ECONOMIC DEVELOPMENT IN A CHANGING GLOBALISED ECONOMY: THE CASE OF DEVELOPING COUNTRIES*

Mozammel Huq
Department of Economics, University of Strathclyde
(Glasgow, Scotland, G4 0LN. E-mail: <m.m.huq@strath.ac.uk>)

1. Introduction

The main objective of this lecture is to throw some light on economic development in Third World countries in the context of the changing economic environment. We feel that the analysis is of particular relevance to the developing world, which is currently being asked and/or actively encouraged to implement the "globalisation" strategy.

The order of presentation is as follows. In the next section (Section 2), we present a brief review of the policy prescriptions given to Third World countries, especially focusing on globalisation; however, as will be apparent, the advice given has varied sharply. Section 3 will analyse the globalisation strategy and, in particular, discuss the critical views that are being strongly advanced against it and also incorporate some evidence testing the effectiveness of the liberalisation programme. Section 4 will advance, especially in the context of the discussions in the preceding two Sections, the way forward. Finally, in Section 5, some conclusions are drawn.

2. Review of the Debate on Policy Prescriptions

Concern for economic development of the Third World countries can be considered to be a relatively recent phenomenon, although the quest for development has been a matter of general interest for long. Adam Smith's *Wealth of Nations* (1776), which is considered to mark the emergence of economics as an intellectual discipline, specifically aimed to understand the nature and causes of economic development of a nation. Karl Marx (1867), another major classical economist, also viewed at length the issues of economic development. However, for many decades after the classical era interest in economic growth lapsed and, as far as the Third World countries are concerned, the debate appears to have started sharply following the Keynesian revolution and the emergence in the post-war era of concern with economic development of these societies which have been failing to grow for long. The interventionist role of the state was considered vital to the achievement of their economic stability, employment growth and output expansion. (see, e.g., Rosenstein-Rodan, 1943; Prebisch,1950; Singer, 1950; Nurkse, 1953; Scitovsky, 1954; and

* Lecture delivered at the University of Aleppo, Syria, on 2 October, 2002. The author also delivered a lecture on a related theme at the University of Rajshahi, Bangladesh, on 8 August, 2002. Roy Grieve read an earlier draft and made some useful comments. Research assistance received from Kevin Brady and MacMillan is also acknowledged.

Myrdal, 1957). Thus emerged a new school of thought, called 'development economics', with its concern for economic development of Third World countries.

The new advocacy demanded an understanding of the forces of development, and argued for the design of appropriate policies to support these forces. The viewpoint showed similarities also with the old growth viewpoint of classical economists (Smith, Malthus and Ricardo), in particular as it was concerned with the variables of capital, population, and the objective of what Adam Smith termed the 'progress of opulence' in the progressive state. Capital formation became the focus of policy attention, viewed as the engine of development. But the new ideology differed from the classical approach in that it emphasised an activist role of the state; it argued that in developing countries the free market would generate less investment than was socially desirable and allocate it in less than socially desirable ways. Development economics thus restored to prominence capital formation which, according to Wade (1990, p9), "having been at the heart of economic theory from the eighteenth century to the First World War had then been displaced by issues of efficient resource allocation". Development economics thus **combined a focus on capital formation with an activist view of the state** that classical economics had not.

1960'S AND 1970'S: DOWNGRADING THE ROLE OF THE STATE IN BOTH DEVELOPED AND DEVELOPING COUNTRIES

In the 1960s and 1970s, the activist view of the state faced strong criticisms. In the context of developing countries, the arguments of the critics fell under three main headings (Wade, 1990):

1. The use of the state to promote import-substituting industrialisation during the 1950s and 1960s had resulted in inefficient industries requiring permanent subsidisation, with little prospect of achieving international competitiveness.

2. Extensive government intervention tended to generate "rent-seeking" on a significant scale, that is, to divert the energies of economic agents away from production and into lobbying for increased allocation of government subsidies and protection.

3. Some of the most successful developing countries - including Taiwan, South Korea, Hong Kong and Singapore - had achieved extraordinary industrial growth by using an outward-oriented model driven by market incentives and a strong private sector.

