

Report No. 86

## **Towards an Inclusive Globalisation**

Publisher

**Centre for Policy Dialogue (CPD)**

House No 40/C, Road No 11 (new)

Dhanmondi R/A, Dhaka-1209

Bangladesh

Tel: (880 2) 8124770, 9141703. 9141734

Fax: (880 2) 8130951

E-mail: [cpd@bdonline.com](mailto:cpd@bdonline.com)

Website: [www.cpd-bangladesh.org](http://www.cpd-bangladesh.org)

**First Published** July, 2007

Copyright © Centre for Policy Dialogue (CPD)

Price Tk. 35.00

ISSN 1818-1538

---

The Centre for Policy Dialogue (CPD), established in 1993, is a civil society initiative to promote an ongoing dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such dialogues at local, regional and national levels. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional group in civil society within a non-confrontational environment to promote focused discussions. The CPD seeks to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of the CPD include **The Independent Review of Bangladesh's Development (IRBD), Trade Related Research and Policy Development (TRRPD), Governance and Policy Reforms, Regional Cooperation and Integration, Investment Promotion and Enterprise Development, Agriculture and Rural Development, Ecosystems, Environmental Studies and Social Sectors.** The CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns. With a view to promote vision and policy awareness amongst the young people of the country, CPD is implementing a **Youth Leadership Programme.**

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has decided to bring out CPD Occasional Paper Series on a regular basis. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest will be published under its cover. The Occasional Paper Series will also include draft research papers and reports, which may be subsequently published by the CPD.

As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of the dialogue on ***Towards an Inclusive Globalisation*** held on 26 December 2006 at the BRAC Centre Inn Auditorium, Dhaka. The dialogue was organised under CPD's TRRPD Programme.

**Report Prepared by:** *Dr Habibur Rahman*, Research Fellow, CPD.

**Assistant Editor:** *Anisatul Fatema Yousuf*, Head (Dialogue & Communication), CPD.

**Series Editor:** *Professor Rehman Sobhan*, Chairman, CPD.

*Dialogue on*  
**Towards an Inclusive Globalisation**

**The Dialogue**

The Centre for Policy Dialogue (CPD) organised a dialogue entitled *Towards an Inclusive Globalisation* on 26 December, 2006 at the BRAC Centre Inn Auditorium, Dhaka. The key presenters on the theme were the Nobel Laureates Professor Muhammad Yunus and Professor Amartya Kumar Sen and an eminent US philanthropist and global financier Mr George Soros. The dialogue was chaired and moderated by the Chairman of CPD Professor Rehman Sobhan. After the welcome address by the Chair the three panel discussants shared their views on key aspects of globalisation. George Soros addressed problems associated with globalisation while Professor Sen and Professor Yunus focused on how globalisation would address the issues of 'inclusion'. Following this the floor was opened for discussion by participants who included academics, policy makers, entrepreneurs, development activists, journalists and other professionals. This report offers a succinct resume of the presentations made by the three panelists and the exchange of views and ideas among the participants which followed the presentation. (A list of participants is attached.)

**Welcome Address by Professor Rehman Sobhan**

CPD Chairman expressed special appreciation to the assembled distinguished guests for coming to the dialogue. He particularly expressed his appreciation in having Professor Yunus, also a member of CPD Board of Trustees, as a panelist in the discussion and termed him as 'a figure of national reaffirmation in Bangladesh'. Professor Sobhan added 'we feel great pride in having him with us; particularly, after his return from Stockholm, we see him here in Bangladesh as a recognition not just for all that he has done but all that is possible in Bangladesh'. He introduced Mr George Soros, the founding Chairman of the US based Open Society Institute as one of the leading philanthropists in the world who has been supporting a wide variety of initiatives for promoting democracy, human rights and other development related initiatives. He added that 'his great achievement through his Open Society Institute has been to underwrite democratic renewal across the world and in this sense his contributions have been quite singular'. His entire range of distinguished contributions included well known and highly provocative books such as *The Bubble of American Supremacy* and then *Understanding Democracy*, *Open Society* and a number of books where he addressed the pitfalls of globalisation. His latest contribution is on *The Age of Credibility: Consequences of the War on Terror*'.

Professor Yunus is unique in the sense that he has observed globalisation as something that has many positive dimensions and he wants to see that this process can be made to work for the dispossessed and the resourceless around the world. He has demonstrated how this could be done through his own work and his thinking. On the other hand, Amartya Sen created an entire field of literature around the issues of equity and justice and how the processes of globalisation ought to take cognizance of this.

Professor Sobhan pointed out that CPD has been mediating debates on equity and justice and other related themes since its very inception in 1993. CPD has also attempted to bring these and a wide range of other issues related to subjects such as globalisation, inclusion, participatory development into public discourse. He mentioned that CPD has always tried to make the debates as inclusive as possible which brings together a broad constituency of people from various backgrounds as well as various political and disciplinary persuasions to make this a genuinely interactive discourse.

