FACTORS CONTRIBUTING TO GROWTH: THE CASE OF TEN ASIAN COUNTRIES

Hamid, Shaikh A.
Southern New Hampshire University

ABSTRACT
By identifying factors that have caused countries like Bangladesh, Pakistan, and Nepal to grow economically at a lackluster rate, this paper seeks to point out how these countries may unleash higher growth rates. Among the factors hindering growth are: low level of economic freedom, burdensome web of government regulations, government ineffectiveness, high tariff rates hindering competition, ineffectual rule of law, lax property rights, lack of accountability, endemic corruption, political instability, inadequate infrastructure, crippling dependence on foreign aid, and absence of rule of law. We present comparative statistics for ten Asian countries on these indicators of growth. We argue that the root cause that does not enable struggling countries to pull themselves out of vicious cycle of poverty is the lack of visionary, inspiring, and transcendental leadership. Such leadership can create mass awareness, spur lofty aspirations, and harness national energies towards creating an enabling investment environment, institutions, and incentives that can usher higher economic growth and bring prosperity for a larger mass. We also argue that political freedom is not a necessary condition for achieving high growth rates – it is economic freedom. We further argue that a country does not need to be blessed with natural resources to achieve high economic growth rate. It is the ability to harness and process knowledge and resources from all around the globe that matters, specially in this age of globalization.

INTRODUCTION

The world is witnessing massive economic, social, political, and technological shifts and changes as never before. Whereas it took the USA and the European countries centuries to reach a broad level of prosperity, it has taken countries like China, India, Taiwan, South Korea, Singapore, and Malaysia two to three decades to achieve respectable levels of prosperity for a broad mass its peoples. These countries are infected by a "fierce urgency of now" – using a phrase of Dr. Martin Luther King, Jr. They are in a race against time. They have to grow not just for the sake of growth but more so to create for their teeming millions economic opportunities in a fiercely competitive world. The amount of exports China made in the whole of 1978, it exported that much every six hours in 2011. Countries like Bangladesh, Pakistan, Nepal, and Sri Lanka to some extent have lagged behind in this competition for "economic space".

Various factors have contributed to the growth of high-achieving countries. Though it is not the same set of factors for all countries, we can identify some common factors that facilitate growth. Then there are factors unique to a particular high-achieving country. We can also identify factors that have hampered growth of low-achieving countries.

We look at various indicators of growth and show how a sample of ten Asian countries has fared on those indicators: Nepal, Bangladesh, Pakistan, India, Sri Lanka, China, Malaysia, South Korea, Taiwan, and Singapore. As Table 1 shows, the PPP-adjusted per capita GDP of the ten countries as of 2011 are in the same ascending order – Nepal ranked 205, and Singapore ranked 5 among all countries. The range of per capita GDP is also wide with Nepal at $1,300 and Singapore at $59,900. The last column of the table shows the Human Development Indexes (HDI) of the countries is in the same ascending order – not surprisingly. The Human Development Index measures poverty using life expectancy, literacy, and amount of education, along with the domestic purchasing power of GDP (how much citizens of a country can buy based on the country's GDP). It seeks to distinguish whether the country is a developed, a developing, or an under-developed country. The table also presents data on real GDP growth which shows that countries in the middle – India, Sri Lanka, and China – have higher growth rates than the other countries. The data on population below poverty line and the Gini Index which measures income inequality, should follow similar pattern – but they do not. About 40% of Nepal's population is below poverty line, but it ranks 32 in the world in Gini Index (low inequality) – close to Singapore ranked 30. Bangladesh, Pakistan, South Korea, and Taiwan have high inequalities. The first two countries are in the bottom level of per capita GDP and the other two are in the upper level.

Table 1: Wealth and Poverty of Selected Asian Countries

Country /Indicator	**GDP-Per Capita (PPP)**	**GDP-Real Growth Rate**	**Population Below Poverty Line**	**Gini Index**	**Human Development Index**
	2011 est	2011 est		2011 est	2011 est
Nepal	$1,300 (205)	3.50 (115)	30.9% (2011)	47.2 (32)	0.458 (157)
Bangladesh	$1,700 (194)	6.30 (39)	31.5% (2010 est.)	33.2 (101)	0.500 (146)
Pakistan	$2,800 (174)	2.4 (144)	22.3% (FY05/06 est.)	30.6 (115)	0.504 (145)
India	$3,700 (163)	7.8 (15)	25% (2007 est.)	36.8 (80)	0.547 (134)
Sri Lanka	$5,600 (143)	8.00 (12)	8.9% (2009 est.)	49.0 (26)	0.691 (97)
China	$8,400 (120)	9.2 (7)	13.4% (2011 est.)	48.0 (28)	0.687 (101)
Malaysia	$15,600 (77)	5.2 (62)	3.8% (2007 est.)	46.2 (35)	0.761 (61)
S. Korea	$31,700 (40)	3.6 (113)	15% (2006 est.)	31.0 (111)	0.897 (15)
Taiwan	$37,900 (28)	5.2 (63)	1.16% (2010 est.)	32.6 (105)	0.882 (22)
Singapore	$59,900 (5)	4.9 (78)	NA	47.3 (30)	0.866 (26)

Sources:
https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html?countryName=Bangladesh&countryCode=bg&regionCode=sas&rank=194#bg
https://www.cia.gov/library/publications/the-world-factbook/rankorder/2003rank.html?countryName=Bangladesh&countryCode=bg&regionCode=sas&rank=39#bg
https://www.cia.gov/library/publications/the-world-factbook/fields/2046.html?countryName=Holy%20See%20(Vatican%20City)&countryCode=vt&regionCode=eu&
https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html?countryName=Bangladesh&countryCode=bg&regionCode=sas&rank=101#bg

http://en.wikipedia.org/wiki/List_of_countries_by_Human_Development_Index

HUMAN CAPITAL

The availability of cheap, skilled manpower is important in determining growth. The level of education determines the skill set a population acquires. Education is vitally important in this knowledge-based world. The higher the HDI of a country, the more developed it is likely to be.

