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Bullish on Bangladesh

In spite of sporadic unrest, rampant corruption and a polarized political system that's all but dysfunctional, Bangladesh finds itself in the midst of a sustained boom. The main drivers: surging export growth and a robust service sector

THE headlines are grim. But they mask what is shaping up to be one of the world's most amazing turn-arounds.

These days, it's not easy to be bullish on Bangladesh. Last month militant labor unions declared war on the country's vital textile industry, attacking dozens of mills and torching several in a struggle for wage hikes and new benefits. And just last week, opposition parties bent on toppling Prime Minister Khaleda Zia staged a two-day national strike to demand electoral reforms ahead of parliamentary contests slated for early 2007. Their street actions temporarily closed the country's main port, halted public transport and triggered bloody clashes with riot police armed with tear gas, truncheons and rubber bullets.

Observers warn that tensions could escalate as election season approaches; Britain's top diplomat in Dhaka, Anwar Choudhury, has voiced "grave concerns about the level of politically motivated violence."

Civil unrest is always worrisome in a densely populated nation that still ranks among the world's 50 poorest, to be sure. Yet what's remarkable about the grim headlines emanating from Dhaka of late is how little they threaten the country's stubbornly robust national economy.

In spite of sporadic unrest, rampant corruption and a polarized political system that's all but dysfunctional, Bangladesh finds itself in the midst of a sustained boom. On June 8, Finance Minister Saifur Rahman forecast that the national economy would grow by 6.7 per cent in 2006. The main drivers: surging export growth and a robust service sector. In textiles, the country's mainstay manufacturing industry, export earnings rose by 17 per cent last year to \$7.5 billion, confounding forecasts that Bangladesh would lose market share to China once World Trade Organization textile quotas expired at the end of 2004.

This year Bangladesh's garment makers expect to garner \$10 billion abroad. Foreign investment is rising, too. The attraction is an economy that has expanded by 4 per cent or more yearly since 1991, cutting the national poverty rate by 15 per cent in the process.

"Bangladesh is no more a country of despair," declared Rahman during his annual budget address earlier this year. "It is a country of

hope and potential." The Bangladesh boom defies some of development theory's central tenets.

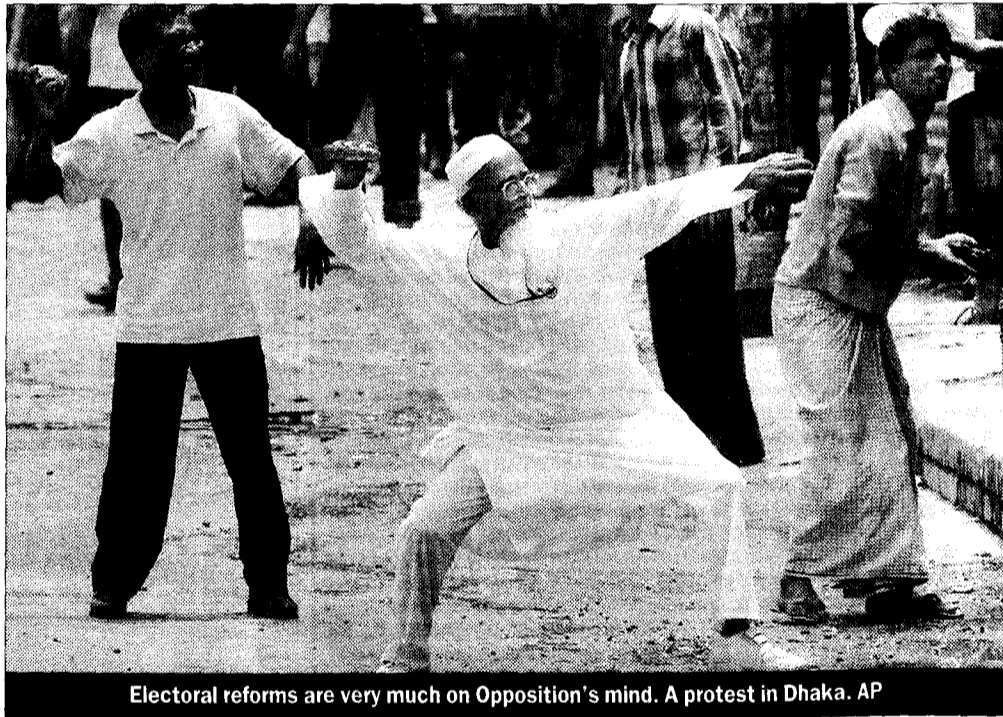
For decades, experts have identified political stability and effective governance as critical prerequisites for economic takeoff. But this lowland nation of 145 million is making tangible progress largely without them. Bangladesh now leads South Asia in most so-

Grameen Bank. "They ask, 'Why are we falling behind when we're doing the right things, while you are doing the wrong things but getting the right answer?'"

There's no pat explanation for Bangladesh's unlikely success. Certainly, experts agree that the country urgently needs better governance to achieve its full potential of double-digit annual growth. Yet the country has dis-

In textiles, for example, Bangladeshi workers earn less than \$1 a day to start, the lowest in the world, according to the International Labor Organization. Exploitation is rife, to be sure, but the mills nonetheless have given more than 2 million people—the vast majority women—non-agricultural wage jobs.

