is listed in section 5.6. This list can be used as the basis for further research in the future. When these research topics are referred to in other sections of this article, they are marked as "research topic" within parenthesis. This is because the present author states these points based on general observations without providing any proof, empirically or otherwise. The article ends with a few relevant concluding remarks.

5.2 Definition of Economic Development

We would like to take an unorthodox view of the definition of "economic development" of a developing country. Rather than defining directly in academic terms, we will make an attempt to define economic development indirectly in the following fashion:

We designate the industrialized nations of the world, such as, the G7 countries (USA, UK, Japan, Germany, Canada, France and Italy) as the "advanced" or "developed" countries. If so, then the meaning of the term "economic development" is already defined implicitly. For the developing countries, economic development should mean to initiate policies and programs that would lead them to the economic development paths of the G7 countries.

First, using national factor endowment characteristics, environmental concern and sociocultural issues as excuses, this type of definition may be labelled by some as "mere imitation" or "impractical" or "infeasible". Let us emphasize that this definition is fundamentally correct within the context of our discussion of the economic development of a country like Bangladesh. Second, the article sets out with a definition of "economic development" so that there is a common frame of

* Dr. Ashraf Ali, Senior Research Engineer, ANSYS, Inc., Houston, Pennsylvania, USA, is the President of BDI.

reference for discussion of various issues relating to economic development of Bangladesh. The above definition of economic development is general enough to form the basis for a systematic discussion of the issues.

5.3 An Understanding of World Economic System

Even though socialism is still noted as one of the official state principles [1], let us say that free-market capitalism is the chosen economic system for Bangladesh. It is known that the free-market system has failed to produce desirable results in many developing countries of the world. Why? An attempt will be made in this section to answer this question and thus pose the problem of economic development for the developing countries:

'Competition' remains at the heart of the free-market capitalist economic system. It does not necessarily have to be a perfect competition. 'Competition' breaths efficiency into the economy. Unfortunately, it also tends to create monopolies, in other words, 'competition' infuses predatory character into the capitalist economic system. Capitalist competition within a national border is regulated by the state. For example, mergers and acquisitions are regulated by the state. The state does not take sides in these settlements. However, as mentioned earlier, *competition among different nations* is shaped by the relative economic strengths of the competing nations and here the parent state will definitely side with its own companies.

Competition among the advanced capitalist countries has in many instances resulted into better products, e.g., better cars, trains, televisions, telephones, computers, medicines, and so on. In other instances, serious trade disputes have flared up, e.g., the recent trade disputes between U.S.A. and Japan, U.S.A. and European countries, etc. Note that in most cases the weapon used or threatened to be used in the trade war is "tariff". Unfair tariff structure is certainly an aberration from the free-market principle. Also note that the language of warfare, such as, "trade war", is often used here to convey the message that securing market shares is a very serious business. This is because it implies securing the living standard of the citizens of the respective countries.

On the contrary, competition between the advanced countries on one side and the developing countries on the other has not historically amounted to any fair competition at all; it has principally been a one-sided act. The developing countries have traditionally supplied the advanced industrialized countries with raw materials and the advanced countries have in turn sold their finished commodities in the developing countries. Consequently, the economic transactions of the developing countries have been filled with rent-seeking activities. There are, of course, businesses in

the advanced countries which deal in the foreign-made goods, but the economy is dominated by the production of high value-added commodities. The economy of the developing countries, on the other hand, is unquestionably dominated by the trading of foreign-made goods, i.e., goods produced in the advanced countries.

Capitalist competition leads to a different form of equilibrated relationship between these two types of economically dissimilar countries. Unlike economic competition amongst the advanced countries, the unequal competition here fosters and promotes the rent-seeking class which in turn promotes and fosters a government and a bureaucracy that facilitates rent-seeking activities. According to the rules of capitalist competition, the advanced countries and their companies doing business in the developing countries *together* will try their best not to allow the local companies in the developing countries to become their competitors. Therefore, it would be *unscientific* for the international development agencies of the advanced countries [such as, United States Agency for International Development (USAID), Canadian International Development Agency (CIDA), Swedish International Development Agency (SIDA), etc.] and international organizations fostered and promoted by these advanced countries [such as, World Bank (WB), International Monetary Fund (IMF), etc.] to help the developing countries to formulate and initiate economic development policies that can potentially create competitors [2]. And they do not.