Thus, "in the neo-classical view, the engine of development is not so much capital formation as efficient allocation of resources. Once institutional arrangements are in place to generate an efficient allocation of resources investment can be left to take care of itself." (Wade, 1990, p.10) The government should, therefore, limit its activities:

- to improving the functioning of markets, and

- to providing only those goods and services where the government has a clear comparative advantage relative to private goods.

Assuming that prices reflect social opportunity costs, the underlying argument runs, profit incentives based on market prices would drive the economy to its maximum production potential.

1980s and 1990s: ATTEMPTS BY THE TWO DIFFERENT SCHOOLS OF THOUGHT TO REINSTATE THEIR VIEWS

A number of economists including Alice Amsden (1989), Richard Wade (1990), Paul Krugman (1986, 1992) and Brian Arthur (1990) have tried to reinstate development theory. Around 1990, two influential publications, one by Amsden (1989) and the other by Wade (1990) challenged the myth of market liberalism, the former by examining extensively the experience of economic development of South Korea and the latter surveying at length the East Asian development experience and in particular that of Taiwan. This was a time when Krugman was already attacking the classical case for free trade as a means of higher growth: "the idealised theoretical model on which the classical case for free trade is based will not serve us any more. The world is more complex than that, and there is no question that the complexities do open, in principle, the possibility of successful activist trade or industrial policy" (Krugman, 1986, p15).

In an article published in 1992, Krugman further argued that the theory of comparative advantage covers only the effects of once-and-for-all changes in trade restriction. It fails to specify a casual mechanism linking realisation of comparative advantage to higher growth. While strongly supporting the approach taken by development theory, Brian Arthur (1990) questioned the failure of the conventional approach to consider increasing returns (which is the basis of development economics). He further argued that any attempt to incorporate increasing returns would destroy the familiar neoclassical world of unique, predictable competitive equilibrium and the notion that market choice was always the best.

The attempts to reinstate high development theories, however, appear to have been over-shadowed by attempts to revive market liberalism. The World Bank and the IMF seem to have taken a lead in this revival, which, we should add, was started in the 1970s with concepts such as “structural adjustment”, “liberalisation” and “privatisation”. It was, however, during the1990s that the neo-liberal approach was particularly sharpened with serious attempts to push “globalisation”. The WTO was assigned to see the implementation of some of the key aspects of this international development strategy.

Although there is some confusion as to the precise meaning of the term, it can be observed that globalisation refers to “...the closer integration of the countries and peoples of the world...brought about by the enormous reduction in costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders.” (Stiglitz, 2002: 9) In other words, it aims to achieve increasing integration of national economies into an inter-dependent global economy. George Soros (2002),

however, puts it rather strongly by referring to an ethos of "market fundamentalism", as according to him, the advocates of the globalisation process hold that that the 'allocation of resources is best left to the market mechanism, and any interference with that mechanism reduces the efficiency of the economy' (p.4).

Henley and Kirkpatrick (2001) have noted several key features of the approach. Increasing integration has led to a growth of world trade, an expansion of foreign direct investment (FDI), a global integration of firms' production processes, transnational technology innovation, and increased technology transfer across nations. This process can have a tremendous impact upon economic growth in developing countries: increased participation in the global economy can expand the range of growth opportunities available to developing economies.

Proponents of globalisation assert a number of benefits including the following:

- Experience has shown the private sector to be more effective in allocating resources, meeting consumer demand, and encouraging and facilitating growth, than the state.
- The liberalisation of trade lowers protection and helps equalise price incentives across national economies, generating static and dynamic benefits.
- The deregulation of financial markets promotes competition in financial services, while free flowing capital equalises interest rates across the globe and increases overall world income.
- Liberalised capital flows also help reduce the cost of capital to firms in developing countries, increase their access to new technology and management techniques, enable firms to diversify their sources of investment, and allow firms access to new export markets.

3. Globalisation and Its Discontents

There is, however, considerable debate over the reforms the Third World countries need to undertake in order to participate effectively in the world economy. The main debate is between those who support the 'Washington Consensus' (Lance Taylor, 1996, considers the IMF and the World Bank forming the core of the Washington Consensus, but there are many who would like to include the US Treasury as well), and those who advocate a more cautious, measured approach.

