The Transient “Miracles”*

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A Good deal of analysis of the recent political upheaval in Bangladesh has focussed on the high-handedness and authoritarianism of Sheikh Hasina’s government; it has either missed altogether, or generally underplayed, the change that has occurred in the economic situation in that country. A country that was being hailed as an economic “miracle” just a few months ago is now mired in an economic crisis that has suddenly worsened the living conditions of vast numbers of people. It is this worsening which underlay the remarkable rise in the unpopularity of the Sheikh Hasina government. The government was held responsible for it and the pent-up anger against it found expression in street protests.

Right until 2021 Bangladesh was considered a success story of export-led growth within a neoliberal setting. Around 80 per cent of its exports consisted of garments, and the growth in its garment exports was so rapid that it was even suggested that within a very short time Bangladesh would be meeting as much as 10 per cent of the world’s garment demand. Bretton Woods institutions were applauding Bangladesh for having lifted “millions out of poverty”; and even as late as April 2, 2024, a World Bank report was forecasting that the GDP growth of Bangladesh in the fiscal year 2024-25 would be 5.6 per cent, which by any criterion is a respectable figure.

The deterioration in Bangladesh’s economic fortune occurred when garment exports were hit by the pandemic; this was supposed to be temporary (whence the World Bank’s optimistic forecast for 2024-25), but has turned out to be more enduring, which is hardly surprising given the persistent stagnation in the world economy. At the same time the remittances by overseas Bangladeshis, another major source of foreign exchange for that country, also took a hit, undoubtedly for the same reason. And since Bangladesh relies on imported fuel, including for generating electricity, the rise in imported fuel prices after the start of the Russo-Ukraine war, has contributed to a serious foreign exchange shortage, given rise to prolonged power cuts, and also caused a rise in the price of power that has had a cost-push effect on the economy as a whole.

Two other factors have contributed to the acceleration in inflation which in August reached 9.52 per cent, the highest in a decade, but still considered by many to be an underestimate: the first is a depreciation in the exchange rate vis-à-vis the dollar, which is a product of both the strengthening of the dollar because of the interest rate increase in the US as part of its anti-inflationary package of measures, and of the foreign exchange problems faced by Bangladesh on its own account. The second is the growing fiscal squeeze that the government is compelled to enforce within a neoliberal setting because of the slowing down of the economy; this rules out any attempt to insulate the people from the effects of inflation, for all such attempts require an increase in the subsidy bill.

If the slowing down of the growth of exports and remittances, along with its multiplier effects, is responsible for the growing unemployment that currently afflicts Bangladesh, the cost-push effect of the rise in the world price of oil and the depreciation of the exchange rate, is responsible for the acceleration in inflation it is simultaneously facing. A rise in the minimum wage, as a means of compensating workers in the face of inflation, is also out of the question within the neoliberal setting, for that would make holding on to its existing export markets even more difficult. And if such a rise in minimum wage is accompanied by a further exchange rate depreciation in order to prevent this rise from adversely affecting exports, then that would only further compound the problem, by further raising imported prices of fuel and causing a further across-the-board inflationary push.

In the midst of all this Bangladesh approached the IMF and other international lenders for loans, but the loans it secured made the balance of payments even more precarious by adding the burden of debt servicing; and even the limited amount of manoeuvrability that the government had was lost because of the IMF's monitoring its policies. Besides, the imposition of "austerity" by the IMF made the unemployment situation even more acute.

Even those who recognise the importance of the economic crisis in undermining Sheikh Hasina's regime and in creating the conditions for political change, attribute this worsening economic scenario largely to the rampant "cronyism" exhibited by her regime. Likewise, the opposition to the policy of job "reservations" for the descendants of freedom-fighters is typically interpreted as hostility to the regime's "cronyism". But this entire line of reasoning evades the real problem. The opposition to "reservations" became so pronounced because of the magnitude of the unemployment crisis in Bangladesh; and the crisis of the economy was rooted in the very strategy of export-led growth within a neoliberal setting. In short, it is not "cronyism" per se but the strategy itself that lies at the root of the economic crisis.

Even when this strategy yields dramatically successful results for some time, any slowing down of the world economy that affects the export performance, or any other adverse development on the external front, pushes the economy into a crisis that reverses much of the achievements of the period of its success. In fact the two outstanding lessons to be learned from the Bangladesh development are: first, the suddenness with which a third world country can go from being "successful" to being a "failure"; and second, the bunching of difficulties, or the fact that difficulties initially faced by the country on any one front can bring forth difficulties on several other fronts.

Some would say that Bangladesh's problem lay in its putting all its eggs in one basket, in the fact that it relied almost exclusively on garment exports alone, instead of having a diversified set of exports; others would suggest that Bangladesh should have used its success in garment exports to diversify its economy by developing a whole range of industries that cater to the home market. These criticisms however miss the point: in a neoliberal economy the State lacks the capacity to intervene; it cannot promote domestic industrialisation without some degree of protection of the home market, but any such protection is frowned upon by international capital whose support is required for making exports a success. Likewise, which particular exports would succeed in the international market is a matter decided upon by international capital and not the state of the country. Blaming the State therefore for the pitfalls of export-led growth under neoliberalism is entirely unwarranted.

No matter what the intentions of Muhammad Yunus and the students may be, if the Awami League is not allowed to contest the elections that are to be held, then the right-wing parties would emerge as the main beneficiaries of the political upheaval; Bangladesh would be pushed to the right to the delight of imperialism and the domestic corporate oligarchy. This in fact illustrates the new scenario that is unfolding across the world. Because of the world capitalist crisis, many third world countries pursuing neoliberal policies are being pushed into economic stagnation, acute unemployment and burgeoning external debt, which are going to make their prevailing centrist regimes that maintain a degree of autonomy vis-à-vis imperialism, unpopular; but this creates the condition for right-wing regimes supported by imperialism to topple these centrist regimes and come to power. These new regimes would be no less authoritarian than the ones they supplant; but while pursuing neoliberalism and toeing the imperialist line, they would distract the people's attention through religiosity or by "othering" some hapless minority group. This constitutes imperialism's "heads I win, tails you lose" strategy which ensures that the miseries visited upon the people by the crisis of neoliberalism leads not to a transcendence of neoliberalism, but to its consolidation under a right-wing or neo-fascist regime. The incubus of neoliberalism is thus difficult to throw off even when its oppressiveness is palpable.

The transcendence of neoliberalism requires the mobilisation of people around an alternative economic strategy that gives a greater role to the State, focuses on the home market, and on national control over mineral and other natural resources. Bangladesh is not a small country that can be pressurised into pursuing an export-led growth strategy under a neoliberal dispensation; a country of 170 million people cannot be called "small" by any means. To be sure, the pursuit of a home-market-based development strