

# Demography: The decider?

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A straightforward analysis of the relationship between population and economic growth does not offer any decisive conclusion on whether the former retards or promotes the latter, and vice-versa. However, the age structures of population could affect economic growth considerably. It is widely recognised that the "East Asian miracle" occurred partly due to the region's favourable demographic changes (more working age population than non-working ones) during its high growth periods.

Nevertheless, the world's most dynamic economic region led by Japan is now facing ageing problem as its demographic window closes. In fact there is a genuine fear that China, the late comer in East Asian economic catch-up game, risks getting old before it gets rich.

The focus is now shifting to South Asia that is projected to accumulate a large pool of young population until 2060. This is indeed an once-in-a-lifetime opportunity for the lagging states of South Asia to catch up with East Asia and other forerunners, given that economic growth is a function of labour supply and labour productivity, among others.

With this significant development it is imperative to portray a profile of Bangladesh's demography. Demographic transition can be defined as a situation where a country witnesses a demographical transformation from high birth and death rates to low birth and death rates. Consequently, population growth rates first accelerate followed by a slow rate of growth.

During the British era, net population growth in Bengal was checked for a long period due to both high fertility and mortality rates. It took half a century to increase Bengal's population by merely 8% during 1751-1801, whereas Bangladesh's population increased approximately by 242% between 1950 and 2000 and is projected to rise by 50% more between 2000 and 2050.

According to the preliminary estimates of Population Census 2011, the enumerated population was about 142 million as of March 2011, whereas the United Nations Population Fund reports that the figure is 148 million.

Debates on total population figure apart, Bangladesh's population transition offers a number of optimistic pictures. Population growth rate in the country has fallen from 2.7% in 1980s to 1.34%. Total Fertility Rate (TFR) has declined from nearly 7 (children per woman) in 1970s to 2.3 by the end of last decade and projected to reach replacement level (2.1) by 2015. Drastic fall in TFR is also reflected in declining household size from 4.4 persons per household in 2011 compared to 4.8 in 2001 and 5.5 in 1991.

With 24.2 median age, Bangladesh is one of Asia's youngest countries. While low median age population is an advantage, the criterion that matters the most is



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total dependency ratio (TDR), non-working to working age population. A nation's demographic window generally opens when the TDR goes below 50. More precisely, this happens when the proportion of children and youth under the age of 15 falls below 30% and the proportion of people 65 years and older is still below 15%. According to the Household Income and Expenditure Survey 2010, youth and children (0-14 age group) and older population (60+) constitute 35% and 7% respectively of total population.

Another encouraging shift in the demography is changing sex ratios in favour of women. When calculated in 1991 and 2001, the sex ratios were 106.1 (males per 100 women) and 106.4 respectively; thus males outnumbered females. In the recent census, the number was found to be 100.3, representing almost equal number of males and females. Estimate shows that the actual growth rates of South Asia is at least one percentage point lower than its potential growth owing to the gender imbalance.

Nevertheless, higher base population and extreme land scarcity make Bangladesh one of the densely populated countries in the world, offering a frightening scenario and undermining the successes of its demographic shift. This high density of population is partly, if not largely, a pre-1971 phenomenon. For instance, between 1970 to 2010, Bangladesh, India and Pakistan's

population increased by 122, 121 and 192% respectively.

Now the question is whether Bangladesh is in a position to convert its "demographic window" that could last till middle of this century into "demographic dividend." Although the impact of demographic transition is already visible it is not merely with growing share of younger population. It was no accident that the stock-market capitalisation went up by over 45% of the country's GDP in 2010 from merely 10% even a few years ago. More people in the working age group and a lower dependency ratio mean higher savings and investable surplus.

The success of demographic transition will largely depend on the type of human capital that Bangladesh accumulates. Human capital contributes to economic growth in two ways. As Nobel laureate Robert Lucas observed, the human capital embodied in a human being increases that individual's productivity, leading to an increase in economic output. Then the human capital embodied in an individual also contributes to the productivity of all other factors of production.