(The HDI takes four indicators into account: life expectancy at birth, mean years of schooling, expected years of schooling, gross national income per capita). The United Nations publishes the HDI every year, which consists of the Education Index, GDP Index and Life Expectancy Index. Table 2 presents the Education Index for the selected countries as of 2007, and public expenditure on education in different years. We see a general trend of higher public expenditure on education and higher education level. We can also see that in general, higher Education Index and higher per capita GDP go together with Nepal being an outlier. India and China produce hundreds of thousands of engineers, scientists, and software and hardware engineers. But given their huge population, the overall rankings of India and China based on Education Index get depressed: 145 and 97 respectively.

Table 2: Education Index and Public Expenditure on Education (Percent of GDP)

Country /Indicator	Education Index	Public Expenditure on Education as a Percent of GDP (Rank) - Year
	2007	
Nepal	0.579 (151)	4.60 (79) - 2009
Bangladesh	0.530 (163)	2.40 (148) - 2008
Pakistan	0.492 (165)	2.70 (142) - 2009
India	0.643 (145)	3.10 (129) 2006
Sri Lanka	0.834 (107)	NA
China	0.851 (97)	NA
Malaysia	0.851 (96)	4.10 (97) - 2008
S. Korea	0.949 (34)	4.20 (95) - 2007
Taiwan	NA	NA
Singapore	0.913 (52)	3.00 (131) - 2009

Source: www.cia.gov/

Economists have underscored the importance of educated and skilled manpower in economic growth. Cheap skilled manpower attracts foreign investment into a country. The factor that also attracts foreign investment and drive domestic economic engine is the life-blood of a country: its infrastructure.

INFRASTRUCTURE

An important consideration for attracting investment – domestic or foreign – is adequate and appropriate infrastructure: roads, highways, railways, airports, seaports that will transport raw materials and finished goods, as well as energy sources (electricity, petroleum, natural gas, etc.) that run the factories that produce goods and services. Infrastructure forms the life blood of a country. After economic liberalization of late 1970s, in the 1980s and 1990s China built extensive roads and highways, airports and seaports to an extent that seemed is if the country had "love affair with concrete". Then it invited the world to invest in the country. It presented to multinational corporations skilled manpower, and cheap sources of energy that it imported when its domestic sources were inadequate. About three years back the main airport of Singapore was large enough to handle more passengers and freight than all the airports of India combined.

Table 3A: Total Roadways and Roadways Per KM^2 of Area

Country/Indicator	Roadways (Paved & Unpaved) KM [1]	Rank[1]	Area/size of the country (in km^2)[2]	Roadways/KM^2 of Area [3]
Nepal	17,282 (2007)	118	147,181	0.12
Bangladesh	239,226 (2009)	21	143,998	1.66
Pakistan	260,760 (2010)	20	796,095	0.33
India	3,320,410 (2009)	3	3,166,414	1.05
Sri Lanka	91,907 (2008)	52	65,700	1.40
China	3,860,800 (2009)	2	9,596,961	0.40
Malaysia	98,721 (2004)	43	330,803	0.30
S. Korea	103,029 (2008)	41	99,828	1.03
Taiwan	41,475 (2009)	88	36,188	1.15
Singapore	3,356 (2009)	163	710	4.73

Sources:
1. https://www.cia.gov/library/publications/the-world-factbook/rankorder/2085rank.html?countryName=Bangladesh&countryCode= bg&regionCode=sas&rank=21#bg

2. http://en.wikipedia.org/wiki/List_of_countries_and_dependencies_by_area

3. Computed from sources

Table 3A above shows that more developed countries have more roadways per square kilometer of area. Though one-third the size, China has more roadways than India, and more roadways per square kilometer of area than Nepal, Pakistan, and Malaysia – countries less developed than China in many respects. Table 3B does not show a clear pattern for railways as it does for roadways, possibly implying that railways are not as important carriers of cargo and freight as it has been decades back – replaced by trucks especially in more advanced countries. But it does show that railways per square kilometer of area are higher for South Korea and Taiwan than for the other countries which have lower per capita GDP. Singapore is a small city state with no railways.

