Opening a New Chapter

Time to move into the industrial age, argues **Ahsan Mansur**

THE loss of competitiveness of Chinese, Vietnamese and Indian manufacturers, due to appreciation of their currencies and surging wages, has created opportunities for Bangladesh that were unimaginable only a few years back. The large surplus countries of Asia and Middle East are also seeking investment opportunities in potentially emerging economies like Bangladesh.

But are we ready for these opportunities or should we remain bogged down by political conflicts and with the century-old slogan-oriented policies for "*dal bhat*"? While the whole country is preoccupied with prices of essentials (rice, lentil, chili, etc.), distribution of fertilisers, and reactivation of loss-making jute and sugar mills -- are we not going to miss the most important opportunity that has opened up for Bangladesh in the global market?

The fastest poverty reduction in world history has been recorded in East Asia during our current generation, due to rapid industrialisation and employment generation. Foreign demand for manufactured goods and foreign direct investment (FDI) in labour-intensive manufacturing and service sectors have been keys to realising the East Asian miracle in terms of economic growth and poverty reduction.

It is beyond doubt that if Bangladesh wants to be a middle-income country in the next 10-12 years, it will require accelerated industrial sector growth and a rapid broadening of its manufacturing base. Prosperity of the 120 million people living in rural areas cannot be achieved by employing them in the agriculture sector, no matter how productive or hardworking our farmers may be.

The hard fact is that most of these people must find jobs in the non-farm sector if we want to increase labour productivity (and consequently income) in farm and non-farm sectors, a prerequisite for economic prosperity.

The industrial sector in Bangladesh has also been a fast growing sector, and its accelerating pace is the main reason for Bangladesh recording more than 6 percent growth rate in recent years.

Industrial sector growth averaged 8.25 percent during 2001-02 to 2006-07, compared with 2.1 percent growth in the agriculture sector over the same period. In the most recent 3-year period, industrial growth exceeded 10 percent in real terms. This impressive growth in manufacturing and related services has expanded the base for non-farming jobs and helped absorb the growing pool of rural surplus labour. Bangladesh's manufacturing sector growth rate, while significant, will need to be much higher if we want to accelerate the pace of poverty reduction and gainful migration of the rural labour force to industrial centres.

We certainly have positive signs that it may happen. Despite political uncertainties and weak infrastructure, industrial activity has regained momentum since January 2008, backed by foreign demand for Bangladeshi exports and a strong rebound in domestic demand. As foreign buyers of knitwear and garments are shifting to Bangladesh, exports of these products since January surged by 25-30 percent, and the outlook is very strong. Industry insiders believe that, with congenial political environment and infrastructure support, Bangladesh's garment and knitwear sector can sustain more than 20 percent growth over the medium term. If this outlook is realised, Bangladesh may earn about $30 billion from the garment and knitwear sector alone by 2013-14, triple from the 2007-8 level of $10.5 billion.

The shoe industry can also gain hugely from the expected industrial relocation out of China in the coming years. Most of the country's 47