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Bangladesh, the test case

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When Just FAALAND and Jack R. PARKINSON published their book "**Bangladesh. The test-case of development.**" (London: Hurst. 1976) the title stuck. It was in response to Henry Kissinger calling Bangladesh a "basket case", i.e. a hopeless case. A "test case of development" meant that if "development" would "work" in Bangladesh, it would work everywhere. And "development" in the 1970s meant foreign capital, foreign aid and foreign know-how. Although development was slow, Bangladesh certainly has not been a "hopeless" case and Bangladeshis today enjoy a higher level of economic and social well-being than at any time since the colonial days, at least on an average basis. The country has been a test case for many things. Today Bangladesh is considered as a **test case for climate change and energy.**

International solidarity was tested during the War of Liberation and after Independence. In the past, the colonial *raj* as well as Pakistani dictators were successfully tested. The cold war order was tested when the fighters for an independent Bangla Desh were supported only by India, the Soviet Union and public opinion in the West, while the United States, the Islamic states and the People's Republic of China stood by its oppressor Pakistan. International intervention on humanitarian grounds was ruled out and foreign assistance was coming slowly. It was only after the military coup of 1975, in which Sheikh Mujibur Rahman, the "Father of the Nation", and most of his family were killed, that international aid came on a larger scale.

Bangladesh has also been a test case of **democracy**. After the tumultuous first years Bangladesh has been ruled by the Army, directly and indirectly for the rest of the first two decades. Only in 1990 the army could be sent back to the barracks. The army returned for another two years of backseat driving in 2007-2008. Since 1990, however, the country also has seen changes of government after democratic elections. The policy of confrontation and mutual blockings might be irritating, indeed. But among the Islamic countries, Bangladesh is counted as one of the most democratic ones. Before the present ruling party came to power, fundamentalist Islamic parties had been part of the coalition. Although Islam has been declared to be the state religion, Bangladesh officially is still a "People's Republic", but not an Islamic state.

The country suffers from personal bickerings of the leading actors., i.e. Prime Minister Sheikh Hasina Wajed, the daughter of the "Father of the National" Sheikh Mujibur Rahman, killed with most of her family in a military coup in 1975, and former Prime Minister Begum Khurshida Zia, the widow of former President General Zia ur Rahman, a hero of the War of Independence, killed in another (failed) coup in 1981. The question whether the latter had been involved in killing the former adds to the animosities. For the last two decades the country suffers from a policy of political blockages.

The last round was on the government's (Awami League - AL) attempt to abolish the system of

caretaker government. Caretaker governments were introduced in the hope that an interim government, headed by a Supreme Court judge, would be neutral enough to guarantee free and fair elections. The system turned out not to be safe from government intervention (by appointing key personnel in time), with the result that the Army took over in early 2007 for almost two years, albeit as a backseat driver of an interim government.

The present round is on the relations with India. India is Bangladesh's only neighbour except Myanmar. The border with India, several times as long as the border with Myanmar, winds through open terrain, crossed by water courses that often change their way. In 1947 not only British-India was partitioned (into India and Pakistan), but also the provinces of Bengal and Assam, and even some of their districts were partitioned too. The new border created hundreds of small enclaves on both sides, which are the reason for endless bickering and sometimes shootouts between the border security forces. As a result the border has been fenced. Much, if not most, of Bangladesh's emigration goes unaccounted over this border and is the reason for an anti-Bangladeshi backlash in India with heavy undertones of anti-Muslim propaganda: The talk of 20 million or even 30 million 'illegal workers' from Bangladesh in the western part of India echoes the fear of a large-scale Muslim invasion and – because Muslims are assumed to have more children than Hindus – the danger of the Muslims taking over the country again (after Muslims rule over much of India from the 8th to the 19th century).

Ceding East Bengal and the Sylhet district of Assam to Pakistan in 1947, separated the "Seven Sisters" (Assam, Arunachal Pradesh, Meghalaya, Manipur, Nagaland, Mizoram and Tripura) in the North East of India from the mainland, connected only by the narrow 'chicken neck' between Bangladesh and Bhutan. In the war between India and China in 1962 and throughout all regional uprisings in the North East, India painfully became aware of this strategic disadvantage of geography: Transit through Bangladesh, especially after a bridge across the Jamuna (Brahmaputra) was opened in 1998, would shorten the distance between the Indian mainland and the Northeast considerably. Such transit could be economically and financially beneficial for Bangladesh. Given the strong anti-India sentiment in Bangladesh, however, granting of any transit facilities to India is popularly seen as a sellout of national interests in Bangladesh. The present Awami League government has to be careful not to give in to Indian demands, as it is seen as 'too soft' viz-a-viz India (i.e. 'pro-Hindu'). The opposing Bangladesh National Party traditionally is much more anti-India, pro-China, pro-Pakistan and softer on Islamic fundamentalists. They insist that opening transit facilities for India would meet political and economic repercussions from China.

