

## Book Review

# The Bangladesh Story - Travails and Triumphs

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*Bangladesh: A Journey of Dual Graduation and the Attendant Challenges*  
Edited by Sreeradha Datta and S Narayan,  
Singapore, Orient Black Swan, 2020

The 1960s and 70s were tumults in the history of the Indian neighbourhood. Wars, civil unrests, mass migration, military rule, redrawing of international boundaries and birth of new possibilities – we had it all. India was blessed with a professional army that never aspired for political power. However, the country had its share of the rest. In two decades, India had to fight three wars. The last one was linked to the Independence of Bangladesh from Pakistan, in 1971.

The Independence came on the back of separation of the geography from India, on religious grounds, in 1947, triggering one of the worst human tragedies in world history. However, for Bangladesh, formerly East Pakistan, the Partition was just the beginning of a bigger trouble. In two decades, this densely populated (three times denser than India) geography was rocked by a bloody civil war (that arguably displaced more people than in 1947) leading to creation of a nation. The new nation Bangladesh barely got the time to celebrate the victory and focus on institution building. It began its journey as one of the poorest nations on earth, and faced uncertainty on every front.

The society was divided on the issue of Liberation War and the war crimes from the beginning. Some had wanted Independence from Pakistan, some others had opposed. Since Pakistan was a symbol of a religion, the whole issue took the shape of a violent politico-religious cocktail. The grounds were not ideal for stability and prosperity. The political ambitions of the army, inherited from Pakistan made it even more difficult. The tallest National hero and the first Prime Minister, Sheikh Mujibur Rahman, was killed in

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1975, leading to 15-year long army dictatorship and a weak democracy that suffered from low trust.

Leave alone the electorate, even the political parties have little trust and confidence in the electoral process. Nearly 30 years since the return of democracy, Bangladesh politics is yet to establish a credible mechanism for holding elections and smooth handover of power to the winning party or parties. The mechanism of 'caretaker or government' for holding elections, as devised in the past, created an opportunity for the military-backed social elite, to enjoy unaccounted power. The last such military-backed 'care taker' government stuck to the seat for nearly two years between 2006 and 2008.

Though the mechanism of caretaker-government was discontinued by the ruling Awami League, the image and legitimacy of electoral democracy didn't improve in the absence of proportionate strengthening of institutions like the Election Commission.

### **Tremendous achievements**

Bangladesh may not be the first and the last country that has a difficult past and which suffers from volatile socio-politics and a weak democracy. But, it is definitely unparalleled in its achievements. Over the last five decades, Bangladesh has made tremendous progress in the areas of human development, social empowerment, economic growth, etc. It is not only the fastest growing economy in South Asia but its recent growth records are among the best in the world. It is a global model for microfinance-led development. While the commercial banking sector suffers from poor credit recovery, which is a result of corruption and high incidence of crony capitalism; the microfinance industry presented a viable model of credit recovery, financial inclusion and empowerment of women.

Thriving capital market and financial services sector are textbook prescriptions for capitalist growth models. Bangladesh lacks both. The stock exchange at Dhaka and the financial services sector suffers from lack of depth and regulatory weaknesses. But that did not stop Bangladesh from building a highly successful export-oriented economy.

At the state building level however, successive governments have failed to build credible institutions. Social fabric was torn by a violent and spiteful political atmosphere. Bangladesh is ranked lowest in the region, lower than Pakistan, in the corruption perception index of Transparency International. Yet, Bangladesh has emerged as the world's second largest apparels exporter, after China. Five decades since Independence, Bangladesh's per-capita GDP is distinctly higher than Pakistan. While Islamabad is finding it difficult to pay the fuel import bill, Dhaka reports a record high foreign currency reserve of \$37 billion in

July 2020.

Apparently, Bangladesh and Pakistan are coming out of the same stalk. Both followed some similar patterns like the crucial role of religion in identity construction, military rule, weak democracy. Even in foreign policy, both maintained stable relationships with China. But the dissimilarities are starker. Bangladeshi resilience always ensured correction to break the fall and keep the nation on growth path. Once suffering the worst bite of hunger, Bangladesh is today hungry for growth.

The entire episode since 1971, excepting direct comparison with Pakistan, is documented in "Bangladesh: A Journey of Dual Graduation and the Attendant Challenges" edited by Sreeradha Datta and S. Narayan. Published by Orient Black Swan, the book is an attempt to map Bangladesh's strengths and weaknesses as it is aspiring to shed the tag of a Least Developed Country (LDC) to a Middle-Income Country, subject to triennial reviews by the UN.

### **Graduation to Middle-Income Country**

The graduation will not come easy. Bangladesh will lose tariff advantage (for LDCs) in major export destinations. This, coupled with the disruptions in the global trade framework, might call for broad-based changes in Bangladeshi economy. The immediate concern is improving on efficiency which is linked to infrastructure, human capital, access to finance, product planning etc. But that is only a narrow perspective of trade. In a globalized economy, the next level of competition might call for much wider changes starting from institution building to adjustments in the foreign policy.