Table 3B: Total Railways and Railways Per KM^2 of Area

Country / Indicator	RAILWAYS (KM) [1]	Rank [1]	Area/ size of the country (in km^2) [2]	Railways / KM2 Area [3]
Nepal	59 (2010)	130	147,181	0.000
Bangladesh	2622 (2010)	64	143,998	0.018
Pakistan	7791 (2010)	27	796,095	0.010
India	63,974 (2010)	4	3,166,414	0.020
Sri Lanka	1,449 (2010)	80	65,700	0.022
China	86,000 (2009)	3	9,596,961	0.009
Malaysia	1,894 (2010)	75	330,803	0.006
S. Korea	3,381 (2008)	51	99,828	0.034
Taiwan	1,580 (2010)	79	36,188	0.044
Singapore			710	0.000

Sources:
1. https://www.cia.gov/library/publications/the-world-factbook/rankorder/2121rank.html?countryName=Bangladesh&countryCode=bg&regionCode= sas&rank=64#bg

ECONOMIC FREEDOM

Economic freedom is defined as the absence of government coercion or constraint. It embraces "all liberties and rights of production, distribution, or consumption of goods and services".[1] Table 4 shows economic freedom index and rank which considers ten freedoms: fiscal freedom, government size, monetary freedom, labor freedom, business freedom, investment freedom, financial freedom, trade freedom, property rights, and freedom from corruption. The top four countries based on per capita GDP – Malaysia, South Korea, Taiwan, and Singapore – rank much higher than the other six countries. Nepal ranked lowest in recent years followed, as expected, by China. Singapore ranks 2 worldwide. Interestingly, Bangladesh and China got scores in some years that are rather close in 9 of the 10 freedoms, except for trade freedom. India shows greater embrace of economic freedom after 2006. Pakistan is not way behind India in economic freedom and if it can provide sustained political stability, it will grow at higher rates. Countries like Nepal and Bangladesh are greatly constrained in their growth efforts by low rankings in economic freedom.

Table 4: Economic Freedom - Index (Rank)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Nepal	51.2 (128)	51.4 (130)	53.7 (116)	54.4 (113)	54.1 (116)	53.2 (132)	52.7 (130)	50.1 (146)	50.2 (146)
Bangladesh	50 (133)	47.5 (142)	52.9 (123)	46.7 (147)	44.2 (151)	47.5 (160)	51.1 (137)	53 (130)	53.2 (130)
Pakistan	54.9 (106)	53.3 (116)	57.9 (86)	57.2 (91)	55.6 (101)	57 (102)	55.2 (117)	55.1 (123)	54.7 (122)
India	51.5 (127)	54.2 (108)	52.2 (130)	53.9 (119)	54.1 (116)	54.4 (123)	53.8 (124)	54.6 (124)	54.6 (123)
Sri Lanka	61.6 (62)	61 (66)	58.7 (80)	59.4 (81)	58.4 (86)	56 (111)	54.6 (119)	57.1 (107)	58.3 (96)
China	52.5 (124)	53.7 (113)	53.6 (117)	52 (133)	53.1 (123)	53.2 (132)	51 (139)	52 (135)	51.2 (138)
Malaysia	59.9 (71)	61.9 (62)	61.6 (64)	63.8 (52)	63.9 (52)	64.6 (56)	64.8 (59)	66.3 (53)	66.4 (53)
South Korea	67.8 (31)	66.4 (40)	67.5 (35)	67.8 (39)	68.6 (34)	68.1 (40)	69.9 (31)	69.8 (34)	69.9 (29)
Taiwan	69.6 (26)	71.3 (20)	69.7 (30)	69.4 (28)	70.3 (28)	69.5 (35)	70.4 (26)	70.8 (25)	71.9 (18)
Singapore	88.9 (2)	88.6 (2)	88 (2)	87.1 (2)	87.3 (2)	87.1 (2)	86.1 (2)	87.2 (2)	87.5 (2)

Source: http://www.heritage.org/index/explore?view=by-region-country-year

Hoskins and Eiras (2002) plotted 2002 Index of Economic Freedom Scores against 1999 Per Capita GDP (adjusted for PPP). They find (a) the freer the economy the wealthier it is, (b) there were no cases in which free economies were poor, and (c) they find a strong relationship between unfree economies and poverty. When we contrast this with the fact that India and China rank above 100 in terms of economic freedom compared to other countries but are economic powerhouses implies that there are other positive factors in play in these countries not captured by the 10 economic freedoms.

[1] For fuller definition and explanation of the ten economic freedom indicators, see www.heritage.org/research/features/index/chapters/pdf/Index2008_Chap4.pdf.

GOOD GOVERNANCE

According to the World Economic Forum's Global Competitiveness Report for 2007-2008, "the three most problematic factors for doing business are corruption, inadequate supply of infrastructure, and inefficient government bureaucracy." Additionally, Laar (2003) observed: "There can be no market economy and democracy without laws, clear property rights, and a functioning justice system." Tables 5A through 5F show various indexes or indicators that contribute to good governance: rule of law, political stability and absence of violence/terrorism, control of corruption, regulatory quality, government effectiveness, and voice and accountability. Table 5A shows index of rule of law. Foreign investors as well as domestic investors will avoid investing in a country that scores low on rule of law. As one would expect, China scores lower than Sri Lanka and India on rule of law. But over the years Chinese government has progressively instituted greater rule of law and property rights to encourage foreigners to invest in China. With the exception of China, the table shows that in general, more developed countries have been able to institute greater rule of law. Establishment of rule of law is of utmost importance. Everything else depends on it: a functioning economy, a free and fair political system, the development of civil society, public confidence in police and the courts – which all contribute to a conducive investment environment.

