

Wolfgang-Peter Zingel

Associate Member of South Asia Institute of Heidelberg University

**Bangladesh's economic revival: From Sheikh Mujibur Rahman's demand for regional autonomy to war and famine, the challenge of development and the country's rise to become a leading exporter of manpower and textiles**

Talk prepared for the Bangabandhu Sheikh Mujibur Rahman Conference in Frankfurt, 7 October 2017 (presented in German language)

Dear Friends,

Today we are commemorating **Sheikh Mujibur Rahman**, the leader of the Independence Movement, the Father of the Nation, the President and Prime Minister, the Bangabandhu, the Friend of Bengal.

I have been asked to say a few words on the **Bangabandhu's** economic programme. I shall try to do that, being an economist and having worked on the country's economic and social development since that fateful year of 1971. Understanding a country's **economic development** needs a look also at **history** and **culture**. I therefore shall begin with the grim colonial past and the unhappy Pakistan times. Having been to Bangladesh during the famine of 1974 and seeing the overall destruction and misery, it appears to be nothing less than a miracle that Bangladesh has managed to pull even with Pakistan and to surpass India in some areas of the social sector. But the achievement has to be seen in the wider context: There are more countries that had a similar **economic resurgence**. Bangladesh depends even more than in the past on **international markets**. More than any other major country it is exposed to the vagaries of **climate change** and cannot trust in **international solidarity**.

My presentation will take about thirty minutes. There will be no time to go into details. Hopefully, there will be time for questions and comments either after my talk or later today. There is also the possibility of correspondence by e-mail.

Three hundred years ago, in 1717, the Nawabs of Bengal and Murshidabad established a rather **independent Bengal** (SPEAR 1990:71; VAN SCHENDEL 2009:56)), before they were defeated forty years later at Plassey and Bengal came under the rule of a foreign private trading company. After the **East India Company** had acquired the *diwani*, i.e. the right to raise taxes, in 1765, they lost no time to increase the land tax to unprecedented heights. Peasants stopped cultivation and when bad weather hit the crop, **famine and starvation** on the largest scale killed a third of Bengal's population of thirty millions by the end of the 1760s (ARNOLD 1999). Bengal's exports of fine cotton ware, the famous *muslin*, were hit hard by British trade policy. Within decades, one of the most prosperous parts of India turned into her poor house. Like the rest of India, Bengal became de-industrialized and de-urbanized.

It did not help much that Calcutta became the seat of colonial administration and the Empire's second city. Jute, the golden fibre grown especially in Eastern Bengal, was processed in England and later Calcutta. The **Permanent Settlement** of land taxes 1793 changed the land tenure system: Land became a marketable commodity and tax collectors were raised to owners: The *zamindars* became the lords of large tracts of land and masters of millions of peasants. A system up to '50 or more intermediary interests between the *zamindar* at the top and the actual cultivator at the bottom'

(Famine Inquiry Commission 1945;5) left no room for investment and innovation. With the opening of the Suez Canal in 1869 western India became more attractive; in 1911 the colonial power moved their capital to Delhi. Bengal lost importance. Exposing India to the world market had a terrible outcome when the **Great Depression** of the 1930s struck the 'Jewel in the Crown' (ROTHERMUND 1996).

This was the economic and social situation that **young Mujibur Rahman, born in 1920**, had to witness, when he went to school and to college. He became politically active and by the time of Partition, he already was a well known student leader. The province was affected by **World War II** more than the rest of British India. After the fall, first of Singapore and then of Burma (under separate administration since 1937), an invasion of Bengal was imminent. However, the **Japanese advance** could be stopped at Kohima (Nagaland) and Imphal (Manipur). China was supported by the Allies with an air lift from Assam 'over the hump', i.e. the eastern Himalayas. Fearing that Japanese troops, supported by the Indian National Army of Subas Chandra Bose, might advance through Bengal and take Calcutta, the colonial power pursued a **policy of scorched earth**, destroying boats, the major means of transportation in the delta, bridges and supplies. This turned out to be fateful, after **rice imports from Burma** were stopped and other '**surplus provinces**' **banned exports** to the 'deficit provinces', i.e. Bengal. That the poor harvest of 1943 turned into the worst disaster since 1770, however, was the outcome of poor management and willful neglect (MUKERJEE 2010). Based on the experience of World War I, the colonial power had introduced a system of **food administration** right at the beginning of World War II (KNIGHT 1954). The system that worked fairly well in other parts of India, however, was used to safeguard the food supply for the army and the workers of the arms industry in Calcutta, while **famine and mass starvation** reached epic proportions in rural eastern Bengal; may be three million people perished. The experience of neglect and betrayal by the colonial power intensified the demand for Independence, not just **of** India, but also **from** India.