Professor Sobhan concluded his introductory remarks with the hope that in the forthcoming election the political process will allow people of credible backgrounds who are genuine representatives of the people and are acceptable to the electorate to participate in the elections. With this background Professor Sobhan spelt out the format of discussion and invited George Soros to initiate the dialogue.

***Agency problem was the major problem with globalisation- George Soros***

George Soros thanked the organisers for giving him the opportunity to engage in the dialogue. He looked forward to benefit from what Amartya Sen had to say on the subject. Terming himself as a ‘constructive critique of globalisation’ he said that he would like to share with the participants some new ideas that he was in the process of developing. He was interested to use the discussion as an opportunity to improve his understanding about the subject of globalisation.

He started with the concept of the open society which is derived from Karl Popper. This he said, is basically an epistemological concept and not really a political one. He defined an open society as the one that recognises that our understanding is inherently imperfect and nobody was in possession of the ultimate truth. He added that no human construct is perfect and there is a flaw in every human construct. Generally speaking when one form of social organization is proved to be unacceptable people turn to the opposite and expect it to be perfect. But that is a fallacy because no human construct is perfect.

Soros viewed globalisation as basically a ‘market fundamentalist project’. The prevailing form of globalisation basically took shape and took off around 1980 when Ronald Reagan was the President of the United States and Margaret Thatcher was the Prime Minister in England. He considered it a very successful project for putting the ultimate reliance on markets due to the fact that it allows for the free movement of capital, particularly financial capital. This means that it’s difficult to tax or regulate capital because it can go somewhere else. But the same doesn’t apply to people because they can’t move in the same way. Therefore, since capital is an indispensable factor of production governments have to go out of their way to satisfy the requirements of capital even giving it preference over the requirements of their people because people can’t escape with the same ease as capital can.

He felt that he was someone who was a critic of market fundamentalism because he thought that the idea of allowing everyone to pursue their self interest because it will serve the common interest assumes that markets are at equilibrium and were able to ensure optimum allocation of resources. That was not true for financial markets because financial markets don’t tend towards equilibrium because equilibrium would require perfect knowledge or at least perfect information. But that is not really enough to make the decisions that need to be made in financial market. This is because of the fact that in financial markets we anticipate the future and the future depends on how we anticipate the decisions of the participants in the financial markets. Therefore, without that kind of knowledge we can’t know the future. They have to apply a bias and the bias can be self enforcing and lead to boom bust sequences. That’s one thing that’s wrong with it. *Secondly*, it assumes a certain initial endowment by the market participants and thus lacks virtually any capacity to bring about social justice. *Thirdly*, markets are very efficient in allocating resources among competing private needs. But they are not designed at all to provide public goods. There are certain public goods that are needed and these are external to the decision making process because no private person wants to pay for them. Even if some do, others won’t and there will be free riders. Therefore, public goods are not properly provided. So, if it is assumed that maintaining stability in financial markets is a public good and social justice is also a public good, it could be said in broad generalisation that the flaw in relying on markets is that they do not provide public goods. Soros added that providing these public goods involves a political process and argued that there is a need for political involvement in the economy.

Talking about the problems with globalisation he pointed out that the state is now less able to raise taxes and to regulate than was the case in the past. He stressed the need for

international institutions to deal with a globalised market. Soros mentioned these as the basis of his criticism of globalisation.

Another issue that Soros raised is the problems of governance and behaviour of states and international institutions. He has been increasingly aware of these problems because of his practical involvement in promoting democratic open societies. He also put forward his experience in the former Soviet Union and particularly in the Eastern European countries that have become open societies and joined the European Union. According to Soros, in these countries, the political process is not working very well and that corruption has become a major issue. So there seems to be a flaw in the public provision of public goods and he identified it as basically an agency problem. The governments or even international institutions are supposed to be agents for the people whom they represent. But they are guided by self interest instead of the interests of the people. He considers it as the source or the definition of corruption- the appropriation of public goods for private purposes or the exploitation of public position for private purposes.

Soros observed that developing countries that are rich in natural resources are very often as poor as countries that are less endowed. They have either corrupt governments or have other forms of exploitation. So in many cases they are worse off than countries without those resources. In analysing the reasons for the resource share, Soros referred to Stiglitz who talked about asymmetric information and mentioned that the international oil and mineral companies now enjoy a lot more asymmetric bargaining power. He mentioned that there is also an asymmetric agency problem which is even more important than the other two asymmetries because the management of an oil company or a mining company act as faithful agents of the companies and serve the interests of the companies very well. He observed that the mining company executives can fight corruption until it comes to the question of obtaining concessions. This is because of the reason that when someone obtains the concessions he can then produce without paying bribes. Therefore, there is no agency problem on the part of the companies that are engaged in the business. But there is a very serious agency problem on the part of the rulers because they sell concessions. Moreover, the governments of the developed world back the managements of the oil and mining companies in obtaining concessions. So, there is an asymmetric agency problem.

