

# Bangladesh

<b>Status Index</b> <b>5.8</b> (Democracy: 3.2 / Market economy: 2.6)		<b>Management Index</b> <b>4.5</b>	
<b>System of government</b>	Parliamentary democracy	<b>Population</b>	140.9 mill.
<b>Voter turnout</b>	70 % (Elections 1996)	<b>GDP p. c. (\$, PPP)</b>	1,610
<b>Women in Parliament</b>	2.0 %	<b>Unemployment rate</b>	3.7 % (2000)
<b>Population growth<sup>a</sup></b>	2.4 %	<b>HDI</b>	0.502
<b>Largest ethnic minority</b>	0.1 %	<b>UN Education Index</b>	0.45
		<b>Gini Index</b>	31.8 (2000)
<p>Data for 2001 – if not indicated otherwise. <sup>a</sup> Annual growth between 1975 and 2001. Sources: UN Human Development Report 2003; World Bank Group: Bangladesh Data Profile; Government of Bangladesh: 12. National Accounts under <a href="http://www.bbsgov.org/">http://www.bbsgov.org/</a> (downloaded 01/21/2003)</p>			

## 1. Introduction

Since its formation in 1971, Bangladesh, formerly East Pakistan has been one of the world's poorest countries. The first democratic government was established at the end of 1971, following the war of independence and Indian intervention. It ended in 1975 with a military coup and the assassination of the nation's founder and president, Mujibur Rahman. The military regimes that followed under General Zia ur Rahman, who was killed during a coup in 1982, and General Ershad began policies of economic liberalization. Student riots in the winter of 1990 and the elections of 1991 brought a return to democratic rule. A series of elections and the accompanying changes of government further cemented Bangladesh's young democracy in the 1990s.

Bangladesh occupies a unique place in Asia in two respects. First, it is currently the only country that combines western democratic institutions and Islam. Second, Bangladesh is one of the most religiously and linguistically homogeneous countries in Asia.

Despite regular elections and the changes of government, the political process in Bangladesh is marked by severe polarization between the parties and a high incidence of political violence. Broad-based economic development has not yet advanced. In addition, natural disasters such as the floods of 1998 have reversed any developmental achievements in Bangladesh, which is the world's most densely populated country, excluding microstates.

## **2. History and characteristics of transformation**

Bangladesh's political development was not at all concurrent with its economic development. Under the nation's founder, Mujibur Rahman, the first republic used India as a political and economic model. Bangladesh relied on a strong public sector to rebuild the war-ravaged nation and focused on close diplomatic ties to the Soviet Union. The Awami League (AL), which had been the driving force behind the war of independence from Pakistan, became the dominant political party in Bangladesh.

The military coup of August 1975 resulted in a radical shift in both domestic and foreign policy. The military government under General Zia ur Rahman developed Bangladesh's relations with the industrialized nations of the West and with the People's Republic of China. This regime's policy was marked by increased openness to foreign investment and, beginning in the mid-1980s, Bangladesh's increased export presence on the world market.

In founding the Bangladesh Nationalist Party (BNP), Zia ur Rahman created a political platform for himself and an alternative to the AL. He also set very different social policy priorities. The AL differentiated Bangladesh from its past as West Pakistan by setting forth a secular nationalist ideology similar to that of India, and propagating Bengali nationalism by emphasizing the commonalities of the Bengalis, including those in the neighboring Indian state of West Bengal. The BNP, in turn, differed from the AL by calling for a religious nationalist ideology and propagating Bangladeshi nationalism by instead emphasizing Bangladesh's distinctness and not the commonalities with the Indian Bengalis. In 1977, Islam was incorporated for the first time into the constitution, which had been secular. A further amendment to the constitution in 1988 established Islam as the state religion in Bangladesh.

Although Bangladesh has had steady economic growth rates since the 1980s, the country's overall development has fallen short of expectations. National and international development programs have been difficult to implement and have registered few developmental successes because of the high population growth in the 1980s, widespread corruption and patronage, and misallocation of resources. Although the majority of the population is Muslim, religious parties have not yet played much of a role in the political process.