Table 5A: Index of Rule of Law

	2004	2005	2006	2007	2008	2009	2010
Country	**Index (Rank)**						
NEPAL	-0.779 -23.9	-0.843 -23.9	-0.658 -29.2	-0.671 -28.7	-0.729 -25	-0.91 -19.4	-1.021 -16.1
BANGLADESH	-1.018 -16.3	-0.964 -17.7	-0.887 -21.1	-0.834 -22.5	-0.712 -26.9	-0.763 -26.1	-0.768 -26.5
PAKISTAN	-0.811 -22.5	-0.874 -22	-0.826 -23.9	-0.901 -19.6	-0.972 -19.2	-0.883 -20.4	-0.786 -25.6
INDIA	0.037 -53.1	0.152 -56.9	0.159 -56.5	0.102 -55.5	0.084 -56.3	0.009 -55	-0.058 -54.5
SRI LANKA	0.15 -56.9	0.135 -56.5	0.178 -57.9	0.125 -56.9	0 -54.3	-0.077 -53.1	-0.088 -52.6
CHINA	-0.405 -40.7	-0.412 -40.2	-0.538 -37.8	-0.467 -40.7	-0.339 -44.7	-0.345 -45.5	-0.347 -44.5
MALAYSIA	0.563 -67.5	0.578 -66	0.542 -65.6	0.52 -65.6	0.459 -63.5	0.471 -63.5	0.51 -65.4
KOREA, SOUTH	0.849 -76.1	0.962 -81.3	0.826 -72.2	1.008 -82.3	0.838 -76.4	0.979 -81	0.989 -81
TAIWAN, CHINA	0.995 -82.8	1.004 -82.3	0.773 -70.8	0.762 -72.7	0.78 -73.1	0.924 -78.7	1.012 -81.5
SINGAPORE	1.753 -94.7	1.763 -95.7	1.676 -92.8	1.675 -92.3	1.674 -92.8	1.602 -91.9	1.695 -93.4

Notes:

Reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)

Source: http://databank.worldbank.org

But as Table 5B shows, in spite of being a police state, China has not been able to ensure political stability and absence of violence/terrorism anywhere near Malaysia, South Korea, Taiwan, and Singapore. However, China scores higher than India. In general, we see countries with higher per capita GDP score higher in terms of this indicator with the exception of Pakistan. Political stability is central to economic development. We find a very clear trend of greater political stability and higher per capita GDP. Authoritarian regimes can provide political stability that can foster growth at a higher pace. Whereas it took the Chinese government 4 years to build a new terminal at Beijing airport, it took 20 years to build the 5th terminal at Heathrow airport – marred by protests and litigations from various environmental and social groups.

Table 5B: Political Stability and Absence of Violence/Terrorism

	2004	2005	2006	2007	2008	2009	2010
Country	**Index (Rank)**						
	-2.117	-2.058	-1.85	-1.893	-1.847	-1.683	-1.684
NEPAL	-3.4	-2.9	-5.8	-5.3	-5.8	-6.6	-5.7
	-1.4	-1.802	-1.495	-1.468	-1.469	-1.562	-1.425
BANGLADESH	-9.1	-4.8	-8.7	-9.1	-9.6	-8.1	-9.9
	-1.54	-1.749	-2.032	-2.399	-2.55	-2.676	-2.705
PAKISTAN	-6.7	-5.3	-2.4	-1.4	-1	-1.4	-0.5
	-1.173	-0.96	-1.064	-1.167	-1.107	-1.389	-1.315
INDIA	-14.4	-18.8	-16.8	-13.5	-14.4	-10.4	-10.8
	-1.092	-1.247	-1.377	-1.678	-1.727	-1.177	-0.825
SRI LANKA	-15.9	-13	-10.1	-7.7	-8.2	-13.7	-21.2
	-0.407	-0.516	-0.587	-0.523	-0.511	-0.551	-0.766
CHINA	-31.7	-29.3	-27.4	-27.4	-28.4	-28	-24.1
	0.274	0.437	0.225	0.151	0.078	-0.035	0.143
MALAYSIA	-55.8	-61.5	-53.8	-48.1	-47.6	-43.1	-51.9
	0.39	0.471	0.265	0.354	0.289	0.155	0.097
KOREA, SOUTH	-61.1	-62	-54.8	-58.2	-54.8	-49.3	-50
	0.595	0.648	0.556	0.462	0.743	0.512	0.789
TAIWAN, CHINA	-64.4	-66.3	-64.4	-62.5	-71.2	-63.5	-72.6
	1.081	1.093	1.211	1.149	1.327	1.144	1.124
SINGAPORE	-84.6	-84.6	-92.8	-89.4	-96.2	-90	-89.6

Notes:
Reflects perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)

Source: http://databank.worldbank.org

As Table 5C shows, another big drag on China is its inability to control corruption as much as countries like Sri Lanka and India. The fact that it is a one-party heavy handed authoritarian country provides opportunity to party elites to use state apparatus for private benefits. Nepal scores much higher than Bangladesh and Pakistan. The top four countries based on per capita GDP rank progressively higher on this indicator.

