

Bangladesh wakes to a new dawn

The country can attain 7% GDP growth if the new government can ensure political stability and good governance

By M SHAHIDUL ISLAM

THE Awami League-led grand alliance's sweeping victory in the 9th parliamentary elections witnessed the return of democratic rule in Bangladesh after nearly two years of an army-backed caretaker government. With the return to democracy, there is now hope that South Asia's third largest economy could enter into a new phase of growth.

Breaking the traditional 3 to 4 per cent gross domestic product (GDP) growth rate cycle, the Bangladesh economy grew at 5-6 per cent annually since the fall of the military rule in 1990. With a favourable external environment in recent times, the economy was expected to witness a 7 per cent-plus growth rate.

Unfortunately, under the Bangladesh Nationalist Party (BNP) government, this potential growth did not materialise, mainly due to omnipresent corruption, poor governance and a lack of basic infrastructure in the country.

A new government under the premiership of Sheikh Hasina Wajed is now in place. The pertinent question is whether the Awami League (AL) and its allies can deliver on their promises. The election manifesto of the AL, called "A Charter for Change", promised to address five priority issues. These are maintaining economic stability and controlling commodity price hikes in the face of the global financial crisis; taking effective action against corruption; addressing the power and energy crisis; eliminating poverty and inequality; and establishing good governance.

The AL's coming to power coincided with the collapse of commodity prices and the spread of a global recession. Though price stability in the domestic market largely depends on the country's food production, the recent collapse in commodity prices in the international markets will help the AL government control the prices of essential items.

Moreover, the new government needs to adopt some medium-term strategies to address the country's food security.

However, as the financial crisis spreads, the Bangladesh economy, which is moderately integrated with rest of the world, could face some downside risks, particularly to its macroeconomic stability.

Bangladesh's key macro variables, including exports and remittances – the two lifelines of the country's external sector – have remained somewhat insulated from the financial crisis, at least for the time being. Nevertheless, with 150 million inhabitants, the economy's growth depends largely on internal demand.

However, factors such as natural calamities and general strikes are major downside risks to economic growth.

Sheikh Hasina's real test would be



Picture of hope: Awami League supporters cheering their leader at an election rally. The elimination of poverty and fighting corruption are some of the challenges for the new government

to tackle corruption which has been a longstanding problem for the country. She too has been accused of corruption several times in the past. Though the fight against corruption is a difficult task for any government, Sheikh Hasina can learn some lessons from the price her predecessor paid for being accused of corruption and from the caretaker government's fight against this malaise.

It would be unrealistic to expect Sheikh Hasina to cleanse the system entirely of corruption. However, her government would be seen as having achieved some success in this regard if it allows the Anti-Corruption Commission to work independently.

The new government is well aware of the importance of electricity generation as the economy has been reeling under a power crisis. The government needs a long-term energy policy which should incorporate the best utilisation of the country's domestic gas resources, among others.

The elimination of poverty and inequality is also a serious challenge for the new government. In spite of the moderate economic growth, the country has had some success in alleviating poverty as well as minimising social indicator gaps. The Bangladesh economy grew at 5-6 per cent per annum in the current decade despite poor governance, rampant general strikes and political instability.

If the new government can address these issues, the country can achieve 7 per cent-plus GDP growth.

The fifth priority for the AL, according to its manifesto, is the establishment of good governance. The caretaker administration has done some good work in its efforts to ensure good governance in the country. Its efforts included the separation of the judiciary from the executive body of the government; constitution of an independent Election Commission and the Anti-Corruption Commission; enacting new laws to tackle corrup-

tion and ratification of the United Nations convention against corruption; and greater efficiency in the country's major ports, among others.

The new government should allow these institutions to function independently.

In order to achieve its goals, the new government should carry forward some crucial reforms initiated by the caretaker government, apart from initiating its own sets of reforms. The BNP government's success in dealing with law and order, and environmental issues should also not be ignored.

Success hinges on ability

The new government's success or failure will also largely depend on its ability to bring the opposition, notably the BNP, to Parliament, as the country's politicians have a long history of spending much more time on the streets than in the national assembly.

It would also be important for the

new government to ensure good relations with its immediate neighbours, notably India. Historically, New Delhi sees the AL as its ally. In the past, the AL had resolved some critical issues with India, particularly the Ganges water sharing dispute and the Chittagong Hill Tract problem. Both Dhaka and New Delhi will need to resolve some key issues, including the trade imbalance, transit, Asian highway route and terrorism.

Finally, the main opposition to the AL's efforts to implement its electoral manifesto would not come from the BNP or other political forces. Rather, it would be the AL itself and its allies. Since its inception, the political history of Bangladesh – from the late Sheikh Mujibur Rahman to the last BNP government – points to the fact that absolute majority in Parliament alienates the incumbents from their electoral promises.

If the new government can learn from the past, the overwhelming mandate it has received in this election is

an opportunity to carry forward its economic policies and other reforms.

In spite of the ongoing global financial crisis, the Bangladesh economy is expected to achieve a 6 per cent GDP growth in the current fiscal year. If the new government allows the country's institutions to function independently, achieves political stability and addresses institutional bottlenecks, the economy could witness a significant inflow of foreign investments and, with that, substantial growth.

The challenges facing the new government are, by no means, small. Neither are they insurmountable. Prime Minister Sheikh Hasina and her allies in the ruling alliance have the opportunity to write a new chapter in Bangladesh's history by making the country the next success story in South Asia.

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