### 3. Examination of criteria for democracy and a market economy

#### 3.1 Democracy

##### 3.1.1 Political organization

(1) *Stateness*: Great difficulties exist in exercising the state's monopoly on the use of force. The political debate is marked by pervasive violence and the proliferation of illegal weapons. According to reports, there are an estimated 50,000 illegal weapons in the area of the port city of Chittagong. Bangladesh had good nation-building potential. Pakistan's independence from British India in 1947 was based on religious affiliation, whereas Bangladesh's independence from Pakistan in 1971 was primarily a matter of the Bengalis' cultural and linguistic sovereignty. The conflict with non-Muslim minorities in the Chittagong Hill Tracts (CHT) was resolved with the peace accord of 1997.

Islam does not acknowledge a formal separation of state and religion, thereby ruling out secularization. The military governments of the 1970s and 1980s incorporated Islam into the constitution, but Islamic law (*sharia*) has not yet been introduced.

Widespread development problems, corruption, and patronage prevent Bangladesh's administrative system from being efficient. The introduction of numerous administrative reforms has created a bloated bureaucracy and has done little to improve administrative performance.

(2) *Political participation*: There is universal suffrage and the right to campaign for elected office. The general elections of 1991, June 1996, and 2001 were assessed as "free and fair." The national Election Commission ensures that elections are run correctly. Problems arise primarily with regard to voter registration where predictable administrative shortcomings and attempts at political manipulation go hand in hand. Voter turnout in Bangladesh reaches more than 70 %.

Effective power to govern exists to a limited degree. However, corruption, patronage, and an insufficient monopoly on the use of force all limit the government's ability to exercise this power. Numerous nongovernmental organizations (NGOs) have been established in response to the inability of state agencies to achieve long-term developmental goals. There is freedom of the press and freedom of assembly.

(3) *Rule of law*: Technically, the judicial branch is independent from the legislative and executive branches. The Supreme Court is considered independent. However, in the lower courts, the rule of law and independence of the judiciary are unpredictable, particularly in rural areas. The lower courts are chronically backlogged, and the police are notoriously corrupt. Corruption is pervasive, and

fighting it is generally exploited as a political tool. Civil liberties are set forth in the constitution, but they are scarcely protected with consistency. In the cities, as well as in some rural areas, orthodox Islamic groups have a strong influence. Their protests against the female author Taslima Nasreen, which attracted international attention, are clear examples of the strong Islamic presence.

### **3.1.2 Political patterns of behavior and attitudes**

*(1) Institutional stability:* The introduction of a National Caretaker Government (NCG) in 1996 increased the stability of democratic institutions in Bangladesh. The NCG is an interim government that temporarily takes over governing the country after the parliament is dissolved. Its purpose is to prevent abuse of state resources during election campaigns.

Although the major parties, the AL and the BNP, support the country's democratic institutions, their behavior while in opposition cannot be viewed as democratic. When in opposition, both parties have taken their political protest into the streets, which has instigated strikes and walkouts that often last for weeks and hamper economic development. This type of opposition behavior certainly does little to promote the acceptance of democracy among the population at large.

Almost all of the important actors support democratic institutions. The military has returned to normalized duty and is no longer vying for power. The separatist movements among ethnic groups in the CHT have also lost momentum since the 1997 peace accord.

*(2) Political and social integration:* Although highly fragmented, the political party landscape in Bangladesh is primarily shaped by the competition between the AL and the BNP. Differences between the platforms of Bangladesh's two largest parties are relatively small. However, the party system has a strong focus on personalities. The AL and the BNP are both headed by women who come from prominent Bangladeshi families, and who harbor an intense rivalry and a strong dislike for each other. The current prime minister, Khaleda Zia, is the widow of Zia ur Rahman, who founded the BNP and was assassinated in a military coup in 1982. Opposition leader Sheikh Hasina (AL) is the daughter of the nation's founder, Mujibur Rahman. The personal animosity between the two politicians has repeatedly hobbled the political process. The Jatiya (National) Party (JP), which was formed by General Ershad, is another political platform with a solid position in Bangladesh's party landscape. Within the parties themselves, democracy is hardly practiced because party splinters are numerous and generally result from personal rivalries.