There is also a growing belief in academic and other circles that the globalisation strategy is based upon political ideology, not sound economics, or as Stiglitz puts it, 'based on ideology and rhetoric'. According to Cross and Strachan, the supporters of globalisation tend "...to ignore, dismiss or underplay the role played by activist government interventions in successful growth and development strategies. This tendency was evident in the World Bank's assessment of the East Asian Miracle" (Cross and Strachan, 2001: 182).

Critics also disagree with the emphasis on the private ownership of industry, saying that efficiency comes more from competition, and the incentives and regulatory structure which encourage firms to compete, than from private ownership per se. Various pieces of evidence are presented in support of this view. A comparison

between Chinese and Russian economic performance in the 1990s emphasises the importance of competition. Russia's state-owned enterprises were privatised without much thought being given to competition, while China's state-owned enterprises were made to compete in the domestic marketplace. The result has been that China's growth rates have been significantly higher than those of Russia. The success of state-owned East Asian firms *vis-à-vis* their private sector Western rivals, especially in steel and shipbuilding, is another example. It has also been observed that there is great potential for corruption and abuses of monopoly power if state enterprises are sold off without adequate regulatory structures being put in place beforehand. These opportunities are often greater than those open to the managers of state-owned industries (Monbiot, 2003).

There are also significant objections to the idea that trade liberalisation is in itself an effective route to growth (Baldwin, 2003; Yanikkaya, 2003). Liberalising a nation's trade regime only leads to higher growth if the country is in a position to take advantage of the new opportunities open to it. In order to benefit from opening its markets, a country must possess an adequate infrastructure and technological capability, its workers must be sufficiently trained and have skills relevant to the modern economy, and it must have proper logistical systems in place. If this is not the case, trade liberalisation may destroy more jobs than it creates when inefficient national firms are forced to compete with their better prepared international counterparts.

The Washington Consensus' preference for liberalised capital and financial markets has been the subject of sustained criticism, especially in the aftermath of the East Asian crisis of 1997 (see Klein, 2003). The advocated reforms increase the vulnerability of countries to rapid inflows of short run investments (so-called "hot money"). This increases the host economy's vulnerability to sudden capital movements, which can seriously undermine its long run growth prospects. In addition to this, the increase in FDI made possible by liberalised capital markets has tended to flow to those economies further down the path to economic development. As Henley and Kirkpatrick put it: "Higher risk, underdeveloped financial markets, limited effective market demand and differences in production relations combine to limit the flow of new capital to low income countries" (Henley and Kirkpatrick, 2001, p.74). They also provide startling figures relating to the increased concentration of FDI in larger developing economies, which attracted 75% of the total FDI flow during 1993-95, up from 69% during 1990-92. Furthermore, as Stiglitz points out, FDI has not been shown to be the cause of faster growth or greater levels of investment in recipient economies (Stiglitz, 2002, p.66).

TABLE 1: Effects of World Bank structural adjustment programmes: summary of results

The studies				*Performance indicators*[a]				
Authorship	*Nature*	*Country coverage*	*Period*	*Economic Growth*[b] *(A)*	*Domestic Saving (B)*	*Capital formation*[c] *(C)*	*Exports (D)*	*Inflation (E)*
Corbo and Rojas, 1992	With-without	All	1985-8 compared with: (i) 1970-80 (ii) 1981-84	**Positive** Positive	None Positive	Negative None	Positive Positive	
Elbadawi, 1992	With-without	(i) low-income (ii) Sub-Saharan Africa	1980s	Positive None	None Negative	Negative Negative	Positive Positive	None Accelerated
Faini *et al,* 1992	With-without	(i) middle-income (ii) low-income	mid-1980s	Positive None		Negative None	None Positive	Slowed Accelerated
Mosley *et al*, 1991	Various methods[d]	All	1980s	None		Negative	Positive	
World Bank, 1992	With-without	(i) middle-income (ii)low-income	1986-90 compared with 1971-80	Positive Positive	Positive Positive	Positive Negative	Positive Positive	

Sources: As summarised in Mosley, et al (1995).