As far as human capital formation is concerned Bangladesh's picture is at best mixed. The 2010 literacy survey shows that nearly 42% of the people (age 7 years and above) are illiterate. However, the literacy level is much higher (78.6%) for the age group 15-24. Average

year of total schooling (15 years and above), a narrow but close proxy of human capital, shows that while Bangladesh (5.8) is ahead of some South Asian countries, it trails behind developing country average (7.1). In terms of tertiary education attainment, it lags behind India and Pakistan. Proportion of population (15+) receiving vocational training (1.38%) and accessing the internet (1.49%) is quite low.

The empirical evidence in favour of return to education is abundant. Robert Barro of Harvard University and Jong-Wha Lee of the Asian Development Bank showed that the rate of return to an additional year of schooling on output ranges from 5% to 12%. A study conducted by Dr. Niaz Asadullah of University of Reading showed that an additional year of schooling increases labour market earnings by 7% in Bangladesh. Barro and Lee also found that, on average, the wage differential between a secondary-school and a primary-school graduate is around 77% and that between a college and a primary-school graduate is around 240%.

Health indicators are also equally important for human capital formation. While Bangladesh has outperformed many South Asian neighbours in this regard, it is not on track to achieve health related Millennium Development Goals.

Moreover, Bangladesh's progress towards human capital formation is relatively slower if one compares it with East Asia, when the latter was at a similar stage of demographic transition. South Korea's average year of total schooling (15+), for instance, was 8.3 even before the opening of its demographic window in late 1970s.

To sum-up, the demographic changes in Bangladesh are in line with the demographic transitions that we first observed in Europe and subsequently in East Asia and North America. Such changes transform societies from agrarian to industrial.

However, how Bangladesh will evolve economically in the next few decades largely depends on how fast the country improves its education system, particularly tertiary education, given its very high rate of return. The reason why Bangladesh has developed in RMG sector rather than information technology and other high value added modern services sectors is largely due to its existing stock of human capital.

The country's demographic transition will also have enormous impact on its politics. What great philosopher Aristotle observed thousands years ago in the theory of the middle class and its causal link with democracy remains true even today. Unable to grow a strong middle class with better human capital formation and economic growth could create much chaos in the society derailing democratic process.

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## A timely deal rescues fraught ties -- for now

CYRIL ALMEIDA

THE dramatic, synchronised announcement of a breakthrough in stalled ties with the US last Tuesday took most officials, diplomats and observers in Islamabad by surprise.

That a deal would eventually be worked out was accepted in many quarters -- stubbornness notwithstanding, neither the US nor Pakistan had indicated that it wanted ties to break down entirely -- but the timing was unexpected.

The suddenness of the apology-cum-reopening deal has fuelled speculation that both sides saw that the window of opportunity for an agreement was on the verge of closing: July 4, Independence Day in the US, offering a final chance for American officials to slip in an apology before the US presidential election campaign kicks into high gear.

The weekend of July 4 has seen drama in the Pak-US relationship before: in 1999, then-prime minister Nawaz Sharif rushed to DC for an emergency meeting with President Clinton to end the Kargil conflict and save his premiership.

Was history repeating itself this week, but for very different reasons 13 years on?

According to Bruce Riedel: "Washington is largely closed for the holiday ... no one is really focused on the deal that much, which is probably fine with Secretary Clinton who does not want to be accused of apologising to Pakistan by the Romney camp."

A Pakistani official in Islamabad speaking on the condition of anonymity offered a similar assessment: "The weekend of July 4 was crucial. The demand hadn't been for an 'unconditional apology' but we made it clear that something had to be done. But the White House was resistant to the idea of yet another apology."

Finding the right moment for a soft apology that would avoid President Obama being painted as the "apologiser-in-chief" by his Republican opponent was only part of the problem, however: the other part was getting the fractious policy-making elite in the US to agree that a deal had to be made.

According to analysts and officials familiar with debates on Pakistan policy in the US, two factors helped nudge the White House towards a deal this week: a reluctance to be wholly dependent on Putin's Russia via the Central Asian states and the Northern Distribution Network; and the fear that Nato allies

with more severe domestic budgetary constraints and shorter withdrawal timelines than the US may enter into their own deals with Pakistan.

While European diplomats in Islamabad strenuously denied that the US's European allies could contemplate separate supply-route deals with Pakistan, what appears more likely is that they put pressure on the US and Pakistan to settle their seven-month old dispute.