The Prime Minister of India together with the Chief Ministers of the adjoining Indian States of the Union Meghalaya, Assam, Tripura and Mizoram, came to Bangladesh for a historic visit in September 2011. The Chief Minister of West Bengal, however, refused, to join them, the reason given was that she was not consulted sufficiently in the deliberations on the sharing of the waters of the Teesta river. Any agreement most probably would have aroused sentiments. As a blessing in disguise of the failure of the talks on water sharing of the Teesta River and providing transit facilities for India, the agreement over the exchange of enclaves seems to have been universally accepted. This time there was no *hartal* (strike) and/or violent agitation. One only can hope that relations between the two neighbours become better. It would be a pre-condition to jointly solve the problems imminent by climate change and energy needs.

Bangladesh is also a test case for **women's emancipation and empowerment**. The sex-ratio is almost equal.¹ The leaders of the two prominent political parties, the prime minister and the foreign minister are women; women are more visible in public life than in most other states with a Muslim majority. There is co-education on all levels with the exception of the madrasa, i.e. the Islamic religious schools.

Bangladesh is also a test case of **ecology**. Amartya K. Sen, the only nobel prize winner in economics from Asia, often tells the story of the poor people collecting wild honey in the Sunderbans, where they risk to be killed by the last of the Bengal tigers. It is ecology versus poverty: How can we protect the poor people of the Sunderbans and the last tigers at the same time?

With the founding of the World Trade Organization (WTO) in 1995 the multi-fibre-agreement was integrated into the new **international trade order**. Less developed countries were granted a ten-year phase to adapt to the new system. The grace period ended in 2004. It was expected that **textiles** exporters like Bangladesh were hit most, once China would join the WTO. Bangladesh, however, passed the test of **global competition** with flying colours (see below). Of course, the country still enjoys preferential treatment as a least developed country in its trade with the European Union (EU) and with other rich economies, but it was not expected that Bangladesh would improve her position as a leading exporter of ready made garments and knitwear.

Whether "**manpower export**" is adding to a developing country's problems or actually can be a solution has been discussed since the early days of European emigration of the 18th and 19th century. Bangladesh presents a perfect case to test the idea that emigration is a loss for the economy, i.e. as brain, skill and muscle 'drain'. Home remittances, expertise and entrepreneurship of Bangladeshis abroad and of those returning, however, have an impact that is impossible to overestimate. It would not be too far fetched to assume that at least every tenth family in Bangladesh has access to money and skills provided by family members who have been serving abroad or are still serving abroad.² The incidence of poverty is much less in

¹In 2011 the sex ratio was 100.3 men for any 100 women; in 1991 and 2001 there had been more than 106 men for any 100 women.³ Only in Dhaka Division is the rate markedly higher: Most probably because of migration to Dhaka City. In the official document (Population & Housing Census 2011, p. 8) several interpretations are given for the change in the sex relationship:

- a significant increase of external migration, mainly concerning males;
- an improved census coverage of the female population;
- the already documented important decrease of maternal mortality;
- possibly also the female child mortality decreasing faster than the male one;
- differences in the life expectancy levels and gains, both in favour of females."

²Official figures are based on information from the authorities in the countries of destiny. Numbers range from 5.5 million to 12 million (Overseas jobs: No data on expatriates. In: The Daily Sun. Dhaka: East West Media Group. 12 November 2011):

- According to the Bureau of Manpower a total of 7.2 million Bangladeshi worker have so far gone to different countries since 1976; they cannot say how many are staying abroad at present. There is no registration system for migrants who return home. According to official statistics, some 2.5 million Bangladeshi went to Saudi Arabia, 1.8 million to the United Arab Emirates; 0.5 to Kuwait; 0.4 million to Oman, 0.2 million each to Qatar and Bahrain, 0.1 million to Malaysia; 0.3 million to Singapore.
- The Ministry of the Interior told the National Assembly that out of the five million illegal immigrants,

families with income from migration than in families without such additional income. There is an old discussion whether people migrate because they are pushed out or pulled in. Considering the fact that migration was particularly strong in response to partition, war and famine, we have to conclude that people are pushed first before they decide where they go. It is also not the poorest who migrate first, but those who can afford it, as economic decisions are led by expectations and migration is costly. This explains why so many Bangladeshi families pool their money to invest in a family member, usually male and young, to go abroad. How well such investments are placed can be seen by the fact, that Bangladeshis in the United Kingdom are reported to have a higher average income than Pakistanis, thanks to the fact that they went later and are concentrated in the prosperous South and not in the Midlands where many Pakistanis went. Emigrants experience how important education is. Whoever can afford it, sees that their children get a better education inside and outside of the country. Today Bangladeshi have created their 'ethnic bridgeheads' all over the world: after the Anglophone countries and the Gulf region new destinations like Italy today see an influx of Bangladeshi.