Among other things, one weapon these countries and their agencies can utilize to keep competitors from being created, as mentioned earlier, is to induce the developing countries to put a regressive tariff structure in place. If a fair tariff structure is not in place in a country like Bangladesh, it will be almost impossible for the country to initiate a healthy set of policies to lead her to a higher economic growth path. This can explain why the existing production capacities of sophisticated manufactured goods in Bangladesh does not help her in its economic development aspirations.

It would be relevant to make a few remarks here regarding large projects that are undertaken in Bangladesh under foreign aid. It is alleged that Bangladesh has a high project failure rate. The scientific reason for this may not be difficult to understand: many projects are undertaken in Bangladesh with a view to generating demands for value-added commodities, e.g., capital goods, which are mostly imported. The traders of Bangladesh participate in these projects to extract import commission. The bureaucrats and the government officials participate in it so that they may extract extra income from exporter countries and through the process of issuance of import licenses to the traders. The countries that export these commodities remain satisfied to make the sale of necessary value-added goods. Oftentimes, a much higher price is entered on the import invoice (over-invoicing) which allows the traders, the bureaucrats and the government officials to extract more

commission and more side-income. The three domestic interest groups and their foreign clients (exporters) obtain their shares and the projects fail because the success of the projects was not the objective in the first place (research topic).

As mentioned earlier, protecting market share is a very serious business, as it affects the standard of living of people and the overall health of the economy of a country. Below we postulate three different mechanisms that the international development agencies and monetary organizations, mentioned above, may have been adopting with the objective of eliminating possible competition in the developing countries.

First, the development organizations endeavor to keep the local intellectuals occupied with assignments on unimportant (but seemingly important) and trivial issues (research topic) [3]. As discussed above, the local entrepreneurs remain engaged in trading value-added goods produced and supplied by the advanced countries. In the same vein, the local intellectuals remain occupied in the research works assigned by the development organizations of the industrialized countries and cannot formulate or does not have the time or opportunity to formulate policies of national development. The consulting fees paid by the foreign organizations are usually more than what the local intellectuals earn from their regular jobs. Objectively speaking, under the circumstances, the local intellectuals will not be able to stay away from these assignments.

Second, the advanced countries employ other private agencies such as NGO's to carry out mainly two important functions: (1) to disperse capital, or, in other words, to prevent meaningful capital accumulation resulting in the *stagnation in technological progress* (research topic) and (2) to create effective demand for value-added commodities that can be imported from countries whose development agencies fund these NGO's (research topic). At the moment thousands of NGO's are operational in Bangladesh. The activities of these NGO's range from the capital city to the remote villages of Bangladesh at the very grass-root level, thereby creating a very widespread impact on the country's population [4].

Consider the case of handloom weaving industry of Bangladesh, for instance. There are NGO's in Bangladesh who provide small loans and other assistance to the handloom owners at the household level. It is contended that this is done in an attempt to keep them fragmented so that they stay at the existing primitive technological level without any advancement. These handloom owners are subsistence textile weavers each of whom owns one or two sets of handloom. Sometimes a theoretical argument is given to justify the activities of these NGO's. In the present case the argument supposedly is to test the theory of capital accumulation at the household level. Reportedly a typical successful household weaver participating in these projects accumulated 2 to 3 U.S. dollars

in 3 to 5 years time after meeting other regular household expenses! However, the NGO's involved and their western funding agencies succeeded in keeping the household weavers fragmented, thereby *preventing meaningful capital accumulation* and thus *preventing technological advancement* (research topic).

