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Bangladesh: A Prognosis for Economic Potentials and Pitfalls

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Summary

The rate of Bangladesh's economic success is rapidly altering the country's image in the region and in the world. The country and the partners should initiate mutually rewarding measures to benefit from these developments.

It may appear surprising that Bangladesh has suddenly been catapulted into the list of countries that merit watching in terms of economic potential, because for much of the half century of its history it has had a bad press. Its struggles with domestic governance systems and unfortunate natural disasters very often made for negative publicity.

Effective use of early foreign aid, a steady and sustained move from a socialist to an open and liberal policy, a shift from agriculture to manufacturing as land-space shrank to accommodate urbanization, social transformation that positively impacted gender issues, a focus on health and education, and finally a decade of political stability resulted in today's positive perception of the nation. Yet, any complacency would be a mistake because while progress may appear phenomenal, the matrix on which it is taking place still has weaknesses that can threaten this commendable progress. In other words it would be unwise to take things for granted.

Some numbers would help illustrate the points made. At nascence 75 per cent to 80 per cent of the economy was agricultural based. Presently, the share of agriculture is 14.10 per cent, that of industry is 33.71 per cent, and of services, 53.85 per cent. Today its market based economy is 31st largest in purchasing power and 42nd in nominal terms. According to the International Monetary Fund (IMF), in 2018 in terms of purchasing power parity the per-capita income was US$4,561 (S$6,170), and in nominal terms US$1754 (S$2387). In the decades since 2004, Bangladesh averaged a GDP growth rate of 6.5 per cent, picking up speed over the last decade to 7.28 per cent in 2017, and 7.86 per cent in 2018. It is classified as a frontier market, and according to the Goldman Sachs Investment Bank, among the next 11 emerging economies, with potential to be among the world's largest economies along with the BRIC (Brazil, Russia, India, and China). The IMF has also billed the country as the second fastest growing major economy (of 2016) and the World Bank has recently listed it as the fifth fastest growing economy of the year.

The macro-economic indicators have been accompanied by development in societal indices, particularly in human capital development. The literacy rate has gone up to 72 per cent (female 69 per cent) - one of the highest in the region. The population growth rate has decreased to 1 per cent, compared to India's 1.1 per cent and Pakistan's 2 per cent. Life expectancy has increased to 72 years, which is higher than 68 years for India and 66 years for Pakistan). Indeed, in terms of other social indicators of development, such as gender equity, women’s empowerment (aided by the women labour force in the all-important garment sector), mortality rate, access to sanitary latrines, and immunization are better than some of its neighbours.

Two drivers of growth have been migration and the Ready Made Garment (RMG) industry. On average, more than half a million Bangladeshi workers go abroad annually as a part of a cyclical diaspora that remits over US$15 billion (S$20 billion) home. But tightening rules in some host countries, particularly in the Middle East, is beginning to cast some doubt as to its continuing prospects. On the RMG, it constitutes 80 per cent of the country’s exports, is the world’s second largest exporter after China, and employs 4.3 million workers, with a positive impact on gender mainstreaming as most are women. In April 2019, the industry elected the first ever woman president of the Bangladesh Garment Manufactures Exporters Association. The industry, however, confronts risks as cheap wages in Africa, and a possible loss of market due to the preference erosion in view of graduation from the status of a Least Developed Country (LDC) in 2024.

The government, led by Sheikh Hasina, re-elected to power in December 2018, is now most favourably placed to take some important decisions with regard to taking advantage of existing opportunities. Already issues of governance deficit, such as in the areas of corruption, are being addressed increasingly as the government begins to consolidate its political position. Over the past decade, her vision of a ‘Digital Bangladesh’ is beginning to see fruition. In Bangladesh, 80 million people now use the internet, 10 per cent own computers, and a catchment of trained youth have turned to innovation in the area. This is an industry that can help Bangladesh leapfrog into economic modernity.

Efforts at attracting foreign investments must be accorded momentum. Ease of doing business should find focus. Mutually rewarding arrangements with other Asian economic powerhouses are called for. For instance, a Free Trade Agreement with a country like Singapore could unlock many potentials in a variety of ways and would merit serious study. The numbers and indices cited in the essay should be a powerful argument to initiate such processes.

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