Privately, officials familiar with the negotiations for reopening the supply route pointed towards a significant role for the UK, which was part of the negotiation process as the unofficial representative of European countries. On the Pakistani side, the surprise was the exclusion of the well-publicised demand for higher transit fees.

Individuals familiar with the thinking of the Pakistan army leadership suggest that Gen. Kayani had indicated a willingness to drop the demand for

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higher transit fees in recent weeks.

According to one individual who spoke on the condition of anonymity to protect private conversations, Gen. Kayani suggested that the demand for higher transit fees was a mistake as it made Pakistan lose the "moral high ground" and painted the country as an opportunist.

Bruce Riedel, though, believes that it was because the Pakistani negotiating point man, Hafeez Shaikh, had wrested concessions from the US on other payments due to the army: "Finance Minister Abdul Hafez Shaikh gets most of the credit here. He came across as serious and non-ideological. He was also focused on the coalition-support-funds issue, which he discussed only in private. Since the army really wanted their money he got the generals the thing they wanted most."

A Pakistani official involved in the Pak-US negotiations offered a different assessment, suggesting that the army had finally begun to pay attention to officials on

both the American and Pakistani sides arguing that the longer the supply-route closure continued, the more likely hardliners in Washington would prevail in the debate on whether to engage or punish Pakistan.

"If things continued like this, by September, if there was some incident in Afghanistan, we'd probably have American boots on the ground in Pakistan, raids to go after the guys they want to go after," the official said. "We couldn't afford that."

The story of why now, why the apology and why the decision to not charge higher fees is not complete, however, without the story of the near-dysfunctional policy-making apparatus on both the Pakistani and American sides.

"There is still no centre of gravity in decision-making on Pakistan in the US. No visible leader leading the charge. And the situation is mirrored in Pakistan," said Shuja Nawaz, director of the South Asia Centre at the Atlantic Council, a US think-tank.

Nawaz suggested that the involvement of US Deputy Secretary of State Thomas Nides and Assistant Secretary of Defence Peter Lavoy helped bring the diplomats and the defence establishment in the US on the same page, while the national security principals at the White House had been continually engaged on resolving the impasse with Pakistan.

But with so many officials involved -- often officials with divergent views on how to handle the complicated relationship with Pakistan -- there is little possibility of the arguments over Pakistan ending anytime soon.

The same is true of Pakistan. At least four different power centres were pulling the process of stabilising relations with the US in different directions: GHQ; the presidency; the Ministry of Foreign Affairs led by Hina Khar; and the Pakistan embassy in DC.

With ideological differences compounding the differences over strategy and tactics -- to the extent that any are visible -- on the Pakistani side, the capacity to respond effectively and collectively when the next crisis in Pak-US relations inevitably hits is more in doubt than ever.

More likely, the deal to reopen the Nato/Isaf supply route may prove to be the exception in a pattern of deteriorating ties between the US and Pakistan over the last couple of years.

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## French fries: a deadly weapon



IN a global outbreak of violence, evil criminals are assaulting innocent civilians with deadly weapons such as French fries, in some cases unsalted.

In the past couple of weeks alone, there have been at least ten cases of food-assisted robberies, according to cuttings sent to me by readers.

In the US a man "attacked and robbed a Brockton man using stolen sausage links," according to the press in that country. In Croatia, a footballer was attacked with a banana, and in the UK a man was arrested for throwing lasagna.

Police are taking it seriously. A man who threw a packet of McDonald's French fries at his step-daughter was arrested for "felony assault with a dangerous weapon" according to a June 26 police report in the US state of Massachusetts. James Hackett was "charged with assault and battery with a dangerous weapon, to wit, a French fry," police said.

I was reminded of the time reader Stephen Birkett told me his mango was confiscated as he boarded a domestic flight in India. Why? "For security reasons," staff told him.

What happened to good old guns and knives? The best theory I heard was from my mentor/bartender, who said the United Nations worldwide gun control crackdown was accelerating in the run-up to a global summit on the subject being held this month. "Since guns are harder to get hold of, people are going for whatever is at hand, including French fries, sausages, etc," he said.

But can you really hurt someone with a French fry?

He thought for a moment. "Sure. French fries kill. But you don't need to hit people with them. Just feed them to them at regular intervals."