For a meaningful accumulation to occur that can trigger technological advancement, a mechanism must develop by which individual household accumulation can be put together in a pool. In one such mechanism (and by no means the only one) individual household members may be hired by the group that normally supplies thread and loan to them. Suppose one thousand individual manufacturers are hired under one such group. In 3 to 5 years the group will now have access to about 2 thousand U.S. dollars of additional savings, which he can then spend on purchasing two powerlooms. This will allow the group to enter into a new phase of weaving technique with accelerated growth in productivity. What is more important to note here is that this automation of production will create demand for home-grown manufactured items like powerlooms. It is well-known that local powerloom manufacturers, e.g., 50/60 powerloom manufacturers of Dholai Khal, Dhaka, are struggling hard to survive in the local market [5]. The automation of production in weaving industry is extremely important and key to their success. The example of the handloom industry can be generalized for other sectors of the economy of any developing country.

The on-going NGO intervention at the grass-root level is creating some additional undesirable side-effects on the development process of the country. The so-called socialist-minded groups as well as the environmentalist groups look upon the activities of some of the NGO's favorably. These groups think that the NGO's are helping the rural poor which the Government failed to do. They also think that these activities will create a more equitable income distribution in rural Bangladesh. Since the NGO activities are designed to counter serious industrialization efforts, the environmentalists sometimes falsely label these activities as favorable to the protection of the environment.

This is an irony and a serious twist of fate for many developing nations indeed. As discussed above, the NGO activities are anything but progressive. They are in fact anti-progressive in nature. Many so-called socialist groups in the developing countries mistakenly look upon socialism as a social system designed (a) for the poor population, (b) for equitable distribution and sometimes (c) for austerity. But this notion does not have any resemblance to the political economic theory, put forth by Karl Marx, which is supposed to ensue at an advanced stage of the capitalist mode of production when the latter can no longer be sustained as a viable economic system [6].

After the Second World War, many non-industrialized nations of the world gained political independence from their colonizers. Many of these newly independent countries engaged into "so-called socialist revolutions". So called, because they were not actually socialist revolutions (for scientific explanation for this claim, see endnote no. 6), but nationalist struggle in disguise (research topic). The reason for these nationalist revolutions is rather obvious. Despite political independence, the economies of these countries were being controlled by the former colonizers. The former industrialized colonizers, though not physically present on the soil of these countries, ensured that (1) the flow of raw materials from these countries continues unhindered and (2) these former colonies continue to serve as the markets for their finished manufactured goods. The so-called socialist revolutions, i.e., the nationalist revolutions in disguise were attempts to sever this stagnant relationships. In this sense, the historical and progressive roles of these struggles cannot be dismissed offhand, no matter how it may be termed. However, labelling the activities of the systematic dispersion of capital by the NGO's as socialistic or progressive will be disastrous for the developing countries.

Many NGO's in Bangladesh are engaged in producing drugs, manufacturing synthetics-based products such as chairs, bathroom fixtures, etc. If examined closely, it would be very easy to discover that these NGO's only *assemble* "value-added intermediate" products which are imported from foreign countries that are funding these NGO's. These activities create demand for capital goods at the same time which are also imported from the respective donor countries. As a result, advanced research and high-level intellectual activities are being performed outside, leaving only low-level manual labor to be provided by the workers of the host countries. Bangladesh is yet to see the first *productive employment* of a Bangladeshi with a doctorate degree who would be engaged in the type of work that suits his original training and education. Until and unless the intellectual (mental) work of domestic doctorate degree holders is mobilized through the local production of value-added commodities, neither the socioeconomic development nor the technological advancement of any country will take hold [7,8].

Third, the aforementioned organizations, with the help of world financial organizations like the World Bank (WB) and International Monetary Fund (IMF), attempt to impose certain tax and tariff structures on the developing countries like Bangladesh which adversely affects the local production of high value-added goods (research topic). For example, a nominal 2.5% import tax is levied on the value-added manufactured goods, whereas a huge 50% to 150% import tax is imposed on the raw materials and inputs required to manufacture these value-added goods locally [9,10]. As a result, local manufacturing industries are devastated (research topic) [11]. This type of tax structure is mainly instituted through aid-financed projects. If an aid-recipient country like Bangladesh refuses to go along with such a tax structure, there are direct threats from the donor

countries to discontinue the financial aid program, which may financially destabilize the economy of the recipient country and millions may suffer.

The international development agencies and financial organizations naturally portray the developing nations such as Bangladesh as having problem primarily on the supply side and not on the demand side. But the true picture is quite the contrary, especially in the most important machinery manufacturing sector of the economy [9,10]. *Bangladesh's economic development is principally a demand problem and not a supply problem.* For example, suppose a fair amount of local demand is released because of the implementation of a fair tariff structure (in the spirit of free-market principle). Then, the Bangladesh economy has sufficient existing capacities and has the potential to build future capacities to adequately meet the rising demand.

5.4 On The Choice of an Economic System

Given the realities portrayed above, it is clear that "how a free-market economic system can be established in Bangladesh" should become the challenging problem to be resolved and that it is not sufficient to simply advocate the adoption of a laissez faire or free-market economic system. Clearly the free-market capitalist economic system is not competing against the socialist economic ideology, rather the free-market capitalist system is competing against a trade-dominated dependent and stagnant *capitalist* system. The major political parties, such as, the Awami League or the Bangladesh Nationalist Party or the Jatiyo Party (in their existing forms), along with the existing bureaucracy and the trader class, remain subservient to foreign capital. It is not intended to advocate the formation of more new political parties for establishing a fair free-market system in Bangladesh. However, it must be understood that a laissez faire or free-market economic system is not in the interest of the above groups in their current forms. Then the obvious and most important question, as mentioned above, is: can a fair free-market system be established in Bangladesh at the present time and how? If not, is there any alternative?

The role of state in national economic development is not fully recognized or is downplayed in today's literature on macroeconomics. The case in point is the so-called "Asian Miracle" [12,13] in which the first and second generation Asian Newly Industrialized Countries (NIC's) demonstrated spectacular economic growth mostly under the guidance of the respective state apparatus. For example, Korea did not follow free-market principles to achieve this growth. Far from it. "Korea ran what could fairly be regarded as a form of "state capitalism." This was a command economy where many of the essential decisions of private businessmen were strongly influenced by the state, when it did not simply give orders or act on its own." (page 196, Ref 13). Note that in Bangladesh

and other developing countries, the State, i.e., the government and bureaucracy, serves or are forced to serve the interests of foreign companies. On the contrary, the same State has acted as an agent for serious domestic economic and prosperity in the case of the Asian NIC's.

Despite clear evidence of successful state interventions in Japan and NIC's, the World Bank Publication compiled by Leipziger and Thomas (Ref. 12) attempts to downplay their significance. This publication designates early state interventions in the first as well as second generation NIC's as macroeconomic policy failures. But these interventions are hardly failures. During this period of heavy "state industrial intervention", "Look East Policy" implementation and "pick and produce winners among basic heavy industries", Japan and Asian NIC's built most of their heavy industries and acquired adequate technological strength which would allow them to withstand international competition later on. For example, under the HCI (Heavy and Chemical Industries) drive of South Korea which was launched in 1971, the state increased protection and provided many incentives to firms in steel, shipbuilding, machinery, electronics, petrochemicals and metals. The actions of these firms were carefully controlled by the state. South Korea built enough strength in crucial industrial sectors in a decade and started liberalizing trade in early 1980s.

Similar trend can be clearly noticed in Taiwan's big push in heavy and chemical industries beginning in 1970s, Malaysia's HICOM (Heavy Industries Corporation of Malaysia) drive beginning in 1981 and Indonesia's IPL (Investment Policy List) drive beginning in early 1980s. In all these cases the respective country first gathered industrial technical strength through state instruments and then began liberalizing the economy afterwards [14]. The inefficiencies in these industries were perfected at a later stage after these economies had been opened up to international competition. The World Bank Publication [Ref 12], which summarizes the country studies on these economies, attempts to say that all these countries made policy mistakes in the first phase which they corrected in the second phase. As mentioned above, this explanation is not at all acceptable.

Most often the macroeconomic policies of the Asian NIC's have been described in terms of "export orientation" and "import substitution". In the question of genuine economic development, these designations are however moot. It is known that capitalist economy cannot exist without foreign trade. Therefore, at one time or another, a capitalist economy must export successfully for its very survival [15]. And by the time the economy is ready to successfully compete freely in international market, it will acquire capacities to substitute/produce almost any commodity that it requires.

Although the first and second generation NIC's, including Japan, geared their economic policies and activities mostly under state protection and control rather than free-market forces, yet these economies are but a variation of capitalist economic system and not a communist or a socialist system. Speaking of the first generation NIC's and Japan, Woronoff clearly states that this is so: "This provides a very broad range of "capitalist" economies. In fact, the gap could hardly be wider than between Korea's *dirigiste* economy and the almost pristine *laissez-faire* of Hong Kong. Yet, all of them were solidly on the capitalist side of the fence and even those who went furthest could not be mistaken for communists or even socialists." (page 198, Ref 13).

This article is intended to expose the economic development problem of Bangladesh. It does not propose a solution. As it appears, the free-market system may be desirable for Bangladesh, but it is difficult or almost impossible to achieve under the circumstances. On the other hand, the model of the Asian NIC's requires a strong nationalistic State, which is also an equally difficult proposition for Bangladesh.

5.5 Population control and economic development

Some economists consider the "population growth" as one of the important factors of economic development of Bangladesh. For example, Islam [16] recently makes the following policy statement: "Under the circumstances, the development strategy of Bangladesh must emphasize firstly a slow down in population growth and an achievement of an educated, well-trained labor force; second, a pattern of economic growth which must be heavily employment-oriented and labor-intensive." But "population growth" is not a primary factor for the economic underdevelopment of Bangladesh or any other country. The present author is in agreement with Abdullah [8] on this issue. Abdullah refutes the decision of the Ershad Regime which identifies "population growth" as the "number one problem":

The purpose of this ploy would appear to be twofold: first, to exculpate itself in advance for Bangladesh's economic problems, in effect ascribing them to the people for "breeding like rabbits", and secondly to please donors who like to see third world countries adopting such a stance. (none of this should be taken to imply that we do not consider population growth to be a real and important problem, though hardly "number one"). [Ref 8, page 5]

5.6 Research Ideas on Economic Development of Bangladesh

A number of important research ideas are enumerated in this section. The economists and social scientists may select these topics and conduct detailed investigations on them (a) employing empirical methods on direct field survey data as well as secondary data such as Government reports and statistical handbook, and (b) providing historical evidence from existing literature:

1. Select about top 20 NGO's and study their direct/indirect financial and other activities. In particular,
 - (a) Record the amount of funding obtained from different donor countries,
 - (b) Record the import of value-added commodities from these donor countries due to the activities generated by these NGO's.
 - (c) Record their activities that disperse capital and stagnate technological progress.
 - (d) Record their own or hired intellectuals' theoretical engagements in trivial and distracting issues having insignificant impact on national development.

2. Study and document the workings of the three interest groups in detail with actual evidences, e.g., investigate the large projects that are undertaken in Bangladesh and the demands for value-added commodities, e.g., capital goods, that are generated through these projects. Study the mechanisms by which the three interest groups, such as, the traders, the bureaucrats and the government officials, benefit from the undertaking of these projects.

3. Do literature review on the emergence of the first and second generation NIC's:
 - (a) Write critiques of the books and reports generated by WB and IMF.
 - (b) Provide historical evidence from direct reports of the respective governments of the region.

4. Study the Japanese foreign investment in East Asian countries:
 - (a) Obtain theoretical and implementational details of the foreign investment policies in East Asian countries.
 - (b) Record detailed Japanese investment programs country by country and industry by industry.
 - (c) Record the type and nature of manufactured goods produced in East Asian countries with help of Japanese capital and technology.
 - (d) Obtain data on the sale of Japanese high-tech value-added products in these countries.

5. Study the direct activities of USAID, CIDA, SIDA, etc.:
 - (a) Study the projects undertaken in Bangladesh.

(b) Study the current tariff structure of Bangladesh, especially examine the devastating tariff structure in which a nominal 2.5% import tax is levied on the value-added manufactured goods, whereas a 50% to 150% import tax is imposed on the raw materials and inputs required to manufacture these value-added goods locally.

6. Study the history of the so-called socialist movements in developing countries: China, Cuba, Vietnam, Indian Subcontinent, East Asian countries and show that they are nothing but nationalist movements in disguise.

5.7 Concluding Remarks

It is not enough to state that the adoption of free-market policies will solve the economic development problem of Bangladesh. The economists and policymakers who advocate a plain free-market formula as a panacea fail to realize the magnitude of the problem. The establishment of a fair free-market system will require nothing less than a revolution, the so-called "Capitalist Democratic Revolution". It is, therefore, required of the economists to provide a blueprint on (a) how to reverse the existing course of the economy which is absolutely dominated by rent-seeking activities and (b) how to feasibly implement a fair free-market system in Bangladesh. Secondly, the free-market economists often admire the spectacular economic growth pattern of the first and second generation Asian Newly Industrialized Countries, such as South Korea, Taiwan, Singapore, Malaysia, Indonesia, China, etc. But these economists ignore the fact that all these NIC's principally adopted capitalist development programs and policies that are heavily guided, controlled and monitored by the state.

No attempt is made in the present essay to propose a solution to the problem of economic development of Bangladesh. An alternative plan will be explored in a future paper.

5.8 References and Notes

1. *Statistical pocketbook of Bangladesh 1994*, Bangladesh Bureau of Statistics, Statistics Division, Ministry of Planning, Government of the Peoples Republic of Bangladesh, January 1995.

2. It should be mentioned that the science of capitalist economic system is being discussed here with an attempt to reveal its *systemic* characteristics. It is not intended to incriminate any particular human being or organization in the process.

3. The present author himself was involved in one of such USAID-sponsored projects in 1980-81 in which most of the Professors and Lecturers of the Departments of Civil and Water Resources Engineering of BUET (Bangladesh University of Engineering and Technology) were occupied for about a year to write an English and a Bengali version manual on how to construct earthen roads and drainage canals, how to clear derelict ponds, etc., using indigenous equipments like jute threads, spades, sticks and bamboo baskets.

4. It is well-known that there are questions in different professional circles regarding the "transparency" and "accountability" of the NGO's.

5. "The Manufacturers of Dholai Khal: Their Prospects and Problems", Ashraf Ali, Thoughts & Initiative (A BDI Journal), Vol. 2, No. 1, December 1994.

6. The core scientific thought behind Karl Marx's Political Economic theory can be summarized as follows:

a. *Value is conserved; it cannot be created or destroyed during the process of production.*

That is, similar to the first law of thermodynamics, nothing can be created out of nothing. Input to the process of production can be lumped into two broad categories: human labor (mental or physical) and fixed capital. Let the value of human labor (or variable capital) and the fixed capital be designated by v and c respectively. Therefore, employer's total expense $C = v + c$. The profit comes from the value of extra human labor (designated by $s =$ surplus value) over and above the value v . Today almost all companies use an income measure called the 'annual per employee income for the company'. Suppose a company employs 1000 employees and in a certain year its income per employee is \$150,000. Let the average salary per employee be \$50,000. Thus, $v = \$50,000,000 (= \$50,000 \times 1,000)$. Let the average value of fixed capital mobilized by each employee be \$50,000. Thus, $c = \$50,000,000 (= \$50,000 \times 1,000)$. Total surplus value $s = \$50,000,000 (= \$50,000 \times 1,000)$. Therefore, actual input to the process of production is $C' = (v + s + c)$ which, according to the law of conservation of value, is also the output. The quantity s does not show up in the expense account of

the employer and, as a result, remains invisible. The rate of profit p is computed as:

$$p = \frac{s}{c+v} = \frac{s}{c} \frac{1}{1+\frac{v}{c}} = s' \frac{v}{c} \frac{1}{1+\frac{v}{c}}$$

where $s' =$ rate of surplus value $= \frac{s}{v}$.