Table 5C: Control of Corruption

	2004	2005	2006	2007	2008	2009	2010
Country	**Index (Rank)**						

NEPAL	-0.758 -23.4	-0.634 -33.2	-0.622 -31.2	-0.716 -25.7	-0.717 -25.7	-0.67 -29.2	-0.685 -28.7
BANGLADESH	-1.458 -2.4	-1.417 -4.9	-1.409 -3.9	-1.042 -11.2	-1.006 -14.6	-0.997 -16.7	-0.991 -16.3
PAKISTAN	-1.089 -23.8	11.22 (-0.8)	-1.048 -21.8	13.659 (-1.1)	-0.77 -12.4	23.902 (-1.1)	-0.749 -12
INDIA	-0.418 -42.9	-0.402 -42.4	-0.279 -48.3	-0.417 -40.8	-0.403 -43.2	-0.368 -45.5	-0.517 -35.9
SRI LANKA	-0.144 -51.7	-0.372 -44.9	-0.167 -53.2	-0.099 -57.3	-0.191 -52.4	-0.396 -41.6	-0.431 -40.7
CHINA	-0.571 -34.1	-0.643 -31.7	-0.496 -37.6	-0.594 -33	-0.445 -41.3	-0.501 -37.8	-0.603 -32.5
MALAYSIA	0.434 -70.2	0.268 -63.4	0.283 -64.9	0.283 -67	0.07 -61.2	-0.047 -57.4	0.124 -61.2
KOREA, SOUTH	0.358 -66.3	0.611 -71.2	0.316 -67.3	0.541 -72.8	0.425 -68.9	0.458 -70.8	0.423 -69.4
TAIWAN, CHINA	0.889 -80	0.804 -77.6	0.564 -72.7	0.518 -72.3	0.479 -71.8	0.567 -72.2	0.747 -74.2
SINGAPORE	2.391 -98.5	2.2 -98	2.224 -98	2.254 -98.1	2.307 -98.5	2.275 -98.6	2.184 -98.6

Notes:

Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)

Source: http://databank.worldbank.org

Table 5D shows the ability of countries to formulate and implement sound policies and regulations that permit and promote private sector development. We see a clear trend: countries with higher per capita GDP possess greater regulatory quality.

Table 5D: Regulatory Quality

	2004	2005	2006	2007	2008	2009	2010
Country	**Index (Rank)**						
NEPAL	-0.531 -30.9	-0.501 -34.3	-0.504 -32.8	-0.559 -29.6	-0.618 -29.6	-0.687 -26.8	-0.742 -24.4
BANGLADESH	-1.104 -13.2	-1.035 -16.7	-0.931 -18.1	-0.886 -19.4	-0.87 -18.9	-0.842 -22	-0.862 -21.5
PAKISTAN	-0.893 -18.1	-0.613 -26	-0.463 -35.3	-0.516 -31.1	-0.583 -31.1	-0.548 -33	-0.597 -30.1
INDIA	-0.385 -40.7	-0.24 -47.1	-0.205 -48	-0.247 -47.1	-0.329 -43.2	-0.329 -41.1	-0.393 -39.2
SRI LANKA	-0.045 -53.4	-0.358 -43.6	-0.237 -46.1	-0.258 -46.6	-0.335 -42.7	-0.254 -45.5	-0.207 -45.5
CHINA	-0.288 -44.6	-0.135 -50.5	-0.218 -47.5	-0.187 -50	-0.159 -51.5	-0.205 -46.4	-0.231 -45
MALAYSIA	0.497 -67.2	0.619 -68.6	0.558 -66.7	0.539 -68	0.372 -63.1	0.306 -61.7	0.581 -71.3
KOREA, SOUTH	0.806	0.821	0.727	0.907	0.699	0.827	0.914

	-75	-72.5	-72.5	-79.1	-72.8	-75.1	-78.9
TAIWAN, CHINA	1.199 -84.8	1.02 -77.9	0.892 -76.5	0.978 -79.6	1.057 -81.6	1.104 -82.3	1.18 -83.7
SINGAPORE	1.818 -99.5	1.799 -99.5	1.767 -98	1.83 -98.1	1.915 -99	1.8 -98.6	1.802 -98.6

Notes:
Reflects perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)
Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)
Source: http://databank.worldbank.org

Table 5E shows government effectiveness: quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The pattern is not as clear-cut as in the previous case, but there is a pretty clear trend of higher per capita GDP and higher ranking.

China being a one-party dictatorship, its rankings in 2009 and 2010 (both 59.8) is understandable. But the ranking of India (55 in 2010) – a country with multi-party democracy and teeming millions – is hard to understand. It speaks to the genius of India's political and governmental system. Singapore ranks perfect 100 in 2010.

