Bangladesh economy through a "turning point' lens

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The economy of Bangladesh has come a long way in the past 50 years. The enduring image of Bangladesh earlier was that of a disaster victim. Fifty years down the line, the country is now globally appreciated as a disaster manager. Several sectors have played an important role in the development of our economy. With that in mind, we recently organised a webinar titled "A Look at Bangladesh's 50 Years Journey: Turning Points of the Economy" on behalf of the Power and Participation Research Centre (PPRC). Many turning points have been positive—the agricultural sector, vibrancy of the private sector, robust role of remittances, globally impactful innovations such as microfinance, oral replacement therapy, conditional cash transfers such as primary and secondary education stipends, etc. These have made significant contributions to the transformation of Bangladesh into a resilient and aspirational society from its very difficult beginnings.

Some turning points have not been so positive. The last decade has seen worsening inequality. Nearly one-third of the youth currently are neither in employment nor in education nor in training. Progress in school enrolment has not translated into quality learning. Sixteen percent of employment in the growth-driving ready-made garments (RMG) sector are occupied by external workers. This percentage is significantly higher if one considers the mid-to-higher level managerial jobs. Significant segments of the middle class are struggling to establish sustainable economic foundations for themselves and their families. Even as women have emerged as critical change agents, gender-based violence has become rampant, exacerbated by a seeming culture of impunity. Institutionalised corruption abetted by poor governance norms is shackling Bangladesh significantly below its economic potential.

Bangladesh's fifty-year journey is thus truly Dickensian in its complexity. The transformation certainly has been deep and real. But the future increasingly looks less inclusive and uncertain on the challenges of quality completion of the middle-income transition.

Two important chapters of the story of complex transformation relate to agriculture and the private sector. When Bangladesh became independent, agriculture was a means to ensure food security for families, and agricultural work was carried out on one's own initiative. At that time, one crop of paddy was enough for sustenance. Agriculture did not use much modern machinery. Ploughing the fields was the convention then. The irrigation system was largely non-existent. The transformation of this moribund sector is perhaps one of the remarkable turning points of Bangladesh. The transformation was driven by three factors: changes in farming practices, mechanisation, and commercialisation. It was more initiative-driven than policy-driven. The all-weather infrastructure—in particular, the LGED's "feeder roads" connecting villages with nearby towns—played a critical facilitating role in this transformation, as did the stream of crop innovations of our agricultural scientists. So did "remittances" which largely flowed into the rural origins of the migrant workers and injected crucial liquidity into the rural economy.

Remarkably, a largely illiterate peasantry embraced the call for modernisation and proved as entrepreneurial as the titans of the RMG industry. However, the farmers of Bangladesh could not play the power game to their advantage in ensuring due share of the fruits of their labour. As agriculture became evermore commercialised, the lion's share of the fruits of agricultural modernisation has increasingly flowed to various categories of middlemen, some categories of whom have also played important economic roles while others have not.

It is due to the tireless work of the farmers that the country has achieved self-sufficiency in food today. Even in the ongoing Covid-19 disaster, the country has been able to survive the food crisis only because the farmers have been diligently doing their part, not just in rice but in fish, vegetables, fruits, etc. But the unfortunate scenario is that there have not been comparatively significant changes in the life prospects of the farmers themselves. The problem here is, in fact, a larger one. It is how society, the state, the "bhadroloks" all look at agriculture, and concomitantly at the farmers.

The policy attitude and the attitude of the policy-making elite has always been to see agriculture as a source of food security only, not as a multi-dimensional growth driver in its own right. The policy support to agriculture has always been conditioned by this narrow lens of food security. Neither the state nor the policy elite has imagined the farmer as a legitimate and potential driver of Bangladesh's growth aspirations. The economic shock of the Covid-19 pandemic may yet force a discourse change in this regard but that remains to be seen. Meanwhile, a new and potentially adverse "turning point" looms for the small-holder peasantry. The "middlemen" is increasingly wanting to go beyond the boundaries of being "middlemen" and taking direct control of the agricultural land. How land transactions are playing out in today's rural Bangladesh should be a fascinating and eye-opening study.

The private sector, too, looms large in the story of Bangladesh's fifty-year journey. It is important to divide the private sector into two parts. One is the state-aided private sector; the other is the private sector that has developed through its own efforts. The boundary is not water-tight. Both have been there from the beginning. The nineties saw a true "turning point" for the self-driven private sector. The private banking sector came of age. A home-grown steel industry took root. RMG went from strength to strength. Smaller players—the SMEs, rural non-farm sector—have been less talked about, but these domestic economy "bottom-of-the-pyramid" entrepreneurs were as critical to the growth momentum as the headline-hugging elite entrepreneurs. My own calculations show the non-tradable sector accounted for nearly two-thirds of incremental growth in the 1990s and 2000s (Hossain Zillur Rahman, 2010: *Bangladesh 2030: Strategy for Accelerating Inclusive Growth*).