Notes:
a Variables tested are usually defined in first differences. Statistically significant results at the 95 per cent level or better are underlined.
b Generally, changes in constant-price GDP.
c Generally, changes in ratio of capital formation to GDP.
d Since multiple methods were employed, the entries here attempt to summarise the authors' overall results.
e Results after correcting for the degree of programme implementation.

A number of studies are now available which have tried to assess the effectiveness of the liberalisation strategy being implemented in various low and middle income developing countries. The World Bank and the IMF appear to have taken an active interest in supporting most of these studies. A major difficulty, which the researchers have often experienced in carrying out their analysis in this area, is the problem of establishing a counter-factual. The "with-without" methodology which has often been used has also invited criticisms, as it is not considered to be a serious scientific approach. Another difficulty is the use of statistics, which get dated by the time research findings are made available, especially as changing circumstances often dictate change in policy measures. In testing the effectiveness of the liberalisation strategy, a number of researchers have used various indicators, including growth of GDP, domestic savings, capital formation and exports, and the findings are rather mixed. Of the five studies listed in Table 1, only one, conducted by Mosley et al, uses a combination of methods for their testing, while the rest have used the "with-without" approach. There is also variation of the time-period considered for the tests. It is, therefore, not easy to compare the various studies. However, the findings are providing some important signals. First, the success of the programme is more apparent in export growth than in other areas, perhaps understandable as the strategy strongly focuses on outward orientation. Secondly, the success of the programme in capital formation is rather nil or negative, obviously disturbing findings considering the fact that in none of the studies positive growth in capital formation was found to have taken place. Thirdly, and this is particularly relevant for the globalisation strategy, economic growth is observed in as many as five of the total nine cases tested (Table 1); this observation in the face of poor performance of capital formation is highly relevant as the approach believes in improved productivity growth due to better resource allocation.

However, the critics of the approach are suspicious of the way globalisation is being advocated. As already mentioned, Soros (2002) is convinced that the approach is nothing but '*market fundamentalism*' nicely packaged, which has been proved to be seriously flawed, and he is emphatic in his attack when he says that it is 'dangerous' to place excessive reliance on the market mechanism. And Stiglitz (2002) believes that 'ideology and politics' are dictating the Washington establishment to push the globalisation strategy, and that there is serious failure on the part of the IMF to accept the fact that markets, by themselves, cannot lead to efficient outcomes. Taylor and Shapiro are also highly critical of the whole approach.

4. The Way Forward

The debate has often, it appears, been conducted from extreme ideological viewpoints, as if it is simply a case of 'the state *versus* the market'. Such a confrontational approach does not offer the best way to look at the matter - the issue is not one of a clear choice between the state and the market, rather is a question of determining how best these institutions can work together in a co-operative and complementary manner. The emphasis on globalisation, without acknowledging market failure, will not be helpful. Shapiro and Taylor (1990) make the point: "Historically, no country has entered into modern economic growth without the state's targeted intervention or collaboration with large-scale private sector entities'. Angus Maddison (1964), based on his extensive study of the advanced industrial countries of Western Europe and North America

covering a period of about 100 years from the later part of the 19th century, has found that while the liberalised commercial policies of these countries have been very helpful, these countries have operated what may be termed as a 'managed market economy', with government taking the responsibility for aggregate economic management as a conscious act in most countries.

The high growth rate experienced by various East Asian countries during the later part of the 20th century also supports the viewpoint that government must play a major role in economic management; that role however needs to be growth-friendly. (Table 2 gives an idea of high growth rate achieved in three of the many East Asian successful performers.)

Table 2: Growth of Output in Selected East Asian Countries,
(Growth Rate in %, Average Annual)

Country	GNP per capita	Industry value Added	GDP		Industry	
	1965-96	1965-96	1980-90	1990-00	1980-90	1990-00
China ($840)	6.7	11.0	10.1	10.3	11.1	13.4
Malaysia ($3,380)	4.1	8.5	5.3	7.0	9.3	9.8
South Korea ($8,910)	7.3	13.8	8.9	5.7	12.1	7.5

Note: Figures in bracket (in col.1) show GNP per capita in US $ for 2000
Sources: World Bank, *World Development Report*, 1999/2000, and *World Development Indicators*, 1998, 2000.