Referring to Sen's paper and his own experience in Eastern Europe Soros mentioned that 'this is a wide spread and general problem not only in the resource rich countries but in resource poor countries as well'. It means there is a flaw in the institutions involved in the political process which Soros termed as an 'agency problem'.

He basically pointed out two problems – one is not providing public goods and the other one is the agency problem. Agency problem is a very serious one as the well functioning governments do not want to be exposed to criticism by dealing with the agency problem. Soros mentioned this kind of risk aversion as another factor that makes government's involvement with development very inefficient. Therefore, he stressed on reconciling these two flaws.

He also thinks that, leaving the reconciliation issue to the governments would be extremely inefficient. The way to reconcile this is if one can rely basically on the market mechanism to the greatest possible extent in order to avoid this agency problem and bring the externalities into the decision making by providing incentives or imposing taxation.

Regarding the extent of private participation in producing public goods Soros said that there is no general rule that one could prescribe because a lot depends on the culture and context in which the decision has to be made. For example, health care is a public good. But to what extent one should rely on private participation will depend a lot on the culture of that society. When there is a culture of corruption then relying on the market and abolishing most of the regulations can unleash tremendous dynamism. He viewed that in a well established merit based bureaucracy there is more room for relying on that bureaucracy. He said 'I don't think there is a general rule but I think there is a sort of framework in which one can make decisions. This may be useful, but I don't know how'.

***I am anti-anti globalisation but not also pro globalisation -Professor Amartya Sen***

Professor Amartya Sen thanked Professor Rehman Sobhan for the opportunity to share his thoughts and spoke highly of Professor Yunus and George Soros for their contributions in world development. He appreciated the contribution of George Soros for his skill in doing what he had done, the innate humanity in him and the generosity with which he spends for all the good causes. He admired the clarity of his thinking.

At the beginning Amartya Sen said that both Soros and he share the same prejudices though at the same time there are differences between them. Sen mentioned that he and Soros used agency in two completely different senses. Soros used agency as modern economists tend to use it, namely the principal who tries to get something done. An agent is like a manager or somebody who is asked to do something. The manager has some objectives of his own and therefore, the principal may not get everything done because the agent cannot assume to be pursuing the principal's interest. It differs from those who are interested in economic theory from the classical models of socialistic economics, by Oscar Langer or Balassa, where every agent is acting as the principal. He said that it is a

big change and thought that the economics literature has done well to have studied it. On the other hand, it is a big problem. He said that he used the term 'agent' in the mediaeval European sense of agent versus peasant. Agent is the one who gets the thing done including who does the thinking. In that case what the economists call principal is often actually the agent. They are the principal agents. The others are subsidiary agents. That is how Sen wanted to see the distinction.

Referring to the two main issues that Soros discussed i.e., *open society and globalisation* Sen said 'Open society is something to which I am very committed'. In this regard he mentioned Karl Popper's book on open society and termed it as 'a very fine book and at the same time a very flawed book'. In this book Karl Popper mentioned that every human endeavour is flawed and that would have included *inter alia* himself. But the flaw, as Sen pointed out, was not what he said positively about the importance of open society. Those were the things that were quite salutary for many people. He felt that the flaw is, it may also divide Soros and many people who come from a broadly left radical background generally from East Europe in particular or Europe in general from South Asia or Asia. He does not think that Karl Popper really possessed a kind of anti communism ideology. Referring to the communist movement in India, Bangladesh, Chile, South Africa, Mozambique and Vietnam he said that it was the main opposition party and a globalist movement which did not turn people to religion. Sen pointed out that this particular issue has now become a big one in the electoral context here. People died in large numbers in Chile and communists were shot down and killed by Pinochet. That had inspired many people but unfortunately this particular aspect did not get any recognition in Karl's writings, according to Professor Sen. He thought that Karl Popper had an intensely non-globalised view of what opposition parties did. Since communist parties are not powerful anywhere excepting West Bengal, they do dramatically better as opposition parties than they do in office. They do sometimes reasonably well when they are fighting in Vietnam or as in China. They changed their policy altogether, after doing not so badly compared to the Soviet Union, but then increasingly got into more and more questionable situations which produced some total horrors. That's the difference of perspective and why Karl Popper never had any appeal to many people. Giving this background he said that 'as far as open society is concerned it is a wonderful book'. He pointed out that the arguments Karl Popper has given in favour of the open society are strong and powerful. Sen added that lack of democracy, lack of openness, inefficient use of the market, too much suspicion about institutions were the major problems with the communist regimes in countries such as the erstwhile Soviet Union.

Recognizing the need for giving the market its due Sen said that though Yunus and Abed were quite suspicious about the market economy they also knew that there was no other choice but to use and involve the market. Playing the market is needed for empowering women. He mentioned that micro credit has allowed women to come to the market and work. BRAC and Grameen Bank are involved in creating employment opportunities, and providing educational facilities. Recalling from his tour experience around different parts of the country Sen said 'I was most impressed by the extent to which the civil society was changing the nature of the traditional society, the face of activist society was changing the traditional society in this country'. He expressed satisfaction with the achievements in Bangladesh in the areas of life expectancy, fertility, infant mortality. For these achievements he gave special credit to the efforts of the civil society, the micro credit providers like Grameen Bank and the NGOs like BRAC and similar other organisations.