Independence and **Pakistan** came much quicker than expected. There had been little time to develop a programme how the new state should be organized; there were even less plans for the economy. Not to forget that if Labour had not won the elections of 1945, Independence would have remained a distant dream. The Lahore resolution of 1940 was silent on 'Pakistan'. The demand was 'that the areas in which the Muslims are numerically in a majority [...] should be grouped to "Independent States"'. The Cabinet Mission's solution of a federation (1946) was finally rejected both by Nehru and Jinnah. With the Mounbatten Plan – so to say in the last minute (3 June 1947) it was agreed not only to divide India, but also its two largest provinces Punjab and Bengal) and even districts.

Although the Pakistan movement had been especially strong in Bengal and the majority of members of parliament, who opted for Pakistan, came from Bengal, a **feeling of neglect** arose quickly in the new province of East Bengal (later: East Pakistan). The majority of military officers and senior administrators, who opted for Pakistan, went to West Pakistan, where Karachi was chosen as the new capital. It took **Jinnah**, the leader of the Pakistan movement and now General Governor, seven months after Independence before he finally went to Dhaka, only to repeat the Government's verdict that **Urdu** was to become the (only) **national language**. This was unacceptable, especially for young educated Bengalis, not just as a rejection of their cultural identity: Language is the economically most important cultural technique. With hardly anyone in East Bengal speaking Urdu, except the so called Bihari, i.e. refugees/migrants from eastern India, Bengalis had to expect to become excluded from higher education and government jobs.

The first years of Pakistan saw a lot of optimism, despite the complete lack of any government infrastructure (SYMONDS 1950). Bengal that saw the **riots of Calcutta and Noakhali** in 1946, was saved from mass killings on the scale of Punjab in the following year. But the process of **eviction and flight** gained momentum in the following years. Pakistan enjoyed a short bonanza during the Korean War (1950-53), when jute was in great demand, needed for tarpaulin, tents and gunny bags. The Pakistan central Government concentrated their efforts on the western 'wing', especially Karachi, where many more refugees arrived from than left for India. While the **major part of foreign exchange was earned by the jute exports** from East Pakistan, it was mainly **spent on imports that landed in West Pakistan**. It was in the 1950s when the economic neglect of East Pakistan was worst. The Second Five Year Plan (1960-65) concentrated on **industrialization and import substitution** in West Pakistan. East Pakistan provided a protected market for simple industrial goods, produced in West Pakistan. But it was **language** that became the rallying point for the Bengalis. The West Pakistan leaders believed in the necessity of a national language, an old colonial perception of 'language planning', despite the fact that there always have been examples of multi-lingual countries (like Switzerland, Belgium or Canada). It took until 1956 that the first constitution declared "The State language of Pakistan shall be Urdu and Bengali." (Art. 214).

As a result of hygiene and modern medicine, mortality could be reduced in the 1950s, with the result of an unprecedented **population growth** ('population explosion'), although in East Pakistan less pronounced than in West Pakistan. **Food production failed** to grow in line with population. Pakistan became a by-word for hunger and poverty, mainly because of the poor conditions in East Pakistan. Rich countries were ready to help, more so out of fear to 'loose' any country to Communism and the Eastern Bloc. As an ally of the USA, Pakistan received generous military and development assistance. What added to the frustration was that only a third of the **'poverty dividend'** was spent on projects in the poorer 'wing'.

The early 1960s saw a rapid development of the (large scale) industrial sector, but only in the West. Later, only West Pakistan benefited from the **Green Revolution**: This time not because of Ayub's 'growth first – distribution later' policy, but simply due to the fact that high yielding varieties (HYVs) were first available for wheat, while technological progress came only later for rice, the staple food of East Pakistan.

A number of academic studies, mainly conducted by economists from East Pakistan and advisors from the USA, brought evidence of **'regional disparity'** between the two 'wings' of the country. In 1968 the Planning Commission under Dr. Mahbub ul Haq came out with the shocking account that **22 families** controlled 66 per cent of industries and owned 87 per cent of the country's banking and insurance. 'All of these families ... belonged to West Pakistan' (GULL 2015:5). The military dictatorship of Ayub Khan had been successful during the first years, but that changed dramatically in **1965** 'when the Pakistan army attempted to take Kashmir by force' (Department of State). India and Pakistan were forced to end their hostilities after two weeks, when the USA threatened to cut their **food aid** that was needed to avert a famine on the subcontinent.

Dissatisfaction with the military dictatorship, the poor economic performance and willful neglect led to **mass protest** in East Pakistan. In 1966 the Awami League formulated a short list of major political demands, known as the **Six Points**. All of them dealt with autonomy; four of them with the economy.