Weiss and Hobson (1995), on the basis of a wide-ranging assessment of current and past development experience, argue that success has always been associated with the presence of a strong state and that, under modern conditions, 'a central co-ordinating intelligence' is essential, whether that is provided through the state or by other institutional means.

It would, however, be wrong to ignore government failure, already mentioned. Governments, especially in developing countries, are often found to be failing to perform their role efficiently. The resultant 'rent-seeking' does not help in capital accumulation, export growth and export expansion, thus thwarting the achievement of output growth and employment expansion – two essential ingredients of poverty alleviation. (See Huq 1989, for an extensive observation of government failures in the context of Ghana.)

In the light of the various criticisms of the Washington Consensus (representing the market fundamentalist approach) and the interventionist viewpoint (representing the state allocation approach), several economists have suggested a different route to growth for developing countries. It is based upon the example set by the successful East Asian economies, and involves countries integrating with the world economy in a gradual manner, developing their industrial capabilities before opening their markets, and placing emphasis upon developing their exports.

Countries will only be able to benefit from globalisation if they are able to take advantage of the opportunities the increased integration offers. This means that they will have to be able to compete in the face of international competition. Therefore, the priority for developing nations is to industrialise, since the manufacturing sector has been shown to be an engine of growth for developing nations. Thus, according to Nixson, 2001, p.56), successful industrialisation is based upon "...increasingly on the acquisition of international competitiveness by enterprises", especially as he believes that the economic

‘fundamentals’ (macroeconomic stability, high levels of savings and investment, and growth of human capital) need to be in place, helping the establishment of efficient, dynamic firms which are able to generate productivity increases and move to more productive activities. Successful nations will ultimately develop comparative advantages in high skill, capital-intensive industries. There is therefore a need for developing countries to develop their skills base and build their technological capability by placing emphasis on training programmes and supporting firms that seek to move into more productive fields. A number of fundamental changes have taken place in the world economy which necessitate such a move. The late 20th Century witnessed a move from mass production systems to more flexible methods in many industries, increasing the need for multi-skilled workers. Increasing use is being made of ‘just in time’ production systems, which require a lower level of inventories. This technique needs motivated, highly skilled workers to succeed. There has also been an increased recognition of the vital role the workers can play in improving firm productivity and production processes, which requires increased worker/management interaction and a skilled workforce to succeed. In addition to this, firms have become increasingly aware of the benefits of team working over individual work, which has necessitated the development of new attitudes, skills and incentives in the workplace (Henley and Kirkpatrick, 2001: 78 – 79).

There has also been an increasing awareness of the importance of innovation and research and development (R&D). The world’s more dynamic economies devote significant levels of resources to activities in these fields, which has played a significant role in their high level of technological development (Nixson, 2001: 57). It has been recognised that technological capability building (through education, training, and the building of a science and engineering base) is a key determinant of a country’s economic prosperity. Another determinant of successful industrialisation is the development of a reliable national communications network and infrastructure (including roads, a water supply, and a power supply). Development of the aforementioned factors help the home country assimilate the new technology and techniques made available by integration into the world economy, which in turn enables firms to take advantage of the opportunities presented by globalisation. (See Huq, 2003)

Advocates of this ‘gradualist’ approach also disagree with neo-classical economists over the appropriate role of the state in the development process. Unlike the Washington Consensus, which believes that government should not extend itself beyond ensuring basic services such as law and order, economists like Stiglitz have asserted that there is scope for targeted, proactive state intervention in a country’s economic development. In the more advanced economies, Western and East Asian, the state has helped develop the national infrastructure, has set up institutions like the legal and regulatory systems, has regulated financial and capital markets, and has promoted R&D (Stiglitz, 2002: 21, 92). Government can help alleviate information, transaction and transport costs, especially in developing countries (Myint, 2001: 525), and has a vital role to play in rectifying market failures, such as a lack of R&D and underprovision of public goods:

“...wherever there is imperfect information or markets...there are interventions by the government – even a government that suffers from the same imperfections of information – which can increase the markets’ efficiency.” (Stiglitz, 2002: 219)

Under this approach, successful growth is based on opening up the domestic economy, placing emphasis upon exporting rather than importing; creating a skills base and building technological capability; and the encouragement of a competitive and vibrant domestic economy, with effective and efficient infrastructure, institutions and regulatory

structures. There is a significant role for targeted government intervention in the establishment of each of these.