He thought that not taking an open view about the market economy at all was a real mistake in the communist countries. He also criticized the Chinese example of market economy that includes everything including health care and medical insurance. He said that health is a public good like providing epidemiological services. The market economy is not very good in distributing the private good (if the disease is infectious, it is considered as a private good). He considers the private healthcare distribution issue as a real and absolutely sensible issue.

Talking about globalisation, Sen stated that he considered himself to be 'anti anti globalisation' and at the same time not also 'pro globalisation' like the market fundamentalists. He criticized anti globalisation as a 'slogan only campaign'. He thought that when people have become most skeptical of the possibility of using reason in politics they remained unreformed but enlightened which is very much subcontinental. He also mentioned that Buddha, in 600 B.C. was called enlightened which was thought to be very much a subcontinental virtue. He observed that our attitude to enlightenment also requires us to not be anti globalisation because as far as the history of the world goes, ideas move from one place to another and light up places. He pointed out the influence of Chinese and Indian and Arabic mathematics on the nature of western science. He added 'Globalisation has been such a force for making the world what it is now and it also requires so much assertion when sectarianism, whether it be hindutva in India or islamic fundamentalism in this country, tries to split us up and go against this globalisation'. He mentioned that 'we have a need to usurp the importance of globalisation of ideas generally so that being generally anti globalisation will be a mistake'. He said that if people were really anti globalisation they would have stayed in their own countries and protested against globalisation instead of coming to places like Geneva, London or

Montreal. They traveled to Geneva and Montreal because they think that there is inequality in the world which they want to protest. This is a global virtue too. He thought that globalisation is also bringing global ethics into the story. Pointing to Soros Sen said that as the principal practitioner of a global ethics his money doesn't only go to America but is also spent for the bettering of the world which is a globalised commitment.

Another point that Sen made is that people are more suspicious about the market than is justified. In this regard he pointed out that Yunus and Abed were more visionary as they saw the need for playing the market earlier than many. He noted that in the Indian, or Bangladeshi or Pakistani context, market economy is not to be trusted as a slogan and market fundamentalism would be absolutely unacceptable. He also stressed the need for auditing of the market as an institution. He said 'we have to see to what extent it serves our interest. If it does we will play the market and if it doesn't we will not'. These are the reasons behind his 'anti anti globalisation' which should not be confused with market fundamentalism.

On globalisation itself he said he believes in dialectics. He mentioned that quite a lot of the changes that took place in Britain under Thatcher were reformed by the Labour Regime of Tony Blair. As for example, the present Labour Government has successfully introduced reforms in the National Health Service, which even the United States couldn't do. Sen however criticized the policy of marketising everything like the post office and railway, and said that they paid heavily for it. In this connection he referred to the book by John Ducas, a German Professor of Political Economy, on privatization where he observed that in the absence of competition privatisation never really works.

Sen said that he liked the dialectical engagement without actually subscribing to the views that began the dialectics. So he is anti anti-globalisation in favour of dialectics which has taken him back to the issue of open society. He added that it should be discussed whether every idea is necessarily salable. He also wondered whether any human agency can get to that position by mistake or by fluke. Finally Sen emphasized the importance of dialectics and an interactive intellectual discourse like the present one.

***Globalisation is a super highway which should also accommodate the slow moving vehicles like the 'rickshaws' - Professor Yunus***

Professor Yunus stated that he is honoured to be included in the discussion panel with Soros and Sen. He started his presentation by saying that Bangladesh is a country with a lot of civic activism. A wide variety of enterprises, and sometimes individual persons have been taking initiatives to change the lives of the people in the country. Sometimes

they do not agree with each other's approach but they work together with a common objective. A lot has been achieved and a lot has been learnt because of that.

On the subject of globalisation Yunus said 'I am actually an outsider and a distant kind of viewer rather than an academic or a researcher in that fashion'. Referring to Sen's position as 'anti anti globalisation' Yunus emphasized on 'right' globalisation versus 'wrong' globalisation'. Comparing globalisation with the wind he said that this is something which cannot be stopped. He added that efforts have to be made to make it work the right way though everything is tacked to make it happen the wrong way. Referring to market fundamentalism Yunus said that letting the market take care of everything means the most powerful, the richest and the biggest will take it over. They will monopolise the whole market and the majority will be at the mercy of those people. In this regard he said that this is not a good scenario where only 2% of the people control 50% of the total assets of the whole world. Therefore, he stressed on the need for a globalisation in the right direction which currently is moving in the wrong direction because nothing is free for all. He regretted that the rules and regulations of globalisation are framed by the strongest group of the people in the world whereas the larger section of the global people have no role in the process. Defining globalisation as a super highway with enormous lanes and tunnels he said that this highway should accommodate all kinds of traffic including the slow moving vehicles like 'rickshaws'. He, however, stressed the need for certain traffic rules and an authority like the traffic police, for looking after the globalisation rules, so that all can get a fair chance. He pointed out that there is no traffic rules in globalisation and that is where it goes wrong. An agreement among all not to harm the bulk of the population where they live can be one of the traffic rules. A separate agency, on the lines of the United Nations, may be created which will talk about what things are to be protected and the way of protecting these. These are very important issues if globalisation is to be destined in the right way.

Yunus also mentioned the issue of technology. Today the big businesses are controlling technology which will be commanding and creating the future of the entire world. He said 'it is at their command and they create what they wish. And that technology will be twisted and biased against the majority population of the world in such a way that at a later date if you want to correct it, it will be impossible to do so'. Giving the example of the information technology Yunus said that 60-70% of the world population have no access to it which remains biased towards the privileged group because they create the market. So the economy is revolving and expanding in a dramatic way whilst the bottom level and the larger segment of the population are stagnating and remaining where they are.

He laid emphasis on setting up a center for information technology to remove global poverty. This would help the people at the bottom to access information about the negative implications of globalisation while using its opportunities to improve their own life, participate in the globalisation process, and derive some benefits from the globalisation process.

Yunus also pointed out that the route of globalisation is also in the wrong direction and we should attempt to make it take in the right direction. He mentioned that since the market is in the hands of the rich all the products which have generated the innovativeness, all the creativity that comes into the market place, all benefit them. The goods and services are designed for them. Some of the spill over comes to us which is again distorting our lives because we did not really need those things. Because of their money power and also manipulation power they try to push these products on us thereby distorting our tastes and our markets, in the name of globalisation. The needs which we should be working to meet are relegated to the backburner and the front burner is taken over by something which we could live without which is making the non issues the prime issues in our life. They make issues because of their campaign power, and marketing power. 'This is the distortion made by globalisation which we are really afraid of.' This distortion comes because of the way we have designed it. It's a free for all globalisation where the powerful can decide what they want. He regretted that we watch their television shows, we notice everything they produce for us but we are nobody in the picture. Yunus stressed the importance of addressing these issues.

With regard to the state actor, the public goods, the private goods issue and the fallibility of all human constructs, Yunus said that the very economic structures that are built for ourselves, are faulty. Focusing particularly on the concept of business or the concept of an entrepreneur he thought that the way the theory is postulated that 'a businessman is someone who goes into business to maximise his profit only' is a distortion of reality. Yunus said that this is too narrow an interpretation. A human being is much larger than that, they can do a lot of other things which have been ignored within the framework of economics. He gave another definition of a businessman – a person who likes to do good without expectation of having any profit and felt that such a perspective should be introduced into the textbooks of economic theory in the form of 'nondividend, nonloss company'. He cited the example of healthcare which in his words 'is in shambles for the poor people in every country'. He regretted that despite investing millions of dollars, healthcare facilities are not reaching the poor people. It is not just the state that is an activist but the individual citizen has to also be given the role of an activist. 'As an

individual, as a company, as a business we are trying to address the same issue that the state is addressing'. He added that if someone wants to do something productive he or she should be allowed to do it in a way that sustains itself and also runs by itself. Incorporating many such issues into the picture will provide solutions to our problems. Stating his position he regretted that we are stuck with the state and market fundamentalism which are producing the horror stories. At the end Yunus suggested the need for reviewing and revisiting the very structure of the theory and emphasised that we have to incorporate the right kind of human being and the right kind of structure into our redefinition of globalisation.

At the end of the panel discussion Rehman Sobhan injected a couple of ideas for open floor discussion. Referring to Yunus' definition of globalisation as a superhighway he mentioned that every country participating in globalisation should have appropriate vehicles to run on the superhighway of their economy. He raised a pertinent question: how to provide knowledge, technology and capital to the resource poor in these countries so that they can participate in the market. In this connection he brought up the example of Mr Mukesh Ambani, India's biggest businessman, who is planning to globalise small farmers and small shopkeepers from all over India. He has been attempting to link them to a global marketing chain which he has already established. He will provide them with market outlets, technology upgradation and intermediate and final inputs to incorporate them into the modern marketing and production process. This is an extraordinary process of promoting globalisation within the market framework where a much broader constituency of players who have been isolated from globalisation are in fact going to be affected. Sobhan suggested going one step beyond Ambani' initiative, to restructure Ambani's corporate enterprises so that the small shopkeepers and small farmers could be accommodated as share holders of up to 30-40% of the equity. They will, thus, share in the value addition process of modernization and globalisation. This sort of initiative can also provide 2 million poor garment workers of Bangladesh with a share in the value addition process of globalisation where they can become the business partners of the country's highly successful export industry. This can make the poor and the marginalized the direct players in the market economy and in sharing the benefit of value addition associated with this process. These initiatives need not be seen as charitable acts but opportunities for promoting a more inclusive globalisation where financial markets should extend credit to the poor to buy into the market. The resource poor of Bangladesh and many other countries have already proved themselves to be highly creditworthy.