The book examines a wide-ranging issues starting from domestic politics, governance, foreign policy, militancy, economy, energy, India-Bangladesh relations, women's development and so on through nearly a dozen chapters, each focusing on specific areas, written by noted political scientists, security analysts and economists, diplomats, from Bangladesh and India. Three chapters specifically revolve around the political and foreign policy journey. The critical chapter on domestic political development covers a large ground deftly. For sound reasons, the economy has grabbed the centre-stage of discussion with five out of 11 articles being on the financial sector, export economy, energy, role of multilateral agencies and NGOs. The rest build their argument around this theme.

The role of NGOs deserved a special mention; as Bangladesh, due to its political past, didn't follow a structured process of rural development and poverty mitigation. A comparison with India might help understand the difference. The shortcomings notwithstanding, the democratically elected Indian government has been accountable for

social development. Naturally, policies were targeted for the underprivileged. NGOs merely filled the gap. In Bangladesh, urban elites took away most of the policy benefits, and NGOs played the lead role in making the growth process inclusive. Among the positives, NGOs had higher liberty in designing their plans and programmes, which helped innovation. The result is before us: organisations like Grameen Bank or BRAC (Bangladesh Rehabilitation Assistance Committee) are integral to the life of a common Bangladeshi. From education to rural lending – they are everywhere.

### **Readymade garments**

Rarely has any particular industrial activity impacted the life and growth of a whole nation as readymade garments (RMG) have to Bangladesh. Starting with barely \$31 million in 1984, RMG exports have grown to around \$31 billion by 2017. In 2019, it contributed nearly 85 percent of Bangladesh's export earnings. In the process it had effected a structural change in the economy. The most visible of these set of impacts is the comfortable foreign exchange reserve that gives the government much needed headroom. Socially, the biggest impact is visible in employment and quality of life. RMG provides direct employment to 3.5 million people, contributes half of the industrial workforce and, most importantly, has contributed significantly to gender equity, as 60 per cent of the labour force in RMG are women.

The growth model was not free from weaknesses. In 2018, nearly two-third of Bangladesh's RMG exports was directed to the EU riding on duty free access, which will be removed after the graduation to middle-income status. One option to keep the story going is to further incentivise the sector, which is already enjoying a range of freebies including subsidised interest on bank loans, duty free import of machinery and inputs, cash subsidy, exemption from other taxes, etc. Any such additional measure may, however, bleed Bangladesh financially and breed inefficiency. The other option of improving efficiency is more logical. Bangladesh imports raw material, yarn and fabric, for RMG from countries like India and China. But the import logistics and infrastructure in Bangladesh is in a pitiable condition. The country has received lines of credits and aid from many sources, including multilateral agencies, India and China, to improve infrastructure. However, the pace of implementation is too slow.

There are more issues. The WTO led global trade framework has witnessed major challenges in recent years. What began with the US-China tariff war now seems to have caught the imagination of the world. If the recent trends, after COVID hit the world, are of any indication, the global trade framework is in for more shocks and that's a cause of concern for export economies like Bangladesh.

The rising concern over health safety and push to automation pose bigger challenges. The book says automation push after the infamous 'Rana Plaza' incident in Bangladesh in which over 1000 people were killed, has impacted the job market. And, women are the biggest victims of this job loss. The book does not go deeper into it but automation may rob the RMG industry as well as the Bangladesh government an important political-economic traction.

### **India-Bangladesh relations**

Discussions on Bangladesh are not possible without reference to India. This book has a chapter on the same detailing mostly the political relationship. Also, there are references of India in bits and pieces, particularly in the areas of energy cooperation. However, it doesn't catch the very recent trends of rising economic relationship between the two nations and its anticipated impact on the Bangladeshi economy. Politics is surely important as a key driver. But, globally there are few references where a country grew in complete isolation of the geographic influence. Growth is infectious. There is both a global and regional angle to it. Bangladesh's GDP growth has been above six percent since 2011. The period coincided with the decade of bilateral cooperation and rapid improvements in India-Bangladesh trade logistics as well Bangladesh's access to the Indian market.

The electricity or petroleum product trade introduced during the period was not merely a case for availability—it was sharing of resources. India gained by better asset utilization. Bangladesh was spared from investing in low-pay back areas of power and port infrastructure, which could be better utilized for other projects, paving the way for future growth. As both the democracies are getting older, the past records of friendship and/or rivalry, will lose significance. The future generation of either country may measure relationships in terms of opportunity cost.

Having said this much, "Bangladesh: A Journey of Dual Graduation and the Attendant Challenges" is a book to collect as it provides adequate background to draw any projection on the Bangladesh economy as the country turns 50 next year.