5. Conclusions

Thus we can summarise the required policy framework. State intervention is necessary, but if that intervention is to improve on the market outcome the state's contribution must not have a negative or obstructionist impact (see, e.g. Huq 1995). Obstruction will result if bureaucracy is inefficient and corrupt, generating confusion and harassment of investors, and favouring parties with special contacts and political influence. The adoption of ill-judged and inappropriate policies, for example, complex and inconsistent incentive systems, will tend to frustrate rather than promote development. On the other hand, "supportive" government will provide spontaneous administrative help with, for example, customs, income tax, credit and marketing, in particular with export markets. A supportive government will ensure human capital development, thus ensuring supply of a pool of skilled labour force. A supportive government will also assist entrepreneurs in negotiating deals with foreign partners and in fostering quality and cost improvements through help in R&D and the promotion of S&T infrastructure. A supportive government can also help entrepreneurs by reducing uncertainties and mitigating the risks of investment through formulation of a comprehensive policy framework and implementation of an appropriate industrial strategy.

Research is, however, required in order to understand what makes the state's behaviour take on an obstructionist or supportive disposition. The question is not only whether a government is willing and able to devise a "sound" policy agenda of one nature or another, but also if it possesses the institutional capability for effective policy implementation. Without an understanding the nature of the state, there is very little value in prescribing to laggard performers policies adopted by successful interventionist states. If the state machinery is not strong enough administrative bottlenecks are bound to arise, producers would face higher costs in consequence, for example, of corruption (see, e.g. M F Khan, 1995 and M H Khan, 1995) and the role of the government is likely to be obstructionist rather than supportive. It is, therefore, time that our concern shifted from the conventional state versus the market debate, towards the problematic involved in the transformation of the state from being typically ineffective or obstructionist to being characteristically supportive of enterprise and socio-economic development.

In conclusion, the paper argues for shifting the debate from the conventional confrontational standpoint to a careful examination of the economic and institutional framework in which policies are designed and implemented, the degree of effective collaboration between policy makers and investors, and the feasibility of economic strategies and polices adopted. The blind advancement of policy strategies is unlikely to help the Third World countries, where both the institutions, the state and the market, are often found to be experiencing various limitations and failures, and the key issue is how to make both these institutions complement each other, thus ensuring rapid socio-economic development.

Bibliography

Amsden, A (1989), *Asia's Next Giant: South Korea and Late Industrialisation*. New York: OUP

Baldwin, R E (2003) *Openness and Growth: What's the Empirical Relationship?* National Bureau of Economic Statistics: Working Paper (9578)

Bhagwati, J (2001), 'After Seattle: Free Trade and the WTO'. In *International Affairs* (Vol 77, No 1), pp.15-29.

Bhagwati, J. (2002), 'Trading for Development: The poor's best hope', In *Economist*, June 22nd, 2002, pp.25-28.

Cross, R. and Strachan, D (2001), "Three Pillars of Conventional Wisdom'. In *Review of Political Economy*, Vol 13 (2), pp.

Henley, J. and Kirkpatrick, C. (2001), 'Industrial Development in a Changing Global Economy'. In M Huq and J Love (eds), *Strategies for Industrialisation: The Case of Bangladesh*. Dhaka: University Press Ltd.

Huq, M M (2003) (ed), *Building Technological Capabilities: Issues and Prospects*. Dhaka: University Press Ltd

Keynes, J M (1936), *The General Theory of Employment, Interest and Money*. London: Macmillan.

Killick, T, Gunatilaka, R and Marr, A (1998), *Aid and the Political Economy of Policy Change*. London: Routledge (for the Overseas Development Institute).

Klein, M W (2003) *Capital account openness and the varieties of growth experience* National Bureau of Economic Research: Working Paper (9500)

Krueger, A (1999), 'The Developing Countries and the Next Round of Multilateral Trade Negotiations'.