Table 5E: Government Effectiveness

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Country			**Index**	**(Rank)**			
NEPAL	-0.767 -22.4	-0.837 -22.9	-0.75 -26.3	-0.647 -29.1	-0.757 -23.8	-0.829 -21.5	-0.768 -25.4
BANGLADESH	-0.823 -19.5	-0.895 -19.5	-0.779 -24.9	-0.666 -28.2	-0.705 -27.7	-0.882 -19.6	-0.843 -21.5
PAKISTAN	-0.442 -41	-0.426 -40	-0.404 -42	-0.453 -40.8	-0.684 -28.6	-0.779 -23.9	-0.767 -25.8
INDIA	-0.127 -51.2	-0.081 -54.1	-0.014 -54.6	0.121 -57.8	-0.02 -54.4	-0.018 -54.1	-0.007 -55
SRI LANKA	-0.425 -42.9	-0.319 -44.9	-0.179 -47.8	-0.08 -51.9	-0.114 -51.5	-0.112 -51.2	-0.168 -49.3
CHINA	-0.047 -55.6	-0.166 -49.8	0.06 -58	0.229 -63.1	0.191 -59.7	0.136 -59.8	0.123 -59.8
MALAYSIA	1.096 -84.9	1.077 -83.9	1.126 -83.9	1.229 -85	1.15 -83	0.964 -78.5	1.097 -82.3
KOREA, SOUTH	1.009 -81.5	1.018 -82.4	1.107 -82.9	1.229 -84.5	1.11 -82.5	1.078 -81.8	1.189 -84.2
TAIWAN, CHINA	1.141 -85.4	1.004 -82	1.108 -83.4	1.027 -82.5	1.055 -82	1.19 -85.6	1.207 -84.7
SINGAPORE	2.017 -96.1	1.963 -98.5	2.144 -99	2.326 -99.5	2.374 -100	2.265 -99.5	2.248 -100

Notes:
Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)

Source: http://databank.worldbank.org

The last table in this series – Table 5F – shows the extent to which citizens are able to choose governments and the freedoms they enjoy. China ranks the lowest followed by Pakistan. Singapore does not rank high on this indicator. In lieu of voice and accountability, it has provided effective governance.

Table 5F: Voice and Accountability

	2004	2005	2006	2007	2008	2009	2010
Country							Index (Rank)
	-1.162	-1.176	-0.885	-0.626	-0.54	-0.512	-0.533
NEPAL	-16.8	-13.9	-23.6	-29.8	-30.3	-31.8	-30.8
	-0.655	-0.565	-0.45	-0.523	-0.453	-0.3	-0.276
BANGLADESH	-26.9	-30.3	-32.7	-31.7	-33.2	-37.9	-38.4
	-1.221	-1.09	-0.876	-0.925	-0.854	-0.848	-0.816
PAKISTAN	-14.4	-15.4	-24	-21.6	-25.5	-24.6	-27.5
	0.417	0.43	0.455	0.433	0.466	0.439	0.424
INDIA	-61.1	-62	-59.6	-58.7	-59.6	-59.2	-59.2
	-0.176	-0.215	-0.304	-0.496	-0.474	-0.52	-0.508
SRI LANKA	-42.8	-40.4	-36.5	-32.7	-32.7	-30.8	-31.8
	-1.452	-1.512	-1.667	-1.704	-1.659	-1.656	-1.65
CHINA	-7.2	-7.2	-6.3	-4.8	-5.8	-5.2	-5.2
	-0.28	-0.165	-0.501	-0.554	-0.572	-0.503	-0.531
MALAYSIA	-40.9	-43.3	-32.2	-31.3	-29.3	-32.2	-31.3
	0.709	0.743	0.638	0.655	0.644	0.694	0.709
KOREA, SOUTH	-71.2	-71.6	-68.3	-67.8	-67.8	-68.2	-69.2
	0.856	0.935	0.732	0.734	0.761	0.903	0.901
TAIWAN, CHINA	-77.4	-77.4	-70.7	-69.2	-69.2	-74.4	-73.9
	0.016	0.013	-0.396	-0.445	-0.411	-0.334	-0.292
SINGAPORE	-49	-51.4	-33.7	-34.1	-34.6	-36.5	-37.4

Notes:
Reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)

Source: http://databank.worldbank.org

GOVERNMENT REGULATION OF BUSINESS

Though China's political system is hardly benign, the conducive atmosphere it has provided to businesses can be gauged from Tables 6A through 6D below which focus on government regulation of business. It shows even in the absence of political freedom, economic freedom can foster impressive economic expansion. It also reflects some of the factors that have contributed to the economic plight of countries like Bangladesh. Up until recently, Bangladesh provided considerable political freedom, but its economy has been largely in regulatory grips. India provides fair measure of both types of freedom, and hence is poised to benefit in the long-run.

Table 6A shows cost to register property as percent of property value is lower for Malaysia, China, and Singapore.

Table 6A: Cost To Register Property (% Of Property Value)							
Country Name	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Nepal	6.4	6.4	6.4	6.3	4.8	4.8	5
Bangladesh	11	10.3	10.3	10.4	10.2	6.6	6.6
Pakistan	6.4	7.4	7.3	7.3	7.2	9.2	7.7
India	8	7.8	7.7	7.5	7.4	7.4	7.3
Sri Lanka	5.1	5.1	5.1	5.1	5.1	5.1	5.1
China	4.1	4.1	4.1	3.7	3.6	3.6	3.6
Malaysia	3.1	3.1	3.2	3.2	3.3	3.2	3.3
Korea, Rep.	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Taiwan	NA						
Singapore	2.8	2.8	2.8	2.8	2.8	2.8	2.8

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Table 6B shows cost to start a business (as percent of income per capita) is lower for Singapore, China, and Sri Lanka, and high for India. We see an overall falling trend for the cost for all countries. This may be a reflection of the increasing global competitiveness and the need to create conducive environment to create more jobs for a swelling population.