The insight that we are undergoing a global **climate change** and the expectation of rising sea levels and more frequent extreme weather phenomena turned international attention towards Bangladesh. Like no other major country most of its population live just a few metres above sea level. They all would be affected by rising waters, if not directly, then indirectly. There would also be a substantial political fall out that would affect other, especially richer countries, as mass emigration is to be expected if living becomes impossible in the Ganges/Brahmaputra/Meghna delta.³

As a country with hardly any **primary energy** reserves, the country has to look for ways to find new sources of energy and to make the best possible use of energy. Energy demand will rise because all those technologies that help to improve productivity need energy: from irrigation pumps to mobile phones and refrigerators. It would be unfair to expect a reduction of energy consumption in a country that is still marked by one of the lowest per capita energy consumption and carbon emission. According to UN sources, almost half of primary energy still comes from 'traditional', often wrongly labelled 'non-commercial' sources; per capita energy consumption (2005: 9 giga joules (GJ) per year) is only half as much as in India (21 GJ) or Pakistan (17 GJ). A doubling of energy demand within the next decade has to be expected.⁴

When 'development' became an issue in the 1950s, the greatest concern was **food**. Pakistan was usually mentioned along with India as a country of food scarcity and famines, it was actually the

approximately two millions were Bangladeshi.

- The Refugee and Migratory Movements Research Unit differs with these figures. They think there are only 4 million abroad plus a diaspora of 1.5 million Bangladeshi.

- According to the Preliminary Report on Household Income and Expenditure Survey 2010, 12.3 per cent of households reported migration: 8.6 per cent abroad and 4.0 per cent within the country. In urban areas the percentages were higher: 13.7 per cent in total, 9.3 per cent abroad and 4.8 per cent within the country and abroad and 8.3 per cent in rural areas: 6.9 per cent abroad and 1.6 per cent within the country.

³The Government of Bangladesh gives this aspect considerable weight, as was evident from the presentations of the Ambassador of Bangladesh to Germany at the International Conference on Climate Change and Energy at Bonn University in July 2011 and at the South Asia Day at Hamburg University in November 2011.

⁴UN energy statistics yearbook 2005, table 4.

eastern wing, today: Bangladesh, that was meant. It was always food deficient, most food imports was wheat from West Pakistan. After Independence Bangladesh suffered from more severe food shortages and experienced a famine in 1974. More famines could be averted with the help of massive food aid, especially from the USA. Recovering slowly from the War and in the face of growing population, it took the country until the late 1990s to regain the level of production per capita that had been reached in pre-Independence days. Since then food production rose faster than the population, Bangladesh theoretically could be fed by own production, albeit only on pre-Independence levels. Still around one tenth of food is imported only to guarantee a better nutrition.

Finally, Bangladesh can be seen as a test case for **resilience and adaptation**. According to the Webster resilience means ‘the power or ability to return to the original form, position etc., after being bent, compressed or stretched; elasticity’ and also the ‘ability to recover readily from illness, depression, adversity, or the like; buoyancy.’ Adaptation in biology would be ‘any alteration in the structure of function of an organism or any of its parts that results from natural selection and by which the organism becomes better fitted to survive and multiply in its environment’. But resilience would be not enough, if Bangladesh was to achieve a higher quality of life. A more conventional term for resilience would be “**re-construction**”, a word much used by the leaders of the Indian independence movement in the 1930s and 1940s. They referred to the destruction done to the economy and society by the colonial power. But less was to be re-constructed than to be constructed in the first place. Post-war Germany and Japan, thus, were no useful blueprints for the former colonies.

The idea of **modernization** as a strategy to catch up for latecomers has lost its appeal. Bangladesh skipped heavy industry, industrializing and following the value chain from raw materials to finished products. The garments industry is based on imported raw material and semi-finished products rather than on domestically produced raw materials. Cotton still could be grown in Bangladesh but at the price of less food production. It is adaptation to new environments rather than to be satisfied with resilience. The garments industry is capital and energy extensive and labour intensive. Given the country’s abundance of labour and its lack of capital and energy, the garments industry is ideally suited for Bangladesh. It would also be fairly immune to any climate change in the near future. But Bangladesh would be vulnerable to any change in the economic climate. The garments industry is export-oriented; main markets are the USA and the European Union. Export-wise Bangladesh is as dependent on textiles today as it used to be on jute decades ago.

The success of the garment industry has finally proven that low wages actually can provide **economic growth**. But it has also shown that low wages alone are not sufficient to guarantee competitive low prices of production. Other important factors of development and growth would be that private enterprises would be allowed to develop and to export to ready markets abroad and a government that provides the necessary physical and organisational infrastructure.

History has shown that the country, or better: the Bangladeshi society, has proven a considerable ability to resile, to spring back after major shocks. It also has shown the ability to cope with new situations and to adapt. The question is: Will it be enough in case of climate change and energy scarcity? With large tracts of land inundated, every year Bangladesh proves man’s ability to resile after natural and man-made calamities and to adapt to new situations. As such Bangladesh

can be seen as a **test case of development in a much wider sense.**

The problem lies in the globality of the looming catastrophes: Societies in Asia are known for their ability to absorb external shocks within their community: **Strong family, clan, caste and tribal bonds** help overcome individual crises. Once most or all of a community are affected by a crisis at the same time, however, its coping capacity may not suffice. Accordingly, the larger a community, the better it provides security. Professor Amartya Sen has shown how famines can exist at times of plenty. Who will come to the rescue of the people of Bangladesh, if all or most of its citizens will be affected at the same time? It seems that rice growing is less affected by climate than wheat and maize, but if Bangladesh's rice harvest suffers from rising temperatures and less and untimely availability of irrigation water, countries like India, China or Thailand might suffer likewise; prices on the world market certainly would rise. Similarly, if the climate change affects the major industrial countries, they would buy less textiles from exporters. Besides shrinking export quantities, Bangladesh would experience also a price war. The situation is different in the case of energy: Rising energy prices have negative and positive effects on Bangladesh: The negative effects would be the rising costs of energy imports. But energy exporting countries in the Gulf area most probably will need more Bangladeshi labour and these labourers would send more money home; the overall effect could well be positive.

