

Lessons for the erstwhile 'senior partner': The Bangladesh story

Bangladesh has proven them all wrong. Kissinger reportedly called it a 'basket case' soon after it chose to (was forced to?) part company with the 'senior partner'. Today, it is being hailed as one of the fastest growing economies.

Cycle back to the late 60s and peep into well-appointed drawing rooms this side of Wagah. The conversation may have been laced with some 'politically correct' sympathy for the Eastern wing but the subtle refrain was how it had become an albatross around the Western neck.

Our armchair 'intellectuals' had vexed eloquent. Unchallenged by empirics or lessons of history they gave a new twist to 'white man's burden'. They relied on spurious research to propound the cost of carrying the Eastern wing along.

Some fifty years later the shoe is unmistakably on the other foot. Take any global index, any measure of development, and Bangladesh is ahead - and the distance rapidly growing.

The evidence is too overwhelming for the intellectuals to change the lyrics; but that doesn't prevent them from changing the tune: 'oh, it is because of world-wide sympathy and all the outside help they got'.

The sympathy was undeniably palpable. Under the inspiration of his friend Ravi Shankar, George Harrison set the ball rolling with his song Bangladesh ("one of the most cogent social statements in musical history"). He was not alone. Other icons of musical fraternity, Joan Baez and Leon Russell for instance, were just as moved.

Aid literally poured in. More importantly, duty free market access for Bangladesh products was provided by its major markets. Everyone wanted to help in whatever way possible.

Interestingly, Pakistan too was a beneficiary of the Western largesse. First under Zia and then under Musharraf, both times courtesy Afghanistan. Besides donor funding and loan forgiveness we also got duty-free market access to the EU and some trade concessions from the US.

Except in our case the cost of aid turned out to be prohibitive. We lacked the skills to manage the fallout effects in the form of weaponization, decay of societal values, and hard-to-put-back-into-the-bottle genie.

Another commonality that we share is that Bangladesh is hardly a poster child of the commonly accepted principles of development. It is not a paragon of good governance either. It has weak institutions and an atrophied civil service, democracy is not real, corruption is wide-spread, and judiciary has been infiltrated.

Bangladesh has an even lower tax-to-GDP ratio than Pakistan. Its income distribution is highly skewed, if Gini coefficient is accepted as a reliable barometer of inequality. Corruption is endemic and a quarter of the population lives below the poverty line.

How, then, does one explain the Bangladesh story? How is it that despite the fragility of its development paradigm Bangladesh has been posting impressive growth numbers - an average GDP growth of 6.5% since 2004 that has sprung to above 7% each of the last three years and projected at 8% for the next fiscal? All the headline numbers - fiscal deficit, FX reserves, inflation - look remarkably healthy.

Despite the low tax base (or because of it?), Bangladesh has high savings and investment ratios, both double Pakistan's. It boasts more investors on the Stock market than Pakistan (twelve times ours), and its market capitalization as a percentage of GDP is twice ours.

But it is the way Bangladesh has outstripped us in the social sectors that makes it truly humbling. It is a more literate society, its fertility and infant mortality rates are considerably lower, and its life expectancy is some five years more than ours.

Of course Bangladesh is a more homogenous society, even if it is just as adept at throwing the key away when it comes to political opponents, and it doesn't have the kind of security issues we have. But that doesn't explain all.

Two factors stand out that distinguish them from us: women empowerment and a genuine export-led growth strategy.

Right from the beginning Bangladesh focused on women; on their education and their participation in the economy. This was at the heart of Grameen Bank's microfinance initiatives as well. This yielded good results. It was the spike in women literacy rate (70% today) that lifted Bangladesh overall literacy level to 73%. Today, the enrollment rate of girls at the Primary level is 98%, a shade higher than that of boys.

Women education had a salutary effect on population control, proving the theory right. Fertility rate has dropped to 3.1 per woman, from 7 in 1971. The Eastern Wing, that used to be more populated than us, now has a population of 165 million while we continue to procreate like there is no tomorrow.

Women education quite naturally led to greater participation in economic activities. Women participation rate in labour force has jumped to 58%.

For its growth model Bangladesh eyed the global market. It chose to emulate its neighbours to the East and not the former partner whose policies leaned more towards producing for the domestic market that induced an anti-export bias.

Opting for export-led growth strategy was not without risks: Bangladesh was essentially an agrarian society that boasted of few natural resources and didn't have much of a manufacturing base. It also lacked the infrastructure needed for exports.

Textile export became a natural candidate because of the quota regime that guaranteed a certain market share. They solved the problem of not being a cotton producer by going up the value chain - into garments.

The rest, as they say, is history. Their exports far exceed ours, and between exports and remittances they comfortably pay for their imports. They have now started to diversify and even their software exports are greater than ours.

Export-led growth strategy did not require a charter of economy. Successive governments knew this is what the country needed - deviating from it would have exacted a heavy political price. Success became the guarantee.

What the Bangladesh story tells us is that you can't progress if you don't educate your girls; indeed, even export growth owes a lot to women workers. If we wish to control our population growth, or improve our child-health indicators, the first stop has to be female education.

Show us one country that has progressed without empowering women. We can show you many who didn't allow their women to participate and didn't develop.

shabirahmed@yahoo.com

SHABIR AHMED