Table 6B: Cost To Start A Business (% Of Income Per Capita)							
Country Name	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Nepal	69.9	78.5	73.9	60.2	53.6	46.6	37.4
Bangladesh	56.1	52.1	46.2	25.7	36.2	33.3	30.6
Pakistan	23.9	21.3	14	12.6	5.8	10.7	11.2
India	62	78.4	74.6	70.1	66.1	56.5	46.8
Sri Lanka	10.4	9.2	8.5	7.1	5.9	5.4	4.7
China	13.6	9.3	8.4	8.4	4.9	4.5	3.5
Malaysia	26.6	25.1	23.1	18.9	15.6	17.5	16.4
Korea, Rep.	15.7	18.2	17.1	16.9	14.7	14.7	14.6
Taiwan							
Singapore	0.9	0.8	0.8	0.7	0.7	0.7	0.7

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Table 6C shows time required to start a business as of 2011 is 3 days in Singapore, 6 days in Malaysia, and 7 days in South Korea. It is 19 to 38 days for the other countries. One can start a new business in Australia in 2 days, in Canada in 3 days, in Belgium in 4 days, and in Iceland in 5 days. Bangladesh has come down from 74 days in 2007 to 19 days in 2010 and 2011. The reflection of the lengthy process in Bangladesh is provided by the length of the 143-page book published in 2004 by Bangladesh Enterprise Institute (BEI)-South Asia Enterprise Development Facility (SAEDF) titled "Entrepreneur's Guide to Regulatory Processes in Bangladesh."

Table 6C: Time Required To Start a Business (Days)							
Country Name	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Nepal	31	31	31	31	31	31	29
Bangladesh	50	50	74	73	44	19	19
Pakistan	24	24	24	24	21	21	21
India	71	35	33	30	30	29	29
Sri Lanka	50	50	39	38	38	35	35
China	48	35	35	41	38	38	38
Malaysia	37	37	31	20	18	17	6
Korea, Rep.	17	17	17	17	14	14	7
Taiwan							
Singapore	6	6	5	4	3	3	3

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Table 6D shows time required to register property is 5 days in Nepal and in Singapore. It is 245 days in Bangladesh down from 425 days up until 2007 – a big improvement. Malaysia also registered big drop from 144 until 2009 to 48 days thereafter.

Table 6D: Time Required To Register Property (Days)							
Country Name	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Nepal	5	5	5	5	5	5	5
Bangladesh	425	425	425	245	245	245	245
Pakistan	50	50	50	50	50	50	50
India	61	61	61	44	44	44	44
Sri Lanka	83	83	83	83	83	83	83
China	29	29	29	29	29	29	29
Malaysia	144	144	144	144	144	48	48
Korea, Rep.	11	11	11	11	11	11	11
Taiwan	NA						
Singapore	9	9	9	9	5	5	5

http://databank.worldbank.org

With 245 days required to register property, Bangladesh is among the bottom two in the world (second worst is Kiribati which takes 513 days). Bangladesh takes about two times longer than the regional and income group averages. Overall, Singapore scores the lowest (in other words, tops) in all four parameters: cost to register property, cost to start a business, time required to start a business,, and time required to register property. Malaysia is second lowest in two of the parameters.

DRIVING FORCE

The basic driving force that can propel a country to lofty economic growth and overall progress is leadership: the ability to dream pragmatically, forge national unity, inspire people towards a lofty set of goals, create a sense of fierce urgency, and direct, control and coordinate their actions as they are inspired to march towards the goals. A big, radiant, incandescent candle of leadership should in turn lit tens of thousands of lamps showing the way at all levels of social, political, economic and religious activities. Corporate leaders set vision, mission, goals and strategies for a company. A country also should progress through a similar process.

Though only about three to four decades back the ten countries were at about the same level of economic underdevelopment, countries like Nepal, Bangladesh, Pakistan, and Sri Lanka have been significantly overtaken by the other countries. India and China are on a booming course. India benefits in its economic growth from private sector initiative, skilled manpower specially in the high-tech sector, and the contribution of Non-resident Indians. China on the other hand appears to ensure greater security and stability, lower regulation for businesses, more effective government, development of effective manufacturing base, massive investment in infrastructure, and higher productivity of workers. The comparative analysis is intended to highlight what countries like Bangladesh, Pakistan, and Nepal need to do to develop economically. Arguably, the most important factor that can contribute to economic development is visionary, exemplary, inspiring, and transcendental and leadership. A transcendental leader can rise above race, religion, caste, creed, ethnicity, prejudice, intolerance, tribalism, regionalism, factionalism, party affiliation. He can create an enabling and inspiring environment that builds bridges and spans apparently insurmountable differences and narrow mindedness which are barriers to economic growth and growth of civil society. Nelson Mandela, Mahatma Gandhi, and Abraham Lincoln are illuminating examples of transcendental leaders.