Presently, Bangladesh's **balance of payments** shows a surplus in current accounts. Export earnings and home remittances exceed the cost of imports by far: During the ten months of July 2010 to April 2011 exports earned 18.3 bn US\$ and remittances were 9.6 bn US\$ as compared to imports of 24.7 bn US\$. **Remittances** already dwarf foreign aid: In 2010-2011 (July to May) food aid was 81 m US\$ and project aid 1,352 m US\$, total aid was 1,434 m US\$; old debt was paid back to the tune of 653 m US\$, bringing the net aid to 782 m US\$. There is no mentioning of interest payments under "foreign aid" in Bangladesh Bank's Major Economic Indicators.⁵ According to the balance of payments, official interest payments were 187 m US\$ during July 2010 to April 2011. If we deduct them also from the "net" aid, we arrive at 595 m US\$. Going by these figures **remittances exceed net aid by factor of 20!** It seems to me that remittances have not found the recognition that this major source of income deserves in Bangladesh. This applies even more to the men and women who send the remittances to their families. The lack of official recognition can be explained by the fact that remittances are difficult to tax officially and to skim off privately. Foreign aid, on the other hand are ideally suited for rent seeking.

Therefore: If Bangladesh can serve as a test case of a poor country's resilience, coping capacity and adaptation, what **lessons** can we learn from Bangladesh?

The cyclone of 1970 is said to have killed half a million people. The cyclone Sidr in 2007, was almost as strong, but the fact that it killed only one hundredth of people, shows how effective pre-warning and shelters have become. I still carry the message of WARID, the Bangladesh mobile phone company, of 15th November 2007 with me: "As per government warning, the cyclone *Sidr* may hit coastal areas today evening. Please stay calm and move to your nearest safe shelter immediately." More severe is the slow and continuous process of losing land and water due to global warming and upstream water consumption. There is the danger, that in this process

⁵Bangladesh Bank: Major economic indicators. Monthly update, June 2011, p. 19.

resilience, coping capacity and adaptation suffer. If the international community is not able and willing to limit global warming and energy use, Bangladesh is sitting at the receiving end. One wonders whether Bangladesh could rely on international assistance in the case of new catastrophes. This could even be counter-productive as in the case of food aid after the famine of 1974: In that fateful year the government was slow to see the crop failure coming and the major donor was so much obsessed with its Cuba embargo, that relief was delayed for months. Food aid finally arrived when the next harvest was ready, benefitting urban consumers but at the detriment of rural producers.

Despite the fact, that development “worked” in Bangladesh to some extent, it was not without such flaws. Obviously Bangladesh is well advised to improve its resilience, coping capacity and adaptation.

To sum up: **Foreign assistance, home remittances and export earnings have relieved the government of the duty to deliver social services**; NGOs and foreign experts (‘expats’) have taken over many of government responsibilities. Their ability to do so also in future depends on the international labour and export markets.

The test case: A success story?

As a new state Bangladesh became a test case for many things, and to some extent it still is. When the author visited Bangladesh for the first time in summer 1974, during the midst of the famine, there was a sentence he always heard: “We are the poorest people of the world!”. By any standards it was most probably true. But it was more than just stating the obvious, it was also the cry for help, and it seemed so ingrained that one would expect it also to become a self-fulfilling prophecy: Two decades earlier Ragnar Nurkse had proclaimed the *circulus vitiosus*, i.e. the vicious circle of poverty: “We are poor, because we are poor, because we are poor ...”. But there was also another sentence that I often heard, and that was “We always thought, it cannot become worse, and now [after the War] we know that it always can become worse!” That means that the bottom is never reached and that there is always good reason not to give up and to fight back. Looking back, one can only agree that there have been **substantial development and success** to an extent that was beyond expectations during the first years of independence. As success famously has many parents there now is the fight over ownership of that success, the main contenders being the international community, the NGOs, Bangladeshi politicians of all kinds, and the army. They all emphasize the superiority of their respective tools like foreign aid and assistance, market forces, government intervention and army discipline.

