

South Asia: Environment and Human Securities Conference

2nd & 3rd October, 2008
Visions Theatre, National Museum of Australia, Canberra

Development Challenges: Bangladesh

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Overview of political situation

The political future in Bangladesh is today as uncertain and unclear as it has ever been in recent times, nevertheless it would not be entirely accurate to suggest that there are not promising possibilities on the horizon.

On the down-side, the two-year long high-profile anti-corruption crusade, which had netted scores of former ministers and MPs, including the two past prime ministers, Sheikh Hasina, leader of the Awami League, and Khaleda Zia, leader of the BNP, seems destined to end in fiasco.

Few experts hold out much hope that the senior political leaders now being released on bail will ever see the inside of a court-room again, and there may even be questions about the legitimacy of the cases brought against those already convicted.

While one cannot say much good about the prosecution which seemed to be marred by rule of law and due process violations as well as what appeared to be selective choice of targets based on political consideration, the fact that many of the criminal and corrupt will now escape prosecution and indeed may even feel vindicated and triumphant going forward, is not a happy prospect.

The failure to really make a credible dent in the corruption regimen may have in fact made things worse than before if the message that those who are now being released have internalized is that they are truly above the law and untouchable.

It is possible that the reforms that have been put in place in crucial institutions will continue to deliver more accountable, transparent, and responsive governance going forward, but this now depends on the will of the elected political officials to take them forward and ensure that the reforms are continued.

The lack of clarity is due to the fact that even if the elections in December are held, it is still not yet a certainty that the two big parties AL and BNP will contest them, though, at present both parties suggest that they will. Even more uncertain is what will happen after elections and what will be the relationship between the new government and the armed forces, who have been instrumental behind the scenes during the past two years, but who have pledged to return to the cantonment after elections.

One thing that is certain is that the past two years of limbo, when we have had a technocrat government backed by the army running the country, is no longer tenable after December. The main problem, apart from the fact that the interim government is undemocratic and supported by a state of emergency, is that this government is neither equipped nor mandated to make big decisions.

The government has done a creditable job in terms of day-to-day governance. It has shepherded the country through difficult times, and its handling of flood, cyclone, and rising food prices, while not inspired, has not been disastrous. But when it comes to long-term decisions such as power plants and energy policy, transit rights to India and trade policy, etc it is becoming abundantly apparent that no unelected government has either the political base or the mandate to make decisions of this nature.

The promise in the situation is that it may be possible that the reforms will stick. It may be possible that the political parties will take away from the last two years the lesson that they need to impose reform from within. It is possible that we will see a functional parliament and a more responsive executive. It is possible that shut-downs and violent disturbances and denial of democratic space to the opposition so that it has little option but to hit the streets are a thing of the past.

My sense is that it won't be that simple. I think the army's shadow will continue to loom over civil affairs and that this will have both good and bad repercussions, but mostly bad. Good in that it might serve to help curb the government party's worst excesses, bad in

that it will do nothing to help the transparency and accountability of the decision-making process and the army could emerge as an essentially unaccountable and non-democratic independent actor.

The last two years

Now, the first thing I would like to point out is that it is hard to measure or to gauge much about the economy or to identify trends based on the past two years since these last two years have been so anomalous.

I thus think that when looking at statistics it is perhaps more relevant to look at the statistics up to 2006 than statistics for the past two years, or, alternatively, to the extent that one wishes to scrutinize statistics from the past two years, one needs to look at them in conjunction with the figures up to 2006 and take into account the distortions that might have resulted from the, I won't say unique, but certainly special circumstances of the past two years.

Why anomalous?

Why were the past two years anomalous in the first place? Let me run through the reasons.

The current **caretaker government** has been in power for the past two years, and the fact that it is unelected, has a very limited mandate, and its support from the army and antagonistic relationship with the political parties has ensured placed great limitations on what it has been able to accomplish.

In addition, it bears remembering that it was preceded first by a previous caretaker government, and before then, the BNP government of 2001-2006. Thus in the past two years plus there have been three governments and two transitions with all of the attendant upheavals.

Next up, the **anti-corruption drive**, under the control of the army, has created a climate of fear and uncertainty among the business community that was bound to have an impact on the business world, and thus the economy.

Indeed, the entire tenure of this current government has been marked by **uncertainty**, with no one knowing whether the anti-corruption drive would succeed or not, or whether the political parties or their leaders would successfully be side-lined, or whether there would be elections or not, and what would come after elections, and this uncertainty has obviously taken a toll on business confidence.

The fact that we are still under a **state of emergency** with suspended fundamental rights is also an anomalous situation.

The **floods** of 2007, while hardly unique, have also nevertheless had a measureable negative impact on growth and development opportunities.

The **cyclone** of 2007, the first since 1991 and only the second since 1970 can also be considered a -- if not unique -- then certainly rare and unusual event.

Finally, the rise of the price of both **fuel** and **food-grains** in the international market in the past two years, leading to double-digit inflation, has been unprecedented in recent economic history.

Now, some of these problems have been one-offs or can be expected to resolve themselves in the upcoming year, while some are problems that we are simply going to have to get used to.

But, either way, the unusualness of the past two years merits recognition when looking at the state of the nation today.

That said, one thing that we can see from the past two years is that Bangladesh has weathered the various storms and shocks more durably than might have been anticipated. The lesson to be drawn from this is perhaps that the economy is more robust than given credit for and that fears of impending economic catastrophe are over-blown.

Now, before I continue I would like to provide you with a snapshot of some statistics about the country:

Poverty

Percentage of population below the national poverty line (2005): **40**

Following the double-digit inflation and 40 per cent decrease in gross income of poor over the past two years, it is now estimated that an additional **4 million** or **3 per cent**.