When finally General Yahyah Khan, the Martial Law Administrator (who ousted President Ayub Khan in 1969) arranged for the first **general elections** in 1970, Mujib's Awami League already was the strongest party in East Pakistan. What finally led to their triumphant victory was the slow reaction of the Pakistan government and army to **cyclone Bhola**, the strongest since centuries, that hit the coast in late 1970. Estimates of casualties range from 200,000 to 300,000. With 160 seats out of 300 won in the new National Assembly, the **Awami League** was the clear **winner** and Mujib would have been elected the next Pakistan Prime Minister. The (West) Pakistan leadership **delayed the new Parliament** to assemble. When the Awami League started to demand independence rather than autonomy, the **Army cracked down on 25 March 1971** with the objective to systematically eliminate the Bangla political and intellectual leadership. Mujib himself was arrested and transported to West Pakistan and only released in January 1972, after Pakistani troops in East Pakistan had **unconditionally surrendered** to the 'General Officer Commanding Chief of Indian and BANGLA DESH forces' (RUSHBROOK WILLIAMS 1972; SALIK 1978; SIDDIQUI 2009).

With **Independence** (16 December 1971) more had been achieved than originally had been demanded, but at a terrible price. Up to **three million people** had been **killed**, **ten million** had **fled** the country and had to be re-integrated. The **infrastructure** had been totally **destroyed**. Millions of refugees streamed into the cities in the hope of help. International **assistance was coming slowly**, mainly for political reasons. The USA were still engaged in Vietnam; President Nixon had promised to end the war, which required some understanding with the Soviet Union and China, the major allies of North Vietnam. Henry Kissinger, then the National Security Advisor, used the good services of General Yahya Khan to get in contact with China. From Pakistan he secretly flew to Beijing in July 1971, met with Zhou Enlai, the Chinese Foreign Minister, so that President Nixon could go to China and meet Mao Zedong in the next year (1972). For Kissinger and Nixon Bangladesh was not more than an irritant of geo politics (BASS 2013; GOSWAMY 2014; RAGHAVAN 2013; ZINGEL 2015). China had established itself as a reliable friend of Pakistan: It did not actively support Pakistan in the war, but kept Indian troops on alert along the border. India gave up its policy of Non-Alignment and entered a Twenty Year Treaty with the Soviet Union. **Public opinion** around the world was very much in support of Bangladesh, but **economic assistance** remained limited mainly to international organizations and NGOs.

It was needed very much: Ambassador **Erna Sailer's** report on the situation in Bangladesh came as a shocking account of the loss of life and material as a result of the war as well as the cyclone (SAILER 1972).

Help from the Muslim world was limited. When OPEC raised the oil price in 1973 and migrant labour flocked into the oil exporting countries by the millions, Bangladesh was left out in the cold for lack of diplomatic recognition. This changed slowly after the **Islamic Summit** in Lahore in early 1974, when Bangladesh was invited after Pakistan acknowledged Bangladesh's independence. Still it took until 1975 that **Saudi Arabia** and **China** established diplomatic relations with Bangladesh. As a result, **remittances** as a major source of foreign exchange took off in Bangladesh much later than in India and Pakistan.

The Government in exile had been busy with organizing the Liberation war; there was no time or energy to draft an economic programme for independent Bangladesh. But in 1968 the Chhatra Sangam Parishad, an alliance of students unions declared an '**Eleven Points**' charter of demand (KHAN 2014) that raised similar demands than the Six Points programme, but was more detailed.

Besides better conditions for students (admission, scholarships), they wanted the nationalization of banks, insurance, jute trade and large-scale industries (#5); reduction of land revenue taxes, minimum prices for jute and sugar cane for the agriculturalists (#6); better pay, education, housing and medical service for the labourers (#7); flood control and ensuring overall utilization of water resources (#8).

Demanding nationalization of large-scale industry and financial institutions was *de rigueur* in the newly independent countries all over the world, meaning the transfer of 'real', i.e. economic power from the colonial masters not just in national, but also government hands. Nationalization in India had been modest by Nehru. Indira Gandhi, however, in two waves nationalized further parts of the economy and established a 'licence raj' that strangled the economy. Zulfikar Ali Bhutto in Pakistan, Sirimavo Bandaranaike in Sri Lanka and Mohammed Daud in Afghanistan followed in a similar fashion (since 1965 already in Burma/Myanmar).

Bangladesh owed its independence to India and remained dependent on the neighbour and the Socialist countries, while Kissinger and Nixon developed little sympathy for a leftist Bangladesh. In its Proclamation of Independence (17 April 1971) the government-in-exile declared 'equality, human dignity and social justice' as fundamental principles of the Republic (MIAH 2015). With the Constitution of 1972 (Preamble) the country became the 'Peoples Republic of Bangladesh', a unitary state. There is little reference to the economy in the constitution. Willing, but unable to regulate all aspects of state and society, Bangladesh became another example of a 'soft state' (MYRDAL 1970:208-252).