An independent **assessment is difficult**: What measures and yardsticks would be suited to measure what kind of success? There is no dearth of statistics and they almost all have to be questioned. It all starts with the basics like the size of the territory, the number of population and population dynamics. Most of Bangladesh is marshy land with deep alluvial soil. Three of the largest rivers of the world (measured by the amount of water they carry), i.e. the Ganges/Padma, Brahmaputra/Jamuna and Meghna/Surma and their tributaries are highly seasonal; the amount of water varies by up to factor of ten and more between rainy and dry seasons. Because of the flat terrain, only a few metres (or even less) above sea level, the rivers regularly overflow vast tracts of land; up to 70 percent of Bangladesh has been under water in recent years. Lands along and in the rivers are washed away and form anew. River erosion, as this phenomenon is called

in Bangladesh, is a major reason for rural-urban migration: Once their land is under water, crops are destroyed and houses have collapsed, people have to rethink, whether to try to start all over again or to move to the cities, especially to Dhaka.

Every few years Bangladesh is hit by a **natural catastrophe**: Cyclones and floods are the most devastating. Government and public are alarmed by the fact that disasters have become more frequent and more devastating as a consequence of global warming. The impact is felt so much because settlement has been following siltation throughout history: The swampy area, where the delta has been steadily moving into the Bay of Bengal for thousands of years, traditionally is thinly populated: Fishermen ventured out along the unnumerable water courses that criss-cross the Sunderbans, which means: Beautiful Forest. This huge mangrove forest has been the habitat of the Royal Bengal tiger. Collecting wild honey still is a dangerous occupation of the poor local people. While the western part of the mangroves has survived, the eastern part is gone and now is densely populated. It is impossible to say where the shoreline actually is, as the gradient is so low and the tides depend on the season. The much published effect of a one-metre rise of the sea level and its devastating effect on Bangladesh and its people is difficult to substantiate. During the International Conference on Climate Change and Energy at Bonn University in July 2011 experts explained that they found it impossible to establish the source of this “prediction”. There are no maps detailed enough to show the impact of a one-metre-rise of the sea level. Satellite photos have a resolution of one metre; a traditional triangulation on the ground would be needed. Therefore, any assessment of the sinking and/or shrinking of the delta would be highly speculative. Because of its own weight, the delta has a tendency to sink; at the same time the rivers carry large quantities of silt from the mountains. To the extent that the silt settles, the land rises. The dynamics of both movements have to be ascertained. For the past century or so, the sea level seems to have risen by 3 millimetres per year. In a hundred years that would be 30 cm. The expectation of a rise of the sea by one metre level until the year 2100 could be based on a model expecting a yearly rise of 10 mm. It is obviously lacking empirical evidence and certainly cannot be taken as a serious prediction. The prognosis of 20 million people losing their habitat in Bangladesh, therefore, seems to be alarmist. Nevertheless: Given the high population density and high proportion of rural population without any or very little own land, there already is a push of people to migrate to higher grounds (Zingel 2011).

Migration has been the answer to unbearable living conditions and a lack of prospect throughout history. The partition of British India and the Bangladesh War of Independence were the causes of some of the largest migrations of the 20th century. It seems that migration within an area that shares language, history and culture and where many personal relationships exist, is easier and more likely accepted than beyond the borders of such areas. During the Conference a Right to Migration was claimed as a human right. It certainly would be difficult to enforce on unwilling states and societies. One would also argue that such a demand would lead the discussion in the wrong direction. It is even doubtful whether the insistence on the Right to Migration would not be counterproductive: Rather than concentrating on the question of what we can do to avert an imminent climate change, prospective target countries would concentrate on their defence.

Demographic dynamics could help: In their World Development Report 2010 (p. 378) the World Bank had estimated Bangladesh's **population number** for 2008 at 160 million. At a growth rate (2000-2008) of 1.6 per cent per annum, Bangladesh's population would have been expected to rise to 168 million in 2011. The Population Census on 15th March 2011, however,

enumerated only 142.3 million.⁶ The major agencies have reduced their estimates accordingly.⁷ The impact on foreign assistance has to be seen. But in any case: As population growth slows down, population pressure becomes less and also the need for the world community to accommodate millions of climate refugees from Bangladesh.

Population growth continues to slow down. On the basis of the preliminary census results, the average annual increase in the decennium 2001 to 2011 has fallen to 1.34 per cent from 1.58 per cent in the years 1991 to 2001. The growth rate of population has been calculated by the Bangladesh Bureau of Statistics on the basis of the enumerated population in each year. If we assume an undercounting to the same extent as in 2001, the real population number would have risen by the same rate. The population growth in Bangladesh now is slightly lower than that in India (1.4%), but higher than that in Sri Lanka and Myanmar (0.9% each). In Pakistan (2.2%) it is much higher.⁸

It should be added that the figures seem to indicate that gender **selective abortion** (female foeticide) and **undernourishment of women and girls** (both common in neighbouring India) would be not so pronounced to leave an impact in the population statistics. The growth rate and the sex ratios, however, relate only to the people living in Bangladesh. The number of Bangladeshis abroad is estimated at up to 12 million. If we assume that only 10 million have left the country over the last 40 years, we would have a net out-migration of 250,000 on average over the period or less than 0.2 per cent of population at present. The **natural growth rate** of population then must be higher than the total growth rate and rather in the range of 1.5 per cent. And as more men than women have left the country, the **sex ratio** would be higher than the 100 per cent of the census.

