

'We need to be watchful'

Prof Wahiduddin warns about post-LCD challenges

STAFF CORRESPONDENT

Bangladesh is now cited by many as a country producing billionaires as its high economic growth is increasingly becoming unequal, which



undermines the vision of equitable growth to become a rich nation in the next 20 years, Prof Wahiduddin Mahmud has told a development conference.

China, another example of high economic growth, has seen one of the highest rises in income inequality. In contrast, Japan, which had about the same per capita income as Argentina around 1900, is now the world's third biggest economy and its growth has been remarkably equitable, he said.

The noted economist was presenting a keynote paper at the concluding session of the BIDS Annual Conference on Development to mark 50 years of Bangladesh's independence.

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'We need to be watchful'

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"The economic growth studies show that episodes of rapid growth are quite common among the developing countries, but the growth is rarely sustained. That is why we need to be watchful," Prof Wahiduddin said at the event organised by Bangladesh Institute of Development Studies (BIDS) at a city hotel.

He also mentioned the challenges in the post-Least Developed Country (LDC) era, land scarcity, and challenges of governance.

He credited diversification of rural economy as a major driving force for the Bangladesh economy and suggested focused attention to materialise Bangladesh's aspiration to become an upper-middle income nation by 2031 and a developed country by 2041.

"The present danger is that this socio-cultural infrastructure of the market economy may be at the risk of being undermined by political polarisation, ethnic and religious strife and replacement of trusted village elders by politically powerful party cadres."

Prof Wahiduddin said development discourses have spent efforts on how to imitate the success stories of the so-called East Asian tigers. In contrast, the contemporary development literature has given relatively less importance to the example of Japan, which followed its business model tied to workers' welfare and loyalty.

"And it may not have occurred to many as to why Japan has many rich people, but few billionaires," he said, adding that Japan has only 25 billionaires against America's 675 and India's 153.

"Notice that Bangladesh is also now cited as a country producing billionaires, which means we are achieving high economic growth, but it also means that growth has become increasingly unequal," said Wahiduddin, now chairman of Economic Research Group.

He said all success stories have some common elements, like providing an enabling environment for fostering economic entrepreneurship that

is also compatible with creating a welfare society. But creation of an enabling environment depends on the country-specific context.

"An immediate concern is the challenges to be faced in the post-Least Developed Country (LDC) era. We have to start preparing ourselves regarding how we shall negotiate our way in the global economic order without the preferential treatment that we have been enjoying," he said.

Most of our trade competitors have already become part of one or more regional Free Trade Arrangements (FTAs), he said, suggesting developing expertise to negotiate FTAs.

Another issue, he said, is Bangladesh's extreme land scarcity. This makes it extremely difficult to have urbanisation and industrialisation without impinging on agricultural land or whatever environmental resources like forests and water bodies Bangladesh is left with.

"If we become even a high-middle income country, we shall have to imagine an environmentally sustainable configuration of land use where we shall be producing GDP per square kilometre that will be higher than most of today's industrialised countries."

He cited findings of a study on economic cost of Dhaka's overgrowth and suggested formulating a strategy for dispersed urbanisation and industrialisation.

The economist said higher public spending and better service delivery will be important to retain gains in social indicators.

He said Bangladesh needs to create the needed skills and capabilities of the increasing labour force with enough employment opportunities as a large number of secondary school graduates remains unemployed.

Wahiduddin, a former professor of economics at Dhaka University, said demographic dividend is a factor fuelling the current economic growth.

This opportunity may last for another two decades. After that the growth of the labour force will slow down due to the aging population, he noted.

Trapped in poverty

BIDS study reveals gravity of rural households' woes

STAFF CORRESPONDENT

Forty-two percent of rural households cannot move out of poverty sustainably, while 13 percent households are trapped in extreme poverty, a BIDS study has found.

The paper was presented at the three-day annual BIDS Conference on Development-2021, which concluded yesterday.

The study found that 87 percent of the rural households are trapped between extreme poor and moderately poor, implying their daily income fluctuates between USD 1-2 per day, but cannot move more than USD 2 per day.

Maria Eugenia Genoni, Mansur Ahmed, Pablo Tillan and Madhur Gautam, four World Bank economists, conducted the study titled "Bangladesh Rural Income Diagnostics" by surveying 62 villages and analysing data from a range of recent surveys and censuses conducted by the government and the UN organisations.

According to the researchers, Bangladesh has some remarkable achievements in reducing rural poverty, but these achievements have neither been uniform nor sustainable.