The labor unions are highly fragmented as a result of political infighting and personal rivalries. The large export-oriented companies, which have managed to

place a series of limitations on union activities, are opposed by a large number of small and medium-sized enterprises with little union organization.

High voter turnout suggests that the population's support for democracy is high. The large number of NGOs indicates that social self-organization is also high. In addition to numerous local initiatives, there are also institutions such as the Grameen Bank, which has a solid national and international reputation and has been used as a model for successful poverty-fighting programs in other countries. However, while NGOs are numerous and relatively successful, various Bangladeshi governments have repeatedly tried to more tightly control the activities and international ties of NGOs.

## **3.2. Market economy**

### **3.2.1 Level of socioeconomic development**

Bangladesh remains one of the world's poorest countries. The HDI for Bangladesh suggests that freedom of choice is only possible for a small minority of citizens. Widespread poverty and high rates of illiteracy exclude large sections of the population, women in particular, from the development process. Development assistance provided by the international community has not yet led to long-term success.

### **3.2.2 Market structures and competition**

The first market-based economic reforms were introduced in the late 1970s under the military regimes. Since then, Bangladesh has pursued an export-oriented policy, in which jute has been the dominant export product. Textiles have become a key export as a result of the establishment of export zones with various tax incentives for foreign companies and because of the benefits of the Multifiber Arrangement, which gives Bangladesh special quotas for textile exports to industrialized nations. As part of the liberalization process, import controls and tariffs have been reduced and import licensing requirements eliminated.

State control of the economy, which had been tight in the past, has been relaxed. The banking sector remains largely under state control. Reforming this sector must be a top priority since the banks are currently suffering from corruption, non-performing loans, overstaffing, and partisan influence. Since the 1980s, the number of foreign banks has risen, but they are located almost exclusively in the cities. The Grameen Bank and local savings societies play an important role in rural areas and often enjoy better loan repayment rates than the state-run banks.

### **3.2.3 Stability of currency and prices**

The official rate of inflation was reported at 1.6 % for fiscal year 2001. This represents a significant improvement over 2000 when inflation was still at 3.4 %. The budget deficit was 6.1 % of GDP in 2001. The country's dependence on the international donor community has cemented the necessity for a state stabilization policy.

### **3.2.4 Private property**

The right to own property is safeguarded. However, problems arise in the rural areas, where corruption makes it difficult for peasants to assert their property rights. The privatization of state companies is progressing slowly. The close ties between the political parties and the unions are delaying necessary reforms.

### **3.2.5 Welfare regime**

State welfare systems are virtually non-existent. For the most part, providing support in the case of illness, unemployment, and old age falls to the family. The chronically poor state of public finances makes it impossible to set up social welfare systems. To date, numerous programs have been launched to fight poverty without far-reaching success.

Although two women currently dominate the political system, equality of opportunity is still far off for the majority of women in Bangladesh. Still, various reforms have improved women's representation in the political process. In 1997, administrative reforms gave women a quota of three seats in every Union Parishad, the lowest elected tier of local government. In 1998, the AL adopted the Upazila Parishad Act, granting special representation in these bodies to traditionally disadvantaged groups, including women. In addition, women are guaranteed 10 % of all civil service posts and they can join the army.

### **3.2.6 Strength of the economy**

Between 1997 and 2001, Bangladesh achieved steady annual GDP growth of between 5 % and 6 %. Tax revenues increased from 8.5 % of GDP in 2000 to 9.6 % of GDP in 2001. The debt service ratio rose from 5.9 % in 1998–99 to 7.5 % in 2001. The official unemployment rate for 2000 was 3.7 %. However, this figure gives little indication of the real situation, as it does not account for the high level of underemployment. In addition, the country's economic development remains vulnerable to natural and environmental factors. The lack of a needed monsoon or harmful floods like those of 1998 can jeopardize success.