With the unexpected census results, **population density** would be lower than commonly believed and still be under 1,000 inhabitants per square kilometre.⁹ The population density is highest in the corridor from Dhaka to Chittagong and lowest in the Chittagong Hill Tracts, the Sunderbans, the North and the Northeast.

The balance of payments shows the development of the three major sources of **foreign exchange**: export earnings from the RMG industry, inflow of home remittances of Bangladeshis

⁶That is only the preliminary number. Censuses of 1974, 1981, 1991 and 2001 had been adjusted upwardly by 3.2 percent to 6.9 percent, at the last census by 5.0 percent (Population and Housing Census 2011 : 3). There is already heavy criticism in the press of heavy undercounting. Adjusted by 5.0 percent, the actual population in spring 2011 might have been 149.4 million.

⁷The World Bank in their Data Bank now give 148.7 million for 2010 (accessed 4th November 2011); the FAO in their Country Brief gives 164.4 million (no date given); the US Government – usually on the high side with their estimates – now give 158.7 million for July 2011 (World Fact Book – accessed 4th November 2011). – As far as data are now published on the internet, history can be and is constantly revised: We remember George Orwell's 1984: Winston Smith was famously working in this fashion in the Ministry of Truth.

⁸Population & Housing Census 2011. Preliminary Results. Dhaka: Bangladesh Bureau of Statistics. 2011, p. 4. – United Nations Population Fund (UNFPA).

⁹The population density is higher, if related to the land area only, excluding water bodies that are also part of state territory..

working abroad and foreign aid. The phenomenal rise of **export earnings** has been discussed above. Home **remittances** appear under “private current transfers” in the current account balance. Private transfers increased from 5.3bn US\$ in the year 2005-06 to 11.5bn US\$ in 2009-10; home remittances were almost as high and increased from 4.8bn US\$ to 11.0bn US\$. Home remittances in 2010-11 (July-June) are to be expected at 11.6bn US\$.¹⁰ The current political crisis in several Arab oil exporting countries affects the flow of remittances: While on the mid and long run fewer workers might find employment and send home less remittances to their families, on the short run workers might transfer home the savings they keep in the banks of their host countries; accordingly, remittances would go up. **Foreign assistance/aid** received is not so easy to detect in the balance of payments (see also above): Grants appear under ‘official current transfers’ in the current account balance; credit and loans disbursed appear under ‘capital transfers’ in the capital account; repayments/amortization appear here also, whereas interest payments appear as payments under ‘income’ (or ‘investment income’) in the current account balance. In the early days most aid was given as grant. Grants have become much less and were only 109m US\$ on average in the years 2006 to 2010. Grant elements and debt relief, however, usually do not enter the balance of payments (or any other statistics). Interest payments are increasing. They were 838m US\$ in 2005-06 and rose to 1,539m US\$ in 2009-10 (Bangladesh Bank Quarterly, 8(Jan-Mar 2011)³, table IV.1). As can be seen, foreign assistance/aid has become much less important relatively over the years. The negative balance of trade in goods and services of 6.4bn US\$ in 2009-10 would be more than covered by home remittances alone, even if ‘income’ (=interest payments) were included.

In the face of such developments it would be too early to ask whether Bangladesh still needs development aid, but one certainly has to ask what kind of aid is needed. In the early days of development assistance, the ‘donors’ were needed to close ‘two gaps’, by providing capital (financial and physical) and foreign exchange. Foreign exchange is no longer the problem, but capital is still lacking, especially **human and social capital**, that cannot be simply imported, but which can be built up with the cooperation of friendly nations and organizations.

Looking for new trends, there is potential in **tourism**. The “See Bangladesh before tourists come” campaign of the 1970s won Bangladesh awards, but not many tourists. The once empty “longest beach in the world” is now filling with the upcoming Bangladeshi middle class and tourists mainly from neighbouring India. Now Lonely Planet, one of the leading travel guide publishers in the world, has declared Bangladesh in 2011 as “Best in Travel”.¹¹

The impact of the emerging manufacturing industry

In colonial times the eastern part of Bengal, today’s Bangladesh, was the agricultural hinterland of Calcutta, where export products (indigo, tea, jute) were processed. When India was divided in 1947 there was not a single **jute mill** in the new Province of East Bengal (later: East Pakistan). Pakistan became the largest producer and exporter of raw jute, but with no processing industry, except some baling. Originally raw jute had been transported to Europe and was

¹⁰Bangladesh received US\$10.6bn during the first 11 months of 2010-11. Fall in remittance inflow worries Bangladesh govt. In: Gulf Times, 21 June 2011.

¹¹Ab nach Albanien! In: Der Spiegel. Hamburg. 1. Januar 2011.

processed in Britain or Germany. As jute is a bulky commodity (large volume and low value per unit of weight), some processing industry came up in India in and around Calcutta (now: Kolkata) in order to save cost of transportation, but not in the delta. In Pakistan times some spinning and weaving industries were set up almost exclusively in the eastern “wing”, whereas almost all other manufacturing industry was set up in the western “wing” with much government support. Adamjee Jute Mill in Narayanganj became the largest jute mill in the world. Until the civil war (“War of Liberation”) in 1971 jute remained the only major industry in East Pakistan, besides some newspaper production, chemical industry and ship building. According to Bangladesh Bureau of Statistics only 143,744 people were employed in East Pakistan’s major industries in 1969-70, the last normal year in Pakistan times, more than half of them (93,574) worked in the textile industry (Statistical Pocket Book of Bangladesh 1978 : 192-193). According to the Chief Inspector of Factories and Establishments the number was higher: 300,100 workers, out of them 59,500 in cotton and 163,00 in jute industry (Ibid. : 324).

