

HOW TO REACH ECONOMIC GROWTH OF BANGLADESH BY 2050

The Liberation War 1971 destroyed Bangladesh's economy, and the post war dislocations left the country on a slow growth trajectory for better part of two decades. Then the economy accelerated from 1990, driven by a remarkable turnaround, in the growth of multi-factor productivity.

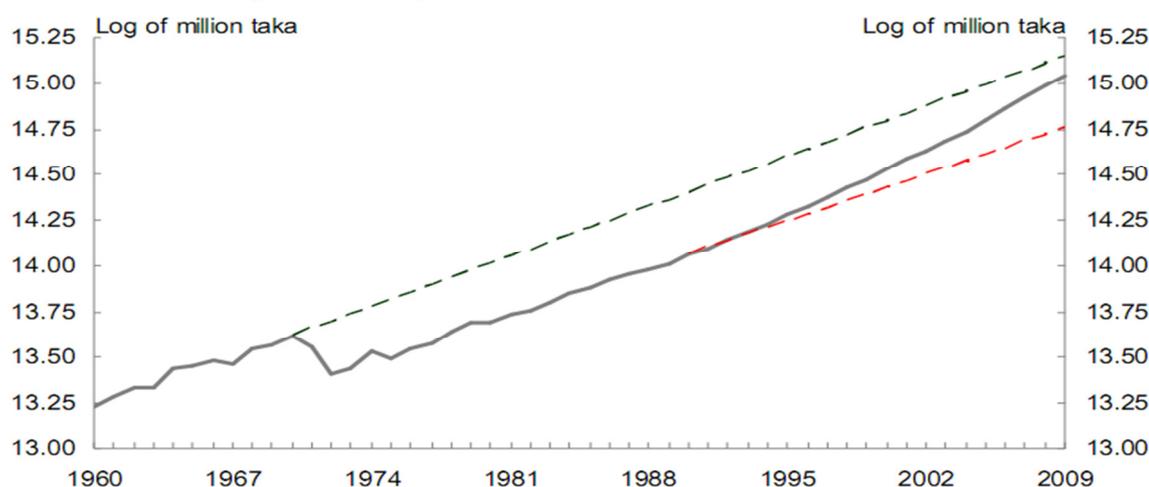


Fig. 1. Real GDP

The solid gray line shows the actual path GDP. Dotted lines are hypothetical trend paths based on: 1960s trend (green); 1970s/1980s trend (red) [1]

Had it continued to grow at the 1960 pace in the decade since, Bangladesh GDP would have been 10 percent higher by 2009? On the other hand if not for post-1990 acceleration, the Bangladesh economy would have been 29 percent lower in 2009 than the actual. So after 1990, Bangladesh is having sustainable economic development.

According to the CIA World's Fact-Book, published in 2010, economy structure of Bangladesh is as follows:

Table 1

Economics of Bangladesh [2]

GDP(PPP)	\$289.3 Billions
GDP growth	6.00%
GDP (per capita)	\$1,700
Public dept/ National budget	29.30% / \$11.43 Billions
Inflation Rate	8.10%
Exports	\$16.24 Billions
Imports	\$21.34 Billions
External Depts.	\$24.46 Billions

Released beat-up report 2007 of World Bank 2007, estimated Bangladesh becoming middle income country. It has been suggested to reach to goal; Bangladesh should emphasize to deepen its industrial base, integrate more into global markets and prioritizes urban economy development.

Denoting GDP by Y, population by N, working age population as L, we can write GDP follows

$$Y=xN \text{ [3]}$$

Population growth has steadily slowed from around 2.7 percent a year in the 1970s to 1.4 percent by 2009. Changes in working age to total population ratio used to make a small GDP growth in the 1960s, when the onset of the population explosion saw the number of young people outpacing the working population.