CREATING CONDUCIVE INVESTMENT ENVIRONMENT

Exemplary leadership will take steps to create environment conducive to investment that spurs economic growth. This involves not only reconfiguring the software (liberalizing and incentivizing investment policies, creating institutions that ensure accountability and transparency independent of political whims, instituting property rights and rule of law) but also strengthening the hardware (logistical support and adequate infrastructure). This also would involve instituting policies to develop educated, ethical, and skilled workforce. Establishment of rule of law is a top priority. It involves a functioning economy, a free and fair political system, the development of civil society, and creating public confidence in police and the courts. Countries like Nepal, Pakistan, and Bangladesh are beset with multifarious problems: cronyism, kleptocracy, bureaucratic entanglement, inconsistent policies, mismanagement, wastage, corruption, strike, instability, and indiscipline bordering on chaos. These are rather symptoms of the deep-rooted problem: lack of self-less, bold, and dynamic leadership. Visionary leadership can create the environment that fosters some of the determinants of growth: human capital, infrastructure, economic freedom, good governance, government regulation of business.

STABILITY AND GROWTH

The importance of stability in promoting economic growth can hardly be over-emphasized. Chaos and confusion are the big enemies of economic growth. It is not surprising that countries that have achieved admirable levels of economic growth experienced periods of political stability and economic liberalization. In many cases, the stability was the result of uplifting and charismatic leadership. Countries like South Korea, Taiwan, and Malaysia benefitted from rulers who ensured political stability, liberalized the economy, instituted legal system, rule of law, and property rights. These forces in turn produced legitimate government, prosperity, and liberal democracy. Countries like North Korea, Iraq under Saddam Hussein, and Iran have seen periods of stability, but the absence of economic liberalization and rule of law did not allow these countries to prosper.

DEMOCRACY AND GROWTH

Does democracy help or hurt the economic growth of poor countries? Many surveys yielded no conclusive answer. Over the past 50 years, almost every success story in the developing world has taken place under a liberal authoritarian regime.[2] In spite of being a democracy, India has managed to retain a large degree of stability, and in the 1990s, instituted economic reforms that are changing the face of India and the region. In an empirical study of about 100 countries from 1960 to 1990 Barro (1996) finds political freedom has only a weak effect on growth but also finds indication of a nonlinear relation: "At low levels of political rights, an expansion of these rights stimulates economic growth. However, once a moderate amount of democracy has been attained, a further expansion reduces growth".

NATURAL RESOURCES AND GROWTH

Fareed Zakaria (2004) argues that wealth consisting of natural resources hinders both political modernization and economic growth. He draws support from two Harvard economists, Jeffrey D. Sachs and Andrew M. Warner, who looked at 97 developing countries over two decades (1971-89) and found that natural endowment was strongly correlated with economic failure. It is not the natural resources a country possesses that determine the wealth of its people. It is how efficiently the resources are used, and how sound are its institutional framework. Russia and the Democratic Republic of Congo, for example, are resource rich, but their general population is poor, whereas, Hong Kong and Singapore are resource deprived, but the general people are prosperous.

Zakaria (2004) contends that on average the richer a country was in mineral, agricultural, and fuel deposits, the slower its economy grew. He cites the examples of Saudi Arabia and Nigeria. He points to the fact that countries with almost no resources – such as those in East Asia – grew the fastest, and those with some resources – as in Western Europe – grew at rates between these two extremes. He also notes the few exceptions: Chile, Malaysia and the United States are all resource rich yet have developed economically and politically. He concludes that the basic rule holds up well. He also points out that unearned riches impede the development of modern political institutions, laws and bureaucracies. The once poor, but now rich East Asian countries had to work hard to create effective government, institutions, and infrastructure. That in turn could enable the countries to harness and process knowledge and resources from all over the globe effectively and efficiently which created greater opportunities for the general populace and thus enriched the countries. Size and resources are no longer predominant factors that determine economic growth. Zakaria (2004) finds that governments with treasures in their soil have it too easy. He predicts that any state that has access to easy money will remain underdeveloped politically since it does not need to tax its citizens. He argues that when a government taxes its people it has to provide benefits in return: services, accountability, good governance, and finally liberty and representation, which are recipes for economic growth. It may be argued that since independence, subsequent governments in Bangladesh had access to easy money – foreign aid – which created less urgency to strengthen the tax collection apparatus. People have to comply with laws to pay taxes. When governments – and their policies – lack legitimacy, they cannot coerce people to pay taxes or fortify tax collection system. By infusing easy money to successive governments, international donors in a sense contributed to the perpetuation of low tax collection rates, which in turn contributed to political and economic underdevelopment of Bangladesh.

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[2] See Zaxaria (2004).

CONCLUSION

Armed with comprehension of the threat of globalization, political will, national resolve, appropriate policies, consistent application, transparency, free press, firm stand against lawlessness, insecurity and corruption, the cheap labor and natural resources of countries like Bangladesh, Pakistan, and Nepal can be transformed into assets in combating the ruthless challenges they face in this era of globalization. What these countries lack most of all is transformational leadership – leadership that will create mass motivation and harness national energies towards creating an enabling environment, institutions, and incentives that can foster economic growth and bring prosperity for all. Lack of natural resources is not a limiting factor as long as a country is inspired to harness and process knowledge and resources from all around.

Barro (1996) finds in his empirical study of around 100 countries that growth rate is enhanced at the government level by lower government consumption, better maintenance of the rule of law, lower inflation, and improvements in the terms of trade, and by higher initial schooling, higher life expectancy, and lower fertility. Barro also mentions the following as likely important factors of growth: tax distortions and regulations that affect labor, financial, and other markets, infrastructure investments, R&D outlays, the quality of education, and the distribution of income and wealth.

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