b. The ratio v/c may be used as the measure of the labor productivity (numerically inversely proportional) or the degree of automation of the production process or the level of

technological progress of the society. Because of intense competition in the capitalist mode of production, a gradually decreasing number of labor (v) is called upon to process an increasing amount of fixed capital (c). Another name for this process is technological advancement of the society or of the process of production. This process is objective (which was designated by Adam Smith as the 'invisible hand') and cannot be stopped. *It creates a tendency for the rate of profit p to fall.* The process is underway in the industrialized nations of the world and appears to be at an early stage of development even in these so-called advanced capitalist economies. At a truly advanced stage, the rate of profit is depressed to such a level as to render the current capitalist economic system non-viable. Note that according to this theory, the on-going technological advancement, needed to increase labor productivity ever more, plays the critical role in making it happen. This constitutes the central thesis of the Marxian version of the critique of the capitalist mode of production. Thus, it points to the emergence of a new futuristic economic and social order.

7. "On Formalization of Bangladesh's Economy", Ashraf Ali, in *Development Issues of Bangladesh*, edited by Ashraf Ali, M. Faizul Islam and Ruhul Kuddus, University Press Limited, Dhaka, Bangladesh, 1996 (in press).

8. *Modernisation at Bay: Structure and Change in Bangladesh*, edited by Abu Abdullah, University Press Limited, Dhaka, Bangladesh, 1991. Parts of this book bring out the true nature of the problems of modernization in Bangladesh. It is worth quoting a few sentences from there:

"Absence of technological change is symptom and cause, not only of economic stagnation, but of intellectual stagnation as well. Much has been made of the dehumanising and "deskilling" effects of technological change on human labour, but it is our impression that this is frequently based on a sentimental, romantic and quite false vision of the nature of traditional labour processes. only a progressive rise in labour productivity can sustain a progressive rise in wages. Furthermore, in the absence of a close link between academic research in technical fields and industrial application, both suffer. most people would suffer from serious doubts about their worth if the results of their research had no hope of being embodied in a product or a process. the environmental problems that Bangladesh has are due not to technological change but to its absence," (page 57-58). "Rapid industrialisation is not only essential for sustained economic growth, it would also have a modernising effect on society by setting up a demand for new skills, attitudes and work habits." (page 142).

9. *Machinery Manufacturing in Bangladesh: an industry study with particular reference to technological capability*, M. Mozammel Huq, K. M. Nabiul Islam and Nazrul Islam, University Press Limited, Bangladesh, 1993.

10. "Machinery Manufacturing in Bangladesh", Ashraf Ali and Faizul Islam, Proceedings of the 8th North American Bangladesh Convention, East Brunswick, New Jersey, September 2-4, 1994.

11. The low tariff on the imported finished products such as machineries is apparently meant to boost the domestic production of consumer's goods. The only possible rationale behind the unusually high tariff on the raw materials needed to produce machineries locally is to increase government revenue. Keeping in mind what is meant by economic development as defined in the present paper, tariff on the imported machineries as well as on the raw materials clearly appears to be regressive. Consequently, although it is not possible to draw a conclusion on this tariff structure here without further study, it must be taken up as a serious national economic development issue for future investigation and discussion by prominent economists of Bangladesh.

12. *The Lessons of East Asia: An Overview of Country Experience*, Danny M. Leipziger and Vinod Thomas, A World Bank Publication, The World Bank, Washington, D.C., October 1993.

13. *Asia's 'Miracle' Economics*, Jon Woronoff, M. E. Sharpe, Inc., New York, Second Edition, 1992.

14. "Especially in the 1960s and 1970s, several economies exhibited moderate import protection. While such protection in East Asia was usually offset by export incentives, as late as the mid-1980s the effective protection rate for manufacturing was nearly 30 percent in Korea, 50 percent in Thailand, and 70 percent in Indonesia. By the end of the decade, however, these rates had declined substantially, to the benefit of exports and the economy." (page 14, Ref. 12).

15. This remains true despite the argument to the contrary that the bigger the domestic economy, the smaller the foreign trade (For example, foreign trade is only 12 percent of the overall United States economy).

16. "Foreword", Nurul Islam, A Foreword to *Development Issues of Bangladesh*, edited by Ashraf Ali, M. Faizul Islam and Ruhul Kuddus, University Press Limited, Dhaka, Bangladesh, 1996 (in press).