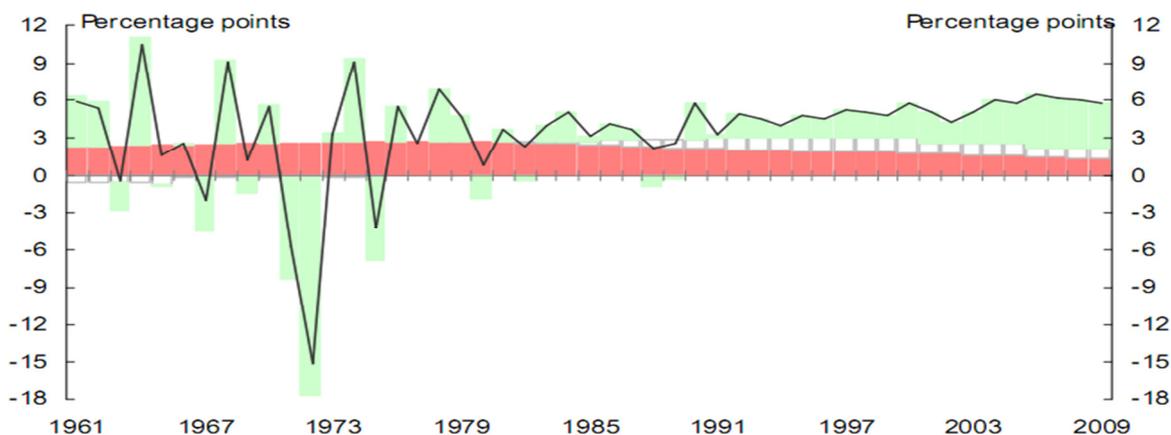


Fig. 2. Decomposing GDP growth

The black line represents GDP growth; the red area represents the population growth; the white area represents the contribution from the change in the ratio of working age to total population; the green area represents growth in GDP per working age person. [4]

Figure 2 shows that the population growth and the demographic change have accounted for only a small part of variation in GDP in Bangladesh over past five decades. Bangladesh's economy growth over that period has been driven by growth in GDP per working person.

On December 18 ,2012 UK based newspaper 'The Guardian' published an article "As even BRICS plateau, other countries, from Bangladesh to Mexico, are coming up fast - and could overtake the west by 2050." [5] The Guardian's list of new-wave economies include Bangladesh, Pakistan, Vietnam, Philippines, Indonesia, Turkey, Egypt, Iran, South Korea, Mexico and Argentina(NEXT-11). It said that these countries were even moving faster than the BRICS (Brazil, Russia, India and China, South Africa).

This group of countries including Bangladesh has young and growing populations.

'They have invested in infrastructure and education. And they are growing at the sort of rates that make them the envy of the recession-hobbled west,' said the report.

Even in the global financial crisis in 2007-2008 which also hit many emerging countries by falling western demand for their exports, Bangladesh and the Philippines have been helped by remittances sent by expatriates, it said.

I was sharing my ideas with Mr. Ananto Jalil, Director of AJI group, number 1 readymade garments exporter in Bangladesh. "Our economy will boom, if our political situation remains stable" he said. Economists such as Hawksworth say there are a number of key factors that are allowing emerging countries to grow more quickly than the mature markets of the west.

Firstly, they need sound macro-economic policies, including control of inflation and budget deficits.

Secondly, they have invested in human capital, improving their educational standard.

Thirdly, they have been able to import new technologies from the west, which made up for the lack of physical infrastructure and boosted productivity.

Bangladesh has made significant progress in its economic sector performance since independence in 1971. The economy has improved vastly in the 1990s and it is still improving. There has been a dramatic growth in exports and remittance inflow which has helped the economy to expand at a steady rate.

References:

1. Bangladesh Bureau of Statistics (2006), World Bank database (1980-2005)
2. CIA World Fact-Book (2007)
3. Analysis of growth experience' Mahajan S (2005), 'Analysis of growth experience' in Ahmed S, 'Transforming Bangladesh into middle economy', Macmillan India.
4. BBS (2006), World Bank's labor force database (1980-2005), UN (2005)
5. The Guardian (December 18, 2012)