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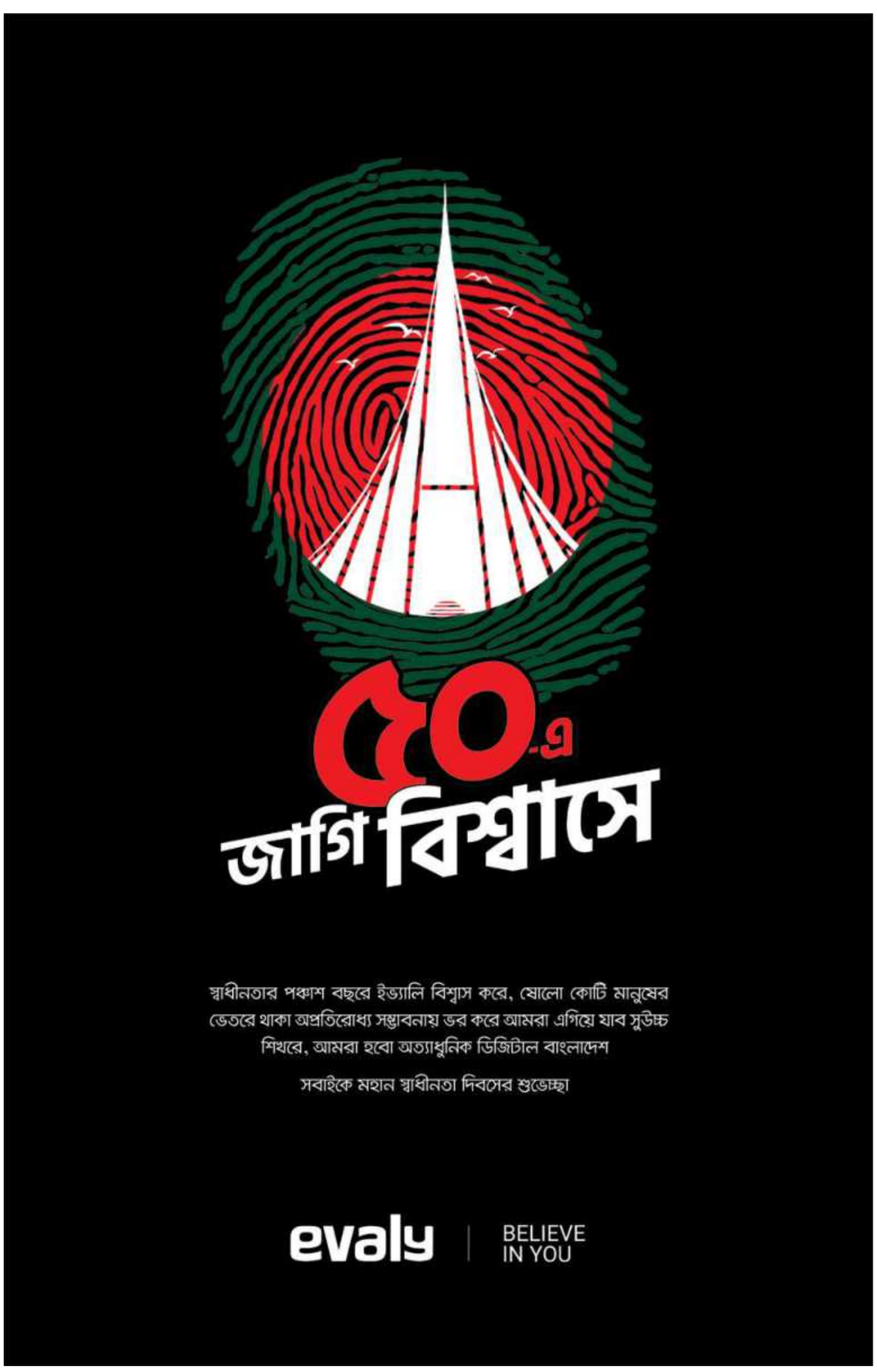
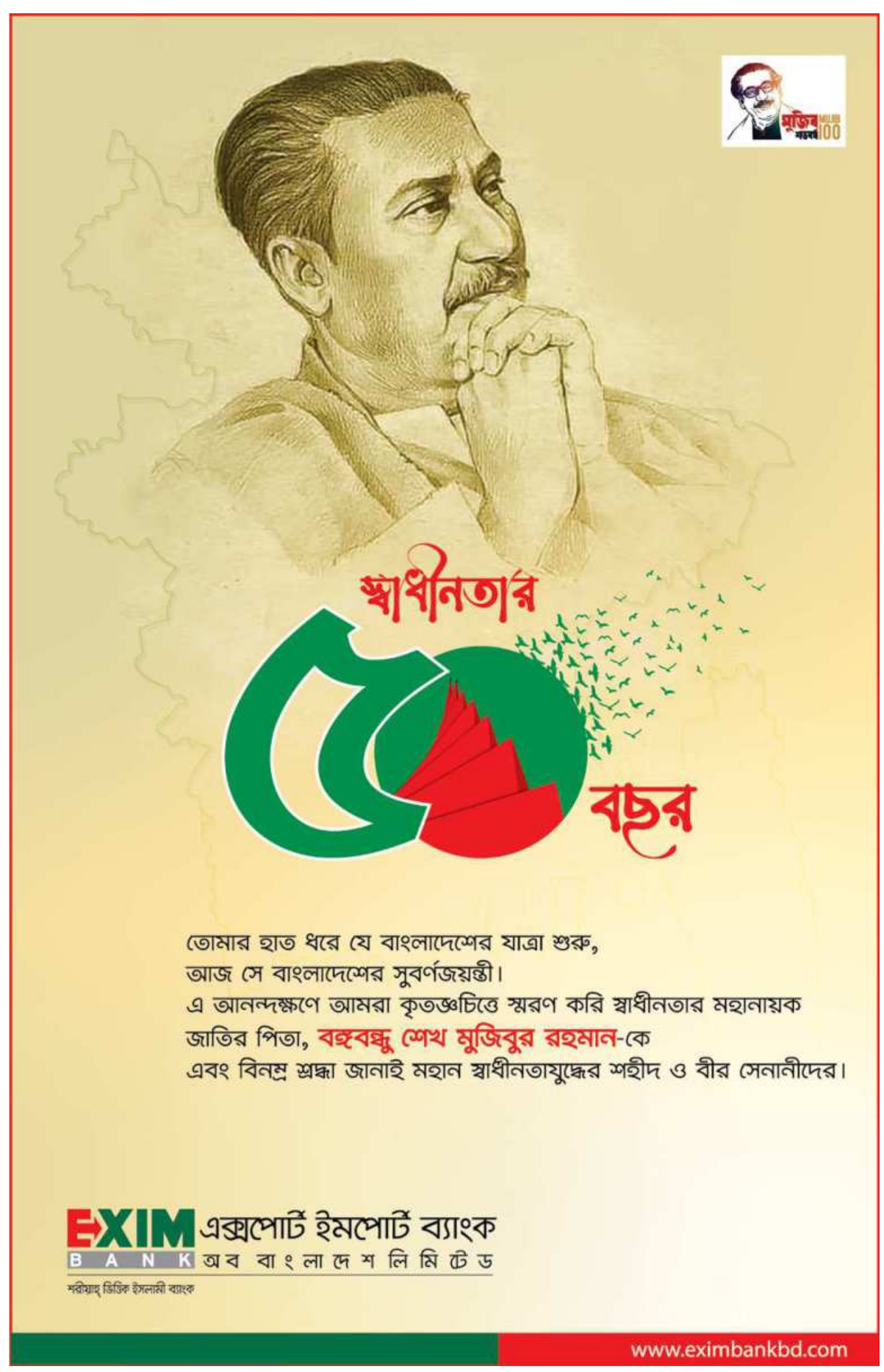
While the private sector remains pivotal to the next phase of Bangladesh's developmental journey, increasingly the internal dynamics of the "private sector" holds the answer to how effective this role is going to be. Earlier, we had the state-aided private sector and the self-driven private sector. Now, there is a new reality. Proximity to power has become as important if not more important than proving one's competitive prowess in the marketplace. And not just proximity to power but actual positions in the high table of power, both formal and informal. Look at the proportion of parliamentarians and even cabinet members with business as profession. In itself, this should not have been a problem if this was a case that the legitimate concerns of a competitive private sector were now directly influencing policy-making. The reality is starkly different. The influencing appears to be less for the growth of a competitive private sector and more for the private benefits of individual interests. Conflict-of-interest situations have become rampant. Lucrative sectors of the economy appear to have fallen under oligopolistic or rentier control. A worrying trend has been the disregard of state capacity for apparent benefits of unclear "private sector" interests.

Is this a new "turning point"? Should it be accepted as a "new normal"? Or should we call a spade a spade, and call for the reform of economic governance to enable the competitive private sector to play its due role in taking Bangladesh to its next economic heights? As Bob Dylan said, "the answer, my friend, is blowin' in the wind."

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