### 3.2.7 Sustainability

In the face of widespread poverty, environmental concerns play a subordinate role. The government is trying to control settlement of the coastal regions in an effort to improve flood protection in those areas. The country's infrastructure is riddled with deficiencies that continue to hamper development. In 1997, the healthcare system received 7.5 % of government spending. However, the availability of healthcare remains insufficient, particularly in rural areas. In 1997, 16 % of government spending went toward education, and the UN education index improved to 0.40 by 2000. Yet, the illiteracy rate remains high. In 2001, it was reported that 47.1 % of men and 69.5 % of women were still illiterate. Despite the advance from the 1997 figures of 49.5 and 72.2 %, respectively, this rate of improvement is not enough to make sustainable development possible.

## 4. Trend

(1) *Democracy*: In areas such as public safety and the state's monopoly on the use of force, problems increased during the period under study. In contrast, positive developments included the elections of 2001 and another smooth transfer of power to the opposition. Nevertheless, pervasive political violence continues to compromise civil liberties.

The country's constitutional institutions and mechanisms for changes of government can be rated as stable. The participation in civil society remains strong. As religious parties have participated in the government since 2001, the activities of orthodox Islamic groups have increased. The level of democratic consolidation has remained essentially unchanged.

(2) *Market economy*: The most important development indicators continue to show only satisfactory progress.

**Table: Development of socioeconomic indicators of modernization**

	HDI	GDI	GDP index	Gini index	UN education index	Political representation of women	GDP per capita (\$, PPP)
1998	0.461	0.441	0.44	28.3 (1992)	0.39	9.1	137.7
2000	0.478	0.468	0.46	33.6 (1995-1996)	0.40	9.1	209.9

Sources: Federal Foreign Office of Germany: Economic Data for Bangladesh; CIA Factbook 2002: Bangladesh; German Office for Foreign Trade (Bfai): Economic Data for Bangladesh; World Bank: World Development Report 1999/2000:

Overall economic development improved considerably during the period under study. GDP growth between 1998 and 2001 was consistently between 5 % and 6 %. This steady growth is remarkable, as the devastating floods of 1998 are estimated to have caused damage equaling 6 % of the country's GDP. However, the institutional framework has not improved much. Economic policy shortcomings remain and the political process and the rivalry between the two major parties have slowed reforms. The HDI indicates that the country's overall level of development improved slightly during the period under study.

**Table: Development of Macroeconomic Fundamentals (1998-2002)**

	1998	1999	2000	2001	2002*
GDP growth, in %	5.0 %	5.4 %	6.0 %	5.6 %	-
Export growth, in %	+6.6 % (1998-99)	+5.0 % (1999-00)	+11.9 (2000-01)		12.4 %
Import growth, in %	+1.9 % (1998-99)	+9.4 % (1999-00)	+12.1 (2000-01)		11.2 %
Inflation, in %	3.1 % (1997)		1.9 %	1.6 %	1.8 %
Unemployment, in %	2.5 % (1996)		3.7 % (official estimate)		
Budget deficit, in % of GDP				6.2% (2000-01)	7.8 % (2001-02)
Current account balance, in billions of \$	-849 (1998-99)	-417 (1999-00)	-1.116 (2000-01)		

\* Estimates

Sources: Federal Foreign Office of Germany: Economic Data for Bangladesh; CIA Factbook 2002: Bangladesh; German Office for Foreign Trade (Bfai): Economic Data for Bangladesh; World Bank: World Development Report 1999/2000.

## 5. Transformation management

### 5.1 Level of difficulty

There are still great obstacles to political and economic transformation. With a per capita GDP (at PPP) of around \$210, Bangladesh is still one of the world's poorest countries. Despite some advances in education, the UN education index is still well below 0.59. One positive factor is the low level of ethnic fragmentation. Bangladesh's population is very homogeneous with respect to language and religion, and minority conflicts such as those in the CHT have been settled successfully.

Another positive factor is the result of the activities by civic groups to improve the situation of disadvantaged groups and women, particularly in rural areas. They have helped create sources of income through a series of development projects and savings societies. The installation of the NCG has also helped to improve institutional stability. The fact that veto groups such as the military now have less influence should also help promote democratic consolidation.