The Pakistan Fourth Five Year Plan (1970-75) had emphasized parity in economic development of the two 'wings', but was never implemented. In 1973 the Bangladesh government presented their First Five Year Plan that 'stressed on relief and rehabilitation of the war-ravaged economy' (RAHMAN 2014). Implementation was not possible because of lack of funds (ALAMGIR 1978:126).

Desperate to earn some foreign exchange, Bangladesh entered a trade deal with Cuba in violation of the embargo declared by the USA and, thus forfeited US development aid at a time when a famine was imminent in 1974. The US President would have had the power to waive the restrictions (as he had done in the case of Egypt), which he did not do in order to teach Bangladesh a lesson. The Bangladesh government had been too late seeing the food shortage coming. Devastating floods and a poor distribution system resulted in mass starvation that cost tens of thousands lives. By the end of the year Bangladesh had given in to US pressure, stopped the jute export to Cuba and US food aid started again, however at a time, when the new harvest was coming in. Food prices went down accordingly, hitting agricultural incomes. In any case, economic progress during the first two years 'was poor and unsatisfactory'. (AHMED 1984: 172).

In reaction to the shortcomings of governance and hoping to make it more efficient, Mujib by presidential order (4<sup>th</sup> amendment of 25 January 1975) created the Bangladesh Krishak Sramik Awami League (BAKSAL, 24 February of 1975) by amalgamating the Bangladesh Awami League, the Communist Party of Bangladesh, the National Awami Party and the Jatiyo League.

Declaring a Second Revolution (KHATIB 1981:198-205), Mujib became more and more 'authoritarian' (JAHAN 1980:134-136), alienating old comrades. As Lawrence Ziring writes: 'Mujib was a fine *Bangabandhu* but a poor prime minister' (1992:85). On August 15, 1975 he was killed

together with family members in a military coup. Two of his daughters escaped as they were visiting Germany. The coup was followed by more coups and counter coups and military governments under Zia ur Rahman and Ershad. After a mass rebellion, democratic elections were held in 1991. Sheikh Hasina Wajed, daughter of Sheikh Mujibur Rahman and leader of the Awami League, was elected Prime Minister in 1996, 2009 and 2014. She still holds the office. Bringing the assassins to court took decades. Conspiracy theories concentrate on the army and 'foreign hands' (LIFSCHULTZ 1979:98-153; DASGUPTA 1979).

The military coups of 1975 brought a change of economic policy, less emphasis on socialism (although Bangladesh still is a Socialist Republic) and opening towards the world market. Public enterprises failed to become the drivers of development in the Mujib years because of the inbuilt contradiction (SOBHAN and AHMAD 1980) that finally led to the closure of Adamjee Jute Mills, the biggest company in the country and the largest jute mill in the world (Dawn 2002).

Bangladesh became the 'test case' of development and much more (FAALAND and PARKINSON 1976; ZINGEL 2012). From the 1990s onwards the country developed to become a major producer and exporter of ready made garments and knitware. The other two columns of the Bangladesh economy are agriculture and manpower export.

The change of policy in 1975 was in line with international developments: After Mao Dzedong's death (1976), China opened up and has become the world's leading exporter. After Indira Gandhi had lost the elections of 1977, India slowly started to deregulate her over-regulated economy. In Pakistan the Army took over in 1977 and hesitantly privatized state enterprises. In Sri Lanka, Sirimavo Bandaranaike lost the elections of 1977. Bangladesh's economy recovered only slowly. Actually it took a whole generation to arrive at the production level of pre-Independence times, it took even longer for incomes. What helped Bangladesh were the multi-fibre agreements and exemptions of least developed countries from trade restrictions. Against all expectations, the admission of China to the WTO did not end Bangladesh's success story of textiles exports (ZINGEL 2012).

A month ago the Economist reports 'a remarkable turnaround. Bangladesh's GDP [gross domestic product] per person is now higher than Pakistan's. Converted into dollars at market exchange rates, it was 1,538 in the past fiscal year (which ended on June 30). Pakistan's was about 1.490. [...] Its annual growth rate has averaged more than 6% over the past ten years and has run over 7% over the past two. Industry accounts for 29% of its GDP. A country that once lacked cloth for shrouds now exports more ready-made garments than India and Pakistan combined.' (The Economist 2017). According to the latest Global Hunger Index 26.5 per cent of the population suffer from hunger: Half as many as in 1992 (53.6%) and fewer than in India (31.4%) or Pakistan (32.6%) (IFPRI 2017).

Success famously has many parents and all political parties in government since 1971 with pride claim the achievements of the country that Ayub Khan had found dispensable and that Henry Kissinger had called a 'basket case'. Looking back, one is tempted to ask, whether Mujib could have or should have taken a different direction in his economic policy. This might have been difficult, given the constraints inside and outside of the country.

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