All industrial establishments were heavily damaged during the civil war. With Independence Bangladesh lost its major market, i.e. the former West Pakistan. The importance of jute had already suffered during the 1960s: The coarse fibre had been used to make all kinds of packing material, like sacking for transporting goods and sand bags. Containers, developed during the Vietnam War, brought a revolution in transport. Paper sacks and plastic bags substituted those made of jute. Cotton is as eco-friendly as jute, but cotton bags are easier to print on and to wash.

Few industries came up after Independence: **Marine products** developed as the second important export industry, i.e. frozen fish and other marine products. Bangladesh became a major exporter of frog legs with negative effects on the environment, as frogs play a major role in rural ecology. The export of frog legs was stopped in the 1980s.

Because of its proximity to the Persian Gulf, Pakistan became a major destiny for **ship breaking**. After Pakistan raised the import duty on scrap, the business went to India and Bangladesh, where ships are run into the beaches north of Chittagong and disassembled. According to Wikipedia (see: Sitakunda Upazila) the ship breaking industry at Sitakunda has become the largest in the world. The technology is simple and labour-intensive, the work, however, is dangerous, and working conditions are deplorable.

Bengal had been the home of fine cotton cloth in pre-colonial days, muslin (from: Muslim) was a precious commodity and the basis of Bengal’s wealth. During the days of the proverbial *Sonar Bangla*, i.e. Golden Bengal, Dhaka, once the centre of such manufacturing, decayed. Modern **cotton mills**, driven by steam engines, sprang up in and around Calcutta (now: Kolkata), the capital of British India. Once the colonial power left in 1947, the new Pakistan government was eager to set up their own textile industry in the western wing, based on cotton grown in Punjab, Sind and the North West Frontier Province. In this way, Eastern Bengal, once the home of fine cotton cloth, became an importer of cotton textiles from the western “wing”.

Textiles were exempted from the General Agreement on Tariffs and Trade (GATT), the world market of textiles was regulated by a string of Textiles and Multi-Fibre Agreements. Only after

the least developed countries (LLDCs)¹² were granted customs concession in specified markets, it became profitable to set up garment factories in Bangladesh and to make use of the abundantly available cheap labour. As Bangladesh suffers from a scarcity of food and lacks agricultural land, almost all arable area is used for growing food, especially food-grain (rice). The land that once was famous for its fine cotton, now hardly produces any cotton and could do so only at the expense of food production. Raw cotton, however, is available cheaply on the world market (albeit subject to considerable price fluctuations). Subsidies provided to cotton farmers in rich countries (especially the USA) drive down the world market price of raw cotton and allows countries without an own raw material basis to become powerful competitors on the world textile market (as Great Britain, Italy, Japan, Hong Kong and Germany in the past).

Negotiations of the Uruguay Round led to the foundation of the World Trade Organization (WTO) in 1995. The WTO is based on the principles of nondiscriminating and most favoured nations status (among its members), the abolition of all non-tariff (especially: quantitative) trade restrictions and low tariffs. Textiles were integrated into the system, all privileges of the multi-fibre agreement were to go out within ten years. Bangladesh was a founder member of the WTO. In 2001 China was admitted to the WTO. It was expected that many, if not all, poor countries that had benefited from their export privileges, would soon be driven out of the market by China. The **garment industry** is a typical “footloose” industry that requires little capital: Not only that machinery is not so costly and the workforce can be easily be trained: All that is needed is a roofed building and some basic infrastructure (roads, electricity, water, telecommunication). Machinery can be easily moved from one location or country to another one.

Surprisingly, Bangladesh fared much better than expected. The Economist considers Bangladesh now to be the third largest clothes exporter in the world (Banyan, August 13th 2011, p. 43); BGMEA proudly announces that Bangladesh has become the second largest clothing exporter in the world (BGMEA, 8 Aug 2011). The number of workers in the textiles industry commonly is given as 2.5 million. Some sources already speak of 4 million. The expectation that Bangladesh would not make it, had its causes in the lousy image of the country (backward, poor, ungovernable) and the general belief, that the WTO would benefit only big players like China and India at the cost of the small ones. One explanation that Bangladesh survived was given in the Financial Times, namely that big buyers like WalMart have to be careful not to rely on just one major supplier, or a number of suppliers from just one region, because that would grant the supplier some undue bargaining power, not to speak of the danger that some major event (natural, war) would lead to that supplier’s inability to deliver. This guarantees the business for more suppliers, preferably from a different world region.