### **Open floor discussion**

Upon completion of the presentations by the three key panel discussants there was a lively and insightful exchange of views, ideas and suggestions among the participants representing a range of views. The major focus of the discussion was on different issues of globalisation relevant particularly to the poor countries of the world. A succinct summary of the major issues mooted in the dialogue and arguments put up in support of their respective views is presented below.

#### ***Link between market and the state***

Referring to the presentation by George Soros Dr Q K Ahmed, President, Bangladesh Economic Association pointed out that there is a missing link between the market and the state. Ahmed also asked whether Soros agrees to what Sen has suggested when he said that the international financial architecture and international governance have to be reformed in order to make globalisation inclusive but that nothing much has happened in this regard. He also asked Soros, how in order to improve the position of the poor, the issue of the multiple stresses that these people suffer in the poor countries, can be addressed.

Talking about the market George Soros pointed out that there are many distortions in the present system where the authorities did not play their role. Tax on carbon abatement, for example, could control global warming but it was not imposed. On the other hand, when it comes to intellectual property rights, particularly in the field of medicine, markets play a very unfortunate role, because they create monopoly instead of competition. So, there is something wrong there, the way markets are currently structured.

Soros also pointed out that the division between market and authority is not appropriate. He added that there is a serious problem as to what authorities we are considering here. He mentioned that there is a serious problem because the authorities used to be the state. He added that though the economy is globalised, the political system is still based on the sovereignty of states and this is no longer appropriate. The states can no longer fulfill the functions for which they were called upon in the past because of the free movement of capital and its easy escape from regulation. In this regard Soros stressed on strengthening international organizations. He said that there are better international institutions for regulating the economies than there are for regulating political and military affairs. He feared that the political order based on the sovereignty of states is disintegrating into a world order and the political dangers now outweigh the weaknesses of globalisation by a large margin.

### ***Playing field for the people also***

Meghna Guha Thakurta, Executive Director, Research Initiative Bangladesh (RIB) raised the question as to whether we have abandoned the idea of markets or alternative forms of business transactions at a globalised level now that the Soviet Union tried and failed as an alternative to the international capitalist system. Even China has also abandoned its anti-market system. She also wanted to know about ideas that would address the issue of alternative paradigms to the dominance of the market at the global level.

With regard to transfer of ideas Meghna said that when ideas do percolate through the market, they fall into the trap of the market itself. For example they project certain values over others, they are power centers which control ideas. Referring to the issue of transfer of ideas between West Bengal and East Bengal she added that more books by the Indian writers are being sold in the Bangladesh market than the books written by Bangladeshi writers are sold in the Indian market. She thought that such market induced trends need to be resolved so as to bring about a more balanced exchange of ideas. She asked Professor Sen how he would address such problems.

Responding to the issue raised by Meghna regarding the movement of ideas through the market Sen said that he is not sure whether it is the market mechanism because of which the asymmetry has developed. He however, doesn't see it as a major conspiratorial problem in the world. He added that the big issue should be basically how to make more rational allocations in the market economy. He regretted that there isn't going to be a solution to the problem. Sen also expressed his skepticism about the establishment of any control organization at the global level. He added 'the question is what we have to guard against'.

Meghna shared the same view with Sen on the youth fighting the WTO issues at Seattle and Geneva and maintained that only the transnational or the multinational companies should not be the players in the international field. She added that people from different parts of the world can also form groups and organisations and strengthen their solidarity across borders. The playing field should also be given to the people, not only the entrepreneurs.

### ***Global regulatory institutions***

Dr Mirza Azizul Islam, Former Chairman, Sonali Bank said that there are some institutions at the national level who attempt to correct some of the failure of markets either by directly providing public goods or trying to set up some kind of regulatory regime to minimize the potential disadvantages of pure private actors/efforts. These

institutions are obviously flawed, and lack of competition exists. But at the global level such institutions are simply nonexistent. In the area of trade, there is an institutional arrangement embodied in the WTO. In the area of FDI there is no such global institution. Global institutions like OECD and WIPO are not really looking after the interests of all the member countries or the people of those countries. Instead they tend to protect the interests of the transnational corporations.

Given this scenario, Islam noted that to make globalisation inclusive a lot more needs to be done at the global level for creating new institutions. He pointed out that the initiative for forming an Asian Monetary Fund was torpedoed by the US and others which could have provided some kind of market competition to the IMF. He iterated the need for creating new institutions to address some specific transmission mechanisms of the globalisation process and provide competition to some of the existing institutions so that one set of ideas do not dominate the entire global scene.