"As wages rise in China, Bangladesh will increasingly fill in



Electoral reforms are very much on Opposition's mind. A protest in Dhaka. AP

In textiles, export earnings rose by 17 per cent last year to \$7.5 billion, confounding forecasts that Bangladesh would lose market share to China once WTO textile quotas expired at the end of 2004. Bangladesh looks attractive as a cost-beating sweatshop economy precisely because China and India are thriving. Both have grown more expensive as manufacturing bases relative to Bangladesh

cial-welfare indicators—including female literacy and poverty reduction. Its fertility rate is near replacement level. And Bangladesh is the only South Asian country on track to meet its United Nations-mandated Millennium Development Goals of reducing poverty by half by 2015.

"When I go to India or Pakistan from Bangladesh, people ask, 'What is it you do, cook up all your statistics?'" says Muhammad Yunus, founder of microlender

proved one assumption: that Asia's dynamic twin giants—China and India—would grow at the expense of their less efficient, less open neighbors. Instead, Bangladesh looks attractive as a cost-beating sweatshop economy precisely because China and India are thriving. Both have grown more expensive as manufacturing bases relative to Bangladesh and rising domestic demand within each makes them attractive destinations for Bangladeshi exports.

the void," says Debapriya Bhattacharya, executive director of the Center for Policy Dialogue, a private think tank. "Bangladesh will not only successfully compete with Indian products abroad but has a high potential to expand its market within India itself."

Funds critical to the nation's development often come from an unconventional source—broad-based microcredit schemes targeting the poor. Pioneered by Grameen Bank after

Bangladesh's killer famine of the early 1970s, the strategy is to promote grass-roots development with collateral-free loans to poor households for investment in seeds, livestock, irrigation or village-level businesses.

Today, an estimated 80 per cent of households participate in some form of microcredit from Grameen or non-governmental organizations. That makes Bangladesh the test case in a new development-financing model.

Experts laud microlending for a string of positive side effects. By targeting women (who have proved more reliable borrowers than men), lending schemes have pushed female participation in the labor force to among the highest in the developing world. As a result, Bangladesh's birthrate has plummeted, poor families have opted to put their girls as well as boys in school and women have taken a large role in local government—all in a predominantly Muslim country.

"At the grass roots, things have worked quite well," says Ifzal Ali, chief economist for Asian Development Bank in Manila. "Rural literacy, basic health, provision of water (are) beginning to pay dividends. They're doing something right, no doubt about it."

But a concerted clean-hands campaign is needed to kick the economy into high gear. Corruption largely explains the endless red tape, crumbling ports and barriers to foreign investment that keep the country from achieving its full potential.

"It's a barrier to every step we need to take," says Yunus, who adds without irony: "If we can bring down our corruption to the prevailing level in South Asia, our growth rate would be 9 to 10 per cent." Should Bangladesh experience destabilising political turmoil in the coming weeks or months, its economy would certainly suffer.

Yet even now, foreign investors have multibillion-dollar projects on the drawing board in Dhaka. Tata has proposed building a steel mill and a power plant worth \$2.5 billion in the area. And the government remains upbeat. "We could accelerate the growth momentum remarkably without destabilising macroeconomic fundamentals," says Rahman, the Finance minister. Then, perhaps, Bangladesh would make headlines for something other than killer cyclones or riots in Dhaka's streets.

Newsweek

Bangla strike begins with violence ⁸⁻³

Daily Star/ANN & AP

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DHAKA, June 13. The 14-party Opposition combine enforced a countrywide 36-hour shutdown from 6 a.m. today. The strike will continue till 6 p.m. tomorrow to press home its demands for electoral reforms, resignation of the Chief Election Commissioner (CEC) and two "politically appointed" Election Commissioners.

Police used batons, rubber bullets and tear gas to disperse Opposition workers who went on a rampage. Trouble was also reported from Dhaka's Mahakhali, Motijeel and Jatrabari. The *hartal* was called soon after the Awami League (AL)-led combine's 9 a.m. to 5 p.m. Dhaka siege on Sunday to protest against "police atrocities" on Opposition leaders left around 500 injured.

THE STATESMAN

Bangla protests turn violent

Dhaka, June 13 (Reuters): At least 100 people were wounded in Bangladesh today as Opposition activists fought with police at the start of a two-day strike for electoral reforms.

An Opposition alliance led by former Prime Minister Sheikh Hasina called the strike to force the government to accept demands for electoral reform ahead of next January's parliamentary elections.

The demands include the removal of the election commissioner and an Opposition say in the appointment of the caretaker administration which will run the country ahead of the polls.

The clashes occurred in Dhaka, Narayanganj and northern Sirajganj. Police used batons and tear gas to disperse rock-throwing activists, witnesses said.

Police detained more than 130 activists across the country. "We picked them up for resorting to violence and damaging properties," an officer at the Dhaka police headquarters said. Protesters set fire to seven vehicles, including a police car and three trucks in Dhaka and its suburbs, police said.

More vehicles were damaged in Narayanganj, Sirajganj and Chittagong, witnesses said.

The strikers attacked and damaged two railway stations in northern Bangladesh disrupting movement of trains.

Inter-district buses were off the road, but river ferries operated with fewer than normal passengers, witnesses said. Several domestic and international flights were cancelled or delayed, airport officials said.

The Chittagong port remained mostly idle with no delivery of goods even though some ships were loaded and unloaded, port officials said. Bangladesh's two stock exchanges in Dhaka and Chittagong were closed.

While the impoverished country remains divided over political issues, the business community said it is fed up with repeated shut downs that badly affect production and exports.

Obaidul Karim, chairman of the Orion Group of industries, said: "During hartals (strikes) we are forced to close our businesses."

"All my factories have been closed as we do not want to take any risk of they being attacked or damaged. On each hartal day, the country suffers industrial losses up to 6 billion taka (\$85 million)."



A policeman kicks an Opposition activist in Dhaka on Tuesday. (AFP)