Poverty Break-down

	1992	2000	2005
National	58.8	48.9	40.0
Urban	44.9	35.2	28.4
Rural	61.2	52.3	43.8

Food-grain production

1971-1972: 10 million tons

1999-2000: 25 million tons

2006-2007: 31 million tons

However, this is still below self-sufficiency.

Growth rate

1998-2002: 5.1

2003-2007: 6.2

GDP growth for FY08 is roughly **6 per cent**.

Growth rate by sector

	1981-1990	1991-1996	1997-2006	2007
Agriculture	2.3	1.6	3.6	2.8
Industry	5.8	7.5	8.7	9.5
Services	3.7	4.1	6.2	6.6
GDP	3.8	4.4	5.5	6.5

Share of GDP

	1980	1990	1997	2006
Agriculture	33.2	29.5	25.9	21.8
Industry	17.1	20.8	25.0	29.0
Services	49.7	49.7	49.1	49.2

FDI Inflow

2005: 845 million

2006: 793 million

2007: 666 million

Challenges

The **dysfunctional political culture** marked by violence and intolerance of dissent/space on the part of the ruling party and parliamentary boycott and hartal (general strike) of the opposition has been one of the main problems. It remains to be seen whether this will improve post-election.

Corruption and **crime** (nexus between criminals and politicians) was one of the major problems facing Bangladesh. It remains to be seen whether the abortive anti-corruption drive will have improved the scenario, or, indeed, made things worse.

Populist opposition to export of gas, development of coal resources, privatization, and issues such as transit to India remain an issue.

The culture of **crony capitalism** has long been a problem.

Bangladesh's creaking, hide-bound, officious, inefficient and ineffective 19th century **bureaucracy** is utterly unfit for the 21st century economy and a continuing problem.

The **legal and regulatory environment** in Bangladesh is also outdated.

The **judiciary/police** is also politicized and ineffective.

Now, many of these may change with reforms to the Anti-Corruption Commission, Election Commission, Public Services Commission, Regulatory Reforms Commission, and separation of the judiciary from the executive, and passage of a Right to Information Act, but it is contingent on there being the political will to continue the reform process post-elections.

Population

In 1971, the population of the country was some 70 million. In 1980 it had risen to 80 million, today it is approximately 150 million and even with a lower population growth rate will not stabilize under 200 million.

Climate

It is unclear to what extent floods and cyclones are man-made phenomena, but the dangers of these kinds of natural calamities and the threats they pose are incontrovertible.

Urbanization

One Bangladeshi in ten lives in Dhaka and its environs and every day more and more come to both Dhaka and other cities.

Regional disparities

Bangladesh is becoming increasingly Dhaka-centric and even worse there is a growing disparity in terms of development and average income in the different regions.

Remittances

Remittances have long been the back-bone of the economy.

In the current down-turn, the thing keeping the economy afloat is overseas remittances. Last year 800,000 left the country to join the already millions-strong overseas workforce. This year Bangladesh's migrant labor force will bring in over \$10 billion in foreign currency earnings. However, if there is a down-turn in the sector, for whatever reason, this will harm the economy greatly.

Garments

The garment industry is also on target for approximately \$10 billion in earnings. In addition, the agricultural sector can be expected to reach self-sufficiency in the coming year and immediate future, thus permitting the government a cushion in these lean times of food shortage. However, if there is a down-turn in demand, for whatever reason, this will harm the economy greatly.

Environment

The biggest long-term cloud on the horizon is the environmental situation. All other things being equal, Bangladesh is set to grow its way into a middle-income country within the next few decades and there seems to me no reason why with the population growth rate slowing down, urbanization and industrialization and the service economy slowly taking over from agriculture, and education and productivity on the rise, Bangladesh could not stabilize itself.

However, the environment remains a serious concern. As it happens, the bulk of the environmental problems that we are facing and will in the future face are not of our own creation. Certainly as we industrialize, we are facing problems of electricity generation

and fossil fuel emissions. Industrial pollution, especially of waterways, continues to be a danger, and the waste disposal for 150 million in a country barely twice the size of Tasmania is an enormous problem.

Nevertheless, our carbon footprint is small and per capita consumption of fossil fuels and emissions is next to nothing. Even taking into account the urbanization and industrialization of the next few decades and our massive indifference to our own environmental responsibilities, the bulk of the environmental damage we will be dealing with in years to come will have causes that originate outside the country.

We have all seen the estimates, as much as 40 per cent of the country, 60 million people, potentially affected. To what extent catastrophic climate change and the resultant rise of the oceans is man-made remains a question of some controversy, but what is incontrovertible is that it is indeed an impending catastrophe for Bangladesh.

In Bangladesh, the issues of human security and the environment collide, in that the principle human security issue is caused by environmental problems. Indeed, it is the potential enormity of the human tragedy that makes climate change such a poignant dilemma for the country. Other countries such as the Maldives or Seychelles may be even more vulnerable, but nowhere else in the world are 60 million people potentially at risk. The numbers are simply staggering.

Thus, while the future, in all other respects, is brighter than it might appear at first glance, the impending environmental and human security concerns are something that need to be addressed. As with the economic situation, the solution to our environmental woes lies largely outside of our borders. Just as Bangladesh needs to integrate itself better into the global market and specifically needs to better manage its relations with India and China and other neighboring countries in order to make the most of its economic opportunities, so it must take its case for assistance with climate change and the resultant human security crisis to the international stage.

India, our immediate neighbor, will bear the brunt of whatever population transfers occur in the wake of environmental catastrophe in Bangladesh, thus it is in India's interest to help manage the fall-out. But, not only India, since all developed countries have decades of high carbon emissions behind them, it is not a stretch to say that all are in some way responsible and have a duty to help minimize the fallout of man-made climate change.