Mr Sayeeful Islam, Former President, DCCI also suggested the need for regulating the globalisation rules where the small countries will have the same voice as the big ones. He suggested that there should be certain standards to monitor the impact of globalisation on the country. Referring to the technology issue Islam pointed out that free mixing of ideas allowed by technology might affect social cohesiveness.

In response, Sen emphasized on the need for changes in the scenario. Referring to the agricultural policy of the US and Europe which he considered to be silly, he said that a pro-market move would be able to abolish the agricultural subsidy. But it is not taking place because of vested interests in the global agricultural business. We have to see to what extent these interests could be exposed in the media and what else we can do to deal with the issue. He added that there is a global force of the market economy on our side. He mentioned that WTO couldn't deal with pharmaceuticals and the patent issue and we are really having an odd system whereby medicine can be produced extremely cheap but is not accessible, within the prevailing market rules, to those who most need it. There is of course a problem. With regard to the research cost issue, Sen said that what we are looking for is an innovative system, some kind of dual pricing system whereby we can buy things more cheaply in Africa than we can in America. There is a possibility of slippage problems from one market to the other which can also be addressed by some kind of tax. Another very important issue which he pointed out is that research is driven not only by greed for making money but also glory, and even the common good, so market forces do not always condition such research.

Responding to the issue raised by a couple of participants regarding global institutions Sen thought that it is intrinsically limited in the sense that we can see the problems but the solutions are not easy. In this regard he mentioned that the international organizations such as the World Bank and the IMF are composed of asymmetric power of the bigger and richer players and it is difficult to get any positive action from them. For a more workable system unanimity or consensus of all the countries is needed, which is not going to be easy.

### ***Pro poor market***

Professor Wahiduddin Mahmud, Former Advisor to the Caretaker Government said that a small receiving country like Bangladesh hasn't got much to do about setting the global rules and has to adjust to the situation and try to make the most out of it. He pointed out that the consensus of countries such as Bangladesh and other South Asian countries is that they are anti-anti market but not unconditionally pro market. Professor Mahmud then raised the question as to the ways and means to make markets pro-poor.

### ***Media has an important role in globalisation***

George Soros expressed strong dissatisfaction with the role the media is playing in the contemporary world and pointed out that some of the problems of globalisation could have been solved had the media performed its role as it did in the past. He added that the media is a business but it is also an essential institution of an open society because it is important for critical public debate on different issues. He referred to the instance of establishing foundations in the former Soviet Union where creating and strengthening an independent pluralistic media was an important objective. He regretted that the US has been a problem in maintaining a pluralistic and independent media due to the concentration of ownership. Basically people want to be entertained and not informed and therefore effectively information is turning into entertainment due to the play of market forces.

Sen somewhat disagreed with Soros on the issue that media is a big problem. He mentioned that the journalists find it difficult to finance their newspapers or news magazines. So they have to rely on advertisements and with that the question of influence by all kinds of forces comes into the story. Despite all these problems Sen expressed satisfaction with the role of the media and in particular the development of the media in the subcontinent particularly in India, Pakistan and Bangladesh. The newspapers in these countries cover a lot of anti government news that are not covered by the American press, said Professor Sen. He particularly pointed out that the print media in Bangladesh enjoys more freedom compared to India, which is also a democratic country.

On the issue of improving the situation Sen said that we are looking for an alternative system like the market economy. He believes that media businesses are not always dominated by the profit motive, there are all kinds of things, e.g., the glory of the managers. He mentioned that incentives - both profit incentive and real incentive- are important. Only profit incentive cannot make these journalists take so much of risk in covering news, and they are of course completely dedicated to their profession. Sometimes they are dedicated to making a name for themselves to get prestigious awards e.g., Pulitzer Prizes. He pointed out that there have been incentives versus equity which is a wrong thing.

### ***Social Business and Social Stock Market***

Deliberating on the presentation by Yunus, Soros said that there is also something wrong with the sharpening of competition which really forces businessman to pursue profits and excludes all other considerations. There is room for other forms of business to evolve which are more humane. But it is very difficult to introduce considerations of humanity into publicly owned corporations, because of sharpening of competition and the shareholders exercising their rights. These do not necessarily coincide with the public interest.

Responding to George Soros, Yunus said that the publicly owned companies can't respond to this situation and this could serve as one of the justifications for social business. He also suggested building of parallel institutions including a social stock market. This kind of stock market will create opportunities for people to invest in companies which are doing good for people in terms of giving health care, providing drinking water. The stock that they will buy will help the company to implement its objective of doing good to people. So the company and shareholders will serve a common purpose. In this regard Yunus mentioned about a social business he was associated with. It was a social business launched in Paris. This is just like any other company but they make it upfront clear to the people. The mission of the company and this investment will be social businesses where buying this stock can get the investors up to 3% of the total profit but the rest of the profit will go to fund social purposes. This isn't profit maximizing in the conventional stock market but it combines profit with social purpose which may appeal to many socially conscious investors.