Can we expect the garment industry to grow at the present rate of 10 per cent or so per year? That would mean ten million workers by 2020 or 2025. Is the pool of cheap labour large enough to guarantee an almost unlimited supply of labour at the present rate? If not, we should expect a strong demand for higher wages that could lead to an increased use of labour-saving techniques or to a loss of business to cheaper competitors.

¹²Least Developed Countries were originally termed LLDs in order to distinguish them from the Less Developed Countries (LDCs); the abbreviation LDCs was later used for the former LLDCs.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) already fears to run out of qualified workers: They have tendered a major study on skills development and employment in the ready made garment (RMG) sector. In their terms of reference they write: 'The RMG sector in Bangladesh which employs more than 3.6 million people has been experiencing acute shortage of skilled workers which is a major constraint to realize its true growth potential, especially in a dynamic and fast-growing industry led Bangladesh economy. The shortage of adequately skilled and employable workforce poses a significant barrier to its accelerated growth and competitiveness. [...] Several training initiatives have also been taken by the public and private sectors. But these are not sufficient. Yet there has been a severe mismatch between the employment potentials and the skills development initiatives.' The report is due in November 2011 (BGMEA, ToR, Aug 8, 2011).

The whole business model relies on the ability and willingness of a few major import markets to let in garments and knitwear made in Bangladesh. Bangladesh is as dependent on one single major export item as the country was in previous decades when it totally relied on the export of raw jute and jute products.

That Bangladesh has not become a "basket case", as was predicted at Independence, can be attributed to quite an extent to large scale assistance from the international community, from bilateral and multilateral, government and private donors. As a response to a weak government, the international community was instrumental in creating a unique institutional environment in Bangladesh: There are 220,000 registered non-government organizations (NGO) in the country (mostly national and religious), hundreds of thousands of people are employed by NGOs directly and many more indirectly; NGOs are believed to contribute 8 per cent to the gross domestic product (GDP). As a country with one of the largest populations in the world and situated between the two most populous countries, China and India, Bangladesh is increasingly in a position to resist pressure and influence of the donor community; Bangladesh is a major recipient of home remittances from workers abroad; Bangladesh emerged as a major textiles exporter and is more and more economically and financially capable to pursue own economic and social ambitions. Bangladesh might be not as independent as India, the far more bigger neighbour, or as Pakistan, the politically and strategically important partner in the US War against Terror, but Bangladesh has become a exporter of textiles and manpower; the country is more and more in a position to pursue its own agenda. Its ambitions are reflected by the country's policy viz-a-viz foreign NGOs and by a bureaucratic system to control their activities. Such a policy of regulation has created a fertile ground for rent-seeking and corruption.¹³ The situation, however, has improved: Measured by Transparency International's Corruption Perceptions Index 2011 Bangladesh was ranked 120th among 182 states, not too bad in the regional context (Bhutan rank 38, Sri Lanka 86, India 95, Maldives and Pakistan at 134, Nepal

¹³In a survey by Transparency International in 17 out of 20 cases relatives in the executive exist in the governing body, in 19 regular meetings are not held, in 18 members of the governing body are not informed about the current programme of the organization. In all 20 cases most of the members do not visit the NGO except participating in meetings. The results for the decision making process; financial transparency; human resource development and grievance procedure; accountability to service recipients, donors and government; project implementation, supervision and monitoring; and secrecy of information are almost as bad. Cf. Problems of governance in the NGO sector. The way out. Executive Summary. Dhaka: Transparency International Bangladesh. 2007, pp. 3-4.

at 154)¹⁴ and much better than in previous years, when Bangladesh could be found at the bottom of the list.

Bangladesh famously is one of the poorest countries in the world and the ‘test case for development’. Contrary to expectation the country can show some success, achieved during the last years. It has been so successful that the UN Secretary-General Ban Ki-moon has called Bangladesh a ‘model for other countries’.¹⁵ Could this continue on a smaller area after the expected rise of the sea level?

The main problem of Bangladesh is, despite all progress, mass poverty. Gross national income per capita is still one of the lowest in the world. In 2009 it was US\$590 measured by the current exchange rate and US\$1,580 at purchasing power parity.¹⁶ There are differing estimates of the extent of poverty. Based on the upper poverty line, in the Household Income and Expenditure Survey 2010, the incidence of poverty is estimated at 31.5 percent at the national level, 35.2 percent in rural areas and 21.3 percent in urban areas. In the survey 2005 all rates had been much higher.¹⁷ Contrary to this generous assessment, the Ministry of Finance quotes the Human Development Report 2010, where United Nations Development Programme (UNDP) gives a much higher value, i.e. 49.6 percent of the population is living below the international poverty line of US\$1.25 a day.¹⁸

¹⁴Corruption Perception Index 2011. Berlin: Transparency International, 2011. <http://cpi.transparency.org/cpi2011/results/#CountryResults>.

¹⁵Bangladesh a ‘model of development’. In: The Daily Sun. Dhaka: East West Media Group. 16 November 2011.

¹⁶World development report 2011, p. 344.

¹⁷Preliminary report on Household Income and Expenditure Survey 2010. Executive Summary.

¹⁸Bangladesh Economic Review 2010. Dhaka: Finance Ministry, Ministry of Finance. p. 193.