However, these positive developments continue to be overshadowed by factors that inhibit development. Foremost among these factors is the severe political polarization, which is primarily a result of the personal rivalry between the two leading politicians. The associated politicization of the economy and public life, and the ensuing exploitation for political interests, only serves to hamper economic development and discourage an awareness of the rule of law with respect to criminal activity. Pervasive corruption is a second major problem.

The considerable inflow of external capital has given rise to new structures of patronage and corruption, which have sparked a discussion about possibly curbing foreign development assistance and focusing on fortifying the country's own efforts. Politicization and corruption inevitably lead to a third problem, namely that the rule of law is undermined, which makes it impossible to protect constitutional rights. Politically motivated strikes and walkouts not only jeopardize economic development, they also harm the investment climate for foreign companies. The economy's vulnerability to weather conditions, whether to drought or devastating floods, creates an additional natural hurdle in the development process.

## **5.2 Reliable pursuit of goals**

There is a general agreement among the political actors that the process of economic and political reform should be continued. Since the introduction of market-based economic reforms, Bangladesh has accomplished a number of goals. For example, it is now almost entirely self-sufficient in grain production. Yet there are numerous obstacles preventing the country's high growth rates from bringing about long-term improvements in living conditions. In addition, long-term goals are repeatedly sacrificed for short-term political calculation. Liberalizing reforms that have been announced by the government can only be carried out sporadically and without consistency due to the resistance put up by the opposition, bureaucratic red tape, or the unions. Corruption and the high incidence of politically motivated violence limit the reliability of expectations placed in the actors.

External pressure from the international donor community maintains the country's reliability in achieving goals. The high level of dependence on foreign aid has sparked a discussion in Bangladesh about the benefits of development aid and

about the extent to which national institutions, such as the parliament, or international donor organizations should determine political priorities.

### **5.3 Effective use of resources**

Overstaffed state-owned enterprises, high costs of politically motivated strikes and walkouts, insufficient promotion of health and education, and widespread corruption make the effective use of resources impossible. The availability of public services is insufficient. For the most part, public services are available only in the cities and with questionable reliability.

Given that the economic reform will bring new loopholes for patronage and rent-seeking opportunities, the big parties will stay the course of liberalization. However, it is not clear how internal problems such as corruption and increasing violence can be checked. Although there is public debate about the deplorable state of affairs, concrete reform efforts too often get caught between the millstones of partisan politics.

Advances were made in decentralization during the period under study. The Upazila Parishad Act of 1998 not only granted these administrative units more independence; it also ensured direct representation of disadvantaged groups such as workers, peasants, and women in the corresponding bodies.

The question of cultural identity remains a contentious issue in the domestic debate between the AL and the BNP. Underlying the question of Bengali or Bangladeshi identity are the fundamental questions of what role religion should play within the state and what shape relations with India should take.

### **5.4 Governance capability**

Organizational and learning capabilities of the government and the opposition are limited. The deficiencies in the different areas of development have been well known for some time, but the governments in power have yet to make significant improvements. Bureaucratic and union resistance to economic liberalization can only be overcome very slowly.

The process of political transformation is shaped by a severe political polarization of thought and action. The situation is exacerbated by the deep animosity between the two major party leaders. Control of government power ensures influence over not only political structures but also considerable rent income.

## **5.5 Consensus-building**

Despite severe political polarization, there is fundamental agreement among the key actors that the process of democratic and economic reform should continue. Bangladesh's high dependency on outside aid also helps to keep the country's key actors mindful of this agreement.

The various governments have mostly just exacerbated existing conflicts, for example, through politically motivated crackdowns on corruption. The unfortunate consequence of this has been both of the big parties resorting to violence and disregard for the parliament when in opposition. The military has shown no more political ambitions during the period under study. One can only hope that this means the civil forces have finally gained control over the armed forces.

The process of coming to terms with the past, such as the behavior of politicians during the civil war in 1971 or the murder of Mujibur Rahman and his family in 1975, remains an important domestic issue. In 1998, Mujib's alleged assassins were convicted, but a final sentence has not yet been passed. Neither an independent review nor a national process of reconciliation has begun.