### ***Solar energy and bio-fuel got stuck***

An important point that Professor Yunus brought up is related to 'technology'. He shared the experience of his initiatives for establishing bio-fuel plants in Bangladesh which was

important in view of the high fuel demand and fuel crisis in the country. He regretted that no bio-fuel company responded positively to his initiative because it did not fit into the priority of their technology development. He also spoke about his experience in promoting solar energy in Bangladesh. Grameen has a solar energy company which till now has successfully brought in solar energy to about 100,000 rural homes in Bangladesh; there were new plans to extend the programme to service 1 million homes. However, surprisingly the solar panel price was going up which should have actually fallen due to improvements in technology. If it could be brought down to 50 cents per watt, instead of the current selling price of \$3, everybody could have it, said Yunus. The reason for this rise in price, he identified, was that only 5 companies in the whole world produce silicon and control this business. With the bulk of it going into the computer industry, demand for chips for solar panels cannot be met. The estimated demand for solar panels is twice as high as the supply of panels available in the market; consequently the price continues to remain high. Unfortunately no new plant is coming up due to the high capital intensity in this business. Yunus regretted that we have not been able to address the problems of bio-fuel and solar energy and have got stuck with the problem.

### **Concluding Remarks by Professor Rehman Sobhan**

Rehman Sobhan thanked all the participants for actively taking part in the discussion. In his final remarks he emphasized on the need for more effective and humane governance in the country in order to be adequately prepared to benefit from the opportunities of globalisation. He felt that such focused governance in our countries was also a necessary factor for establishing a process of globalisation that was inclusive, pro-poor and pro-development. He gave special thanks to George Soros, Amartya Sen and Yunus for their highly valued contribution to this interactive discussion which introduced much creative thinking into our policy debates and provoked serious discussion.

## List of Participants

(In alphabetical order)

<i>Dr Q K Ahmad</i>	Chairman, Bangladesh Unnayan Parishad (BUP) and President, Bangladesh Economic Association
<i>Professor Syed M Ahsan</i>	WBI Resident Economic Advisor, Bangladesh Bank
<i>Professor M M Akash</i>	Department of Economics, University of Dhaka
<i>Mr Mahfuz Anam</i>	Editor and Publisher, The Daily Star
<i>Dr Debapriya Bhattacharya</i>	Executive Director, Centre for Policy Dialogue (CPD)
<i>Dr Dipen Bhattacharya</i>	Professor, Department of Mathematics and Natural Sciences BRAC University
<i>Dr Uttam Kumar Deb</i>	Senior Research Fellow, CPD
<i>Mr Syed Manzur Elahi</i>	Member, CPD Board of Trustees and Former Member, Advisory Council of the Caretaker Government
<i>Mr Annisul Huq</i>	Former President, BGMEA & Chairman, Mohammadi Group
<i>Dr Iftekharuzzaman</i>	Executive Director, Transparency International Bangladesh (TIB)
<i>Dr Mirza Azizul Islam</i>	Former Chairman, Sonali Bank and Former Chairman, Securities and Exchange Commission
<i>Mr Sayeeful Islam</i>	Former President, DCCI and Managing Director, Concord Garments
<i>Professor Jamal Nazrul Islam</i>	Professor Emeritus Research Centre for Mathematics and Physical Sciences University of Chittagong
<i>Professor Rounaq Jahan</i>	Senior Research Scholar, Columbia University, USA
<i>Dr Fahmida Akter Khatun</i>	Senior Research Fellow, CPD
<i>Professor Wahiduddin Mahmud</i>	Former Advisor to the Caretaker Government and Professor, Dept of Economics, University of Dhaka
<i>Dr Khondaker Golam Moazzem</i>	Research Fellow, CPD
<i>Dr Ainun Nishat</i>	Country Representative International Union for Conservation of Nature (IUCN)
<i>Mr Latifur Rahman</i>	President, MCCI and Managing Director, Transcom Group
<i>Mr Mahbubur Rahman</i>	President, ICC-B and Chairman & CEO, ETBL Holdings Ltd.
<i>Dr Atiur Rahman</i>	Chairman, Unnayan Shamannya
<i>Professor Mustafizur Rahman</i>	Research Director, Centre for Policy Dialogue (CPD)
<i>Mr Matiur Rahman</i>	Editor, The Daily Prothom Alo
<i>Dr Habibur Rahman</i>	Research Fellow, CPD
<i>Mr C M Shafi Sami</i>	Former Advisor to the Caretaker Government and Former Foreign Secretary
<i>Professor Amartya Sen</i>	Nobel Laureate
<i>Professor Rehman Sobhan</i>	Chairman, Centre for Policy Dialogue (CPD)
<i>Ambassador Farooq Sobhan</i>	Former Foreign Secretary and President, Bangladesh Enterprise Institute (BEI)
<i>Mr George Soros</i>	Chairman, Open Society Institute
<i>Dr Meghna Guho Thakurta</i>	Executive Director, Research Initiative Bangladesh (RIB)
<i>Professor Muhammad Yunus</i>	Nobel Laureate

