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Bengal Rising: Why Bangladesh & Pakistan's Growth Trajectories Are Diverging

Sartaj Javed
Western University, sjaved22@uwo.ca

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Bengal Rising: Why Bangladesh & Pakistan's Growth Trajectories Are Diverging

50 years after Henry Kissinger derided the nascent state of Bangladesh as an economic basket case, the country has emerged as the newest claimant to the mantle of being an Asian tiger economy. Borne out of a genocidal civil war with Pakistan, Bangladesh's rise and Pakistan's decline over a tumultuous half-century period necessitates a review of foreign policy orthodoxy as South Asia's populace starts to assert its economic and political might.

In 1971, on the eve of Bangladesh's independence from Pakistan, the countries could not be more starkly different. Pakistan, with a population of 58 million people, did not face the same agricultural insecurities as Bangladesh which had to feed over 65 million people after civil war and cyclones wrecked havoc on farming. With a per capita GDP of \$180 US in contrast to Bangladesh's \$120 US, Pakistan was much more industrialized. Furthermore, as a strategic cornerstone of American Cold War containment of Afghanistan and India, Pakistan also enjoyed the fruits of US security and development aid. In the 1960s, prospects were so bright that South Korea, once one of the poorest nations in Asia, sent its bureaucrats to Karachi and Islamabad to learn from Pakistani civil servants on economic governance. With Pakistan pitted to be the next Asian power in the 1960s, the nation's contemporary turmoil and economic stasis stands in stark contrast to Bangladesh's rosy aspirations.

The divergent paths of the two nations can be explained by key governance issues on economic development and democratization. Firstly, Bangladesh's landmark achievement was controlling population growth through family planning and developing a manufacturing-oriented development plan with a strong emphasis on civic engagement and gender equality. Whereas Bangladesh now boasts a manageable population growth rate of one percent per annum, Pakistan's unbridled growth stands at over two percent. With a current population of 220 million, UN forecasts suggest over 400 million Pakistanis by 2050.¹ With no government policy steering fertility, Pakistan is teeming on the edge of a demographic crisis. Secondly, Bangladesh has emerged as a leader in enabling NGOs to operate without state intervention. Widely lauded organization like BRAC alongside domestic partners such as Grameen Bank have pioneered strategies such as microloans which primarily focus on female entrepreneurs. These efforts have culminated in celebrated metrics such as a greater life expectancy, economic equality, median incomes, female employment rate, infant mortality, maternal health outcomes and poverty rates in comparison to Pakistan and even India.

The most striking marker of the disparate records of both nations is their economic record. Bangladesh has fostered a nascent but seemingly inexorable garments manufacturing industry staffed primarily by women, paving the way for booming exports, robust forex reserves and a jump into the economic ladder as the country is well-poised to attract FDI to escalate into manufacturing capabilities. Pakistan has diverged instead by veering from crisis to crisis. Without any manufacturing base, the country experiences occasional growth spurts from external security aid, a subsequent rise in consumer spending and the alarming rise in imports it entails. With a burgeoning current account deficit, Pakistan was recently forced to accept an IMF-sponsored bailout for the 22nd time. As soon as reforms are

¹ <https://www.thenews.com.pk/latest/486498-pakistans-population-to-reach-403-million-by-2050>

implemented and growth prospects begin to brighten, the economic cycle is repeated without any sustained structural change to the economy, dooming the country to perpetual insecurity. With a confluence of failed economic policies and agricultural strains caused by climate change, Pakistan is increasingly becoming a looming security headache for the region.

Political Forecast

As Bangladesh surpasses Pakistan and even challenges India, policymakers must review their understanding of South Asia to develop a more nuanced economic agenda.^{2,3} With South Asia becoming an increasingly critical element of global trade and foreign policy, a more nuanced approach is needed. Whereas in the past the US and its allies have been complacent in overlooking human rights and liberal values in a bid to preserve regional influence. A comprehensive and holistic foreign policy would require lowering security aid for Pakistan while enforcing democratic governance and encouraging sustained economic reform for both nations. By extending most-favoured-nation status and waiving export tariffs for both countries, the US and its allies have the potential to encourage economic and political autonomy without both nations falling into China's sphere of influence. Unlike the US and its partner's China is well aware of the potential for both nations. To secure liberal democratic values and prosperity, diplomatic engagement must transcend the security nexus to warm bilateral trade ties.

² <https://foreignpolicy.com/2020/10/20/india-falls-behind-bangladesh-gdp/>

³ <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

Sartaj Javed, BA Political Science '21
University of Western Ontario