Researchers also pointed out the over-dependency on agriculture, particularly rice cultivation, as the major reason behind such fragile achievements in poverty reduction.

"Although many crops offer farmers higher returns than

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Trapped

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rice, most farmers continue to grow rice due to lack of a supportive agricultural policy from the state," commented Maria.

Sixty percent rural women of working age remain engaged in unpaid agricultural activities. Their earning potential remain largely untapped because of this very reason, the study also found.

The researchers recommended three steps to increase income of rural households, namely diversification and modernisation of agriculture by focusing more on higher value-added crops, livestock and fishing products; engagement of women to skilled and paid works; and development of small cities and towns so that more men and women can engage in non-agricultural and paid activities.

Reassess protection given to domestic industries

Experts say at BIDS roundtable

STAR BUSINESS REPORT

Bangladesh should reassess the protection granted to the domestic industries in order to help them grow up and accelerate the growth of non-garment export sectors, said experts.

Zaidi Sattar, chairman of the Policy Research Institute of Bangladesh, said protection structure was preventing the country in getting traction in the non-garment exports.

"If you try to support an adolescent for too long, he is no longer going to be an adult."

"We have some of the highest tariffs to protect the domestic industries. There have been protection decades after decades. But if you try to support an adolescent for too long, he is no longer going to be an adult."

"The protection and tariff structures are hurting the emergence of non-garment exports because the profitability from the

sales in the domestic market is higher than in the export markets."

"We must have the right kind of trade policies in order to continue the progress we are making in the trade area."

He spoke at a roundtable in the final session of the three-day Annual BIDS Conference on Development: Celebrating 50 Years of Bangladesh at the Lakeshore hotel in Dhaka on Friday.

The Bangladesh Institute of Development Studies organised the event.

Mashiur Rahman, economic affairs adviser to the prime minister, also touched upon the issue whether Bangladesh can operate in a protected market and at the same time, expand exports.

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Reassess protection given to domestic industries

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He agreed that if infants were supported beyond the time when he should have grown, then one has to conclude that it is undernourished and under-nurtured and maybe there are some other problems.

Ahmad Kaikaus, principal secretary to the prime minister, said garment factories employ less workers than the real estate sector.

"How much protection did we give to the real estate sector during the coronavirus pandemic? Zero. Are they asking for money? Not at all."

"We have to understand huge advantages internally that we have to cherish and nourish," said Kaikaus.

He said it was sometimes true that "we promote inefficiency when we are giving protection. But without markets, businesses don't exist."

"So, we have to understand it and give proper attention."

Nihad Kabir, president of the Metropolitan Chamber of Commerce and Industry, Dhaka, pointed out the lack of quality data as a major challenge.

She said the last labour survey was done by the Bangladesh Bureau of Statistics in 2016-17.

"It is really five years since that time. It is really out of date. If you

want to keep progressing, we need our research entities, universities and business chambers an access to up-to-date information."

Even if where data is available, Bangladesh is yet to have the analytical capability to use the data, she said.

"We need to collect data in a timely manner. Bangladesh also needs to analyse the regulatory frameworks to align them with its aspiration in the areas of manufacturing, trade, and commerce."

Sultan Hafeez Rahman, director of the BIDS Graduate School of Economics, who chaired the session, said diversification of both manufacturing and exports is important and should continue to be on the agenda.

"There are enormous constraints to this on the policy, regulatory and enforcement sides. We also need to create a level-playing field. There should be continuation of the trade policy reforms."

He urged state-run commercial banks to act like banks and earn profits. "They don't need to be continuously recapitalised every few years. This is a huge public interest issue."

Abdur Rouf Talukder, senior secretary of the finance division, said the government was implementing

one of the largest skill development programmes in Bangladesh. It is purely a market-oriented support.

The government has partnered with 14 industry associations. "The associations have designed their own programmes, outlining the skill sets they need. We are financing the programmes." The government is working on developing higher level of skills, said Talukder.

He said more than 200,000 foreigners were working in Bangladesh. And the government did not know how much money they were remitting to their home countries because they were mostly transferring the money through illegal channels.

"We are trying to develop local managers so that in three to five years' time, we can replace those foreign workers."

Shamsul Alam, state minister for planning, said Bangladesh was on the high growth path and would achieve double-digit growth by 2030. Bangladesh will be free of poverty by 2030 and free of unemployment by 2041.

He said export-led growth is the only end-target of the country as Bangladesh does not have huge natural resources.

"For that, whatever policy support is needed should be given."