## **5.6 International cooperation**

The positive achievements in economic reform would hardly have been possible without the increased cooperation with external development organizations such as the World Bank, Asian Development Bank, and development aid organizations from industrialized nations. Insufficient resources, natural disasters like the floods of 1998, and political fragmentation have limited the effectiveness of external reform efforts.

Bangladesh's relations with its biggest neighbor, India, saw comparable improvements during the period under study. The agreement on regulating the waters of the Ganges, which was signed in December of 1996, ended a dispute between the two countries that had gone on for decades. Problems persist, however, as the demarcation of borders between the two countries has still not been completely settled, and illegal migration of Bangladeshis into India continues. The discovery of natural gas in the Bay of Bengal and subsequent exploration by American companies has sparked domestic debate. The new BNP favors exporting the gas to India whereas the AL advocates keeping the resources in the country. After the change of governments in 2001, Bangladesh's relations with India have become strained once again. The new BNP government has intensified relations with the People's Republic of China, and India has announced it will send illegal immigrants back to Bangladesh.

Bangladesh played a leading role in the formation of the South Asian Association for Regional Cooperation (SAARC) in the early 1980s. However, tensions between India and Pakistan have so far prevented any considerable economic momentum from developing for the countries of the region.

## **6. Overall evaluation**

The baseline conditions, current status and evolution, and management of affairs by the actors paint an imperfect picture for Bangladesh.

*(1) Baseline conditions:* Bangladesh's baseline conditions remain problematic. During the period under study, little has changed with regard to the country's shortcomings in areas such as the legal system, infrastructure, healthcare, and education. Yet, one must also take into account the setbacks caused by the 1998 floods. The stark polarization of the political process remained unchanged. The installation of the NCG has proved very beneficial in ensuring smooth changes of government.

Certainly less beneficial to the political process is the high incidence of political violence. The new government's attempts to improve law and order in the country have once again primarily been aimed at political opponents since the 2001 elections. It remains to be seen whether and to what extent the opposition will fulfill its role in parliament by way of official channels or once again take its protest to the streets and call for a general strike and walkouts, resulting in paralyzed political and economic life.

*(2) Current status and evolution:* The conditions for democratic transformation have worsened during the period under study, as a result of increased violence and the influence of money on politics, which has become the source of increasing public discontent. Only the 2001 elections and the smooth change of government can be rated as positive. The institutional and material efficiencies of the governmental system still leave much to be resolved, such as the insufficient rule of law, particularly in the country's rural areas.

The transition toward a market economy looks brighter. The country was able to overcome the damage caused by the 1998 flood and is largely self-sufficient in its grain requirements. However, political resistance to more extensive privatization clouds the overall judgment.

*(3) Management:* The actors' management of affairs has been insufficient. As the big parties are entangled in their power struggle, urgent development issues are being pushed into the background. Neither the government nor the opposition seems to understand the time limitation placed on the exercise of power in a democracy. In light of this, it is surprising that orthodox Islamic groups are not more popular.

## **7. Outlook**

Bangladesh still faces considerable obstacles to continuing its process of political and economic reform. In light of the baseline conditions, the establishment of democracy can be viewed as a success in itself, but the democracy must also prove its ability to perform if it is to earn long-term credibility among the country's citizens.

Deficiencies still exist at all levels. Too often, constitutional rights such as human rights and the rule of law are nothing more than paper tigers without a reasonably efficient administration and police force to give them teeth. The proliferation of small firearms has reached alarming proportions and is jeopardizing the state's monopoly on the use of force.

The most serious problem is political polarization. As long as the two current party leaders shape the country's political life, there seems to be little hope of rapprochement between the two parties. Thus, there will also be no parliamentary checks and balances from the opposition, which can do long-term damage to the population's regard for democracy.

The key task for making reform progress will be to overcome the political polarization through well-ordered political processes. In addition, corruption and increasing political violence must be combated by effective and politically neutral institutions. As long as the political process is shaped by the personal rivalry between the two leading politicians, reform efforts will be thwarted.