Krugman, P R (1986) 'Introduction: New Thinking About Trade Policy' in P.R. Krugman (ed), *Strategic Trade Policy and the New International Economics*. Cambridge, Mass: MIT Press.

Maddison, A (1964), *Economic Growth in the West*. London: George Allen & Unwin.

Marx, K ((1986)/(1990), *Capital*, Volume I. London: Penguin Books/New Left Review.

Monbiot, G (2003) *The Age of Consent: A manifesto for new world order* London: HarperCollins

Mosley, P, Harrigan, J and Toye, J (1995), *Aid and Power: The World Bank and Policy-based Lending* (2nd Edition, Vol 1). London: Routledge.

Myint, H, (2001), 'International Trade and the Domestic Institutional Framework'. In G M Meier and J Stiglitz (eds), *Frontiers of Development Economics: The Future in Perspective*. New York: OUP

Myrdal, G (1957), *Economic Theory and Underdeveloped Regions*. London: Gerald Duckworth & Co Ltd.

Nixson, F. (2001), 'Industrialisation, Industrial Policy and Global Competitiveness' In M Huq and J Love (eds), *Strategies for Industrialisation: The Case of Bangladesh*. Dhaka: University Press Ltd.

Nurkse, R (1953), *Problems of Capital Formation in Under-developed Countries*. Oxford: Basil Blackwell.

Ocampo, J A and Taylor, L (1998), 'Trade Liberalisation in Developing Economies: Modest Benefits but Problems with Productivity Growth, Macro Prices and Income Distribution'. In *Economic Journal* (Vol 108, September 1998), pp.1523-46.

Rodenstein-Rodan, P N (1943), 'Problems of Industrialisation of Eastern and South-Eastern Europe'. In The Economic Journal Singer, H (1950), "The Distribution of Gains between Investing and Developing Countries, *American Economic Review*, Vol 40), May, pp473-85.

Scitovsky, T (1954), 'Two Concepts of External Economies'. In *Economic Journal*.

Shapiro, H and Taylor, L (1990), 'The State and the Industrial Strategy'. *World Development*, Vol 18, No 6.

Singer, H W (1950), 'The Distribution of Gains Between Investing and Borrowing Countries'. *American Economic Review*, Vol 40, pp.473-85.

Smith, A (1776)/(1982), *An Inquiry into the Nature and Causes of the Wealth of Nations*. Harmondswoth: Penguin Books.

Soros, G, (2002), *George Soros on Globalisation*. Oxford: Public Affairs Ltd.

Stiglitz, J. (2002), *Globalisation and its Discontents*. London: Penguin

Taylor, L (1996), 'Finis to Laissez-Faire'. In A Abdullah and A R Khan (eds), *State, Market and Development*. Dhaka: University Press Ltd.

Taylor, L (1997), 'The Revival of the Liberal Creed – the IMF and the World Bank in a Globalised Economy'. In *World Development* (February, 1997).

United Nations (2000), *National Statistics Yearbook 1999*. New York: United Nations.

UNCTAD (2001), *World Investment Report 2001: Promoting Linkages*. New York: United Nations.

Wade, R (1990), *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialisation*. New Jersey: Princeton University Press.

L Weiss and J M Hobson (1995), *State and Economic Development: A Comparative Historical Analysis*, Cambridge: Cambridge Policy Press.

World Bank (1993), *The East Asian Miracle*, New York: OUP.

World Bank (1998), *World Development Indicators 1998*, Washington DC: World Bank.

World Bank (2000), *World Development Report 2000*, Washington DC: World Bank.

World Bank (2002), *Globalisation, Growth and Poverty*. New York: Oxford University Press.

World Bank (2000), *World Development Indicators 2000*, Washington DC: World Bank.

World Trade Organisation (WTO) (2001), *International Trade Statistics*.

Yanikkaya, H (2003) 'Trade openness and economic growth: a cross-country empirical investigation', *Journal of Development Economics*, Vol 72, Issue 1, pp. 57-89

Internet sources

World Bank (2002), World Bank Data Query. http://devdata.worldbank.org//data-query.

WTO (2002), International Trade Statistics 2001. www.wto.org.

WTO (2002), Historical Series Statistics.
www.wto.org/english/res_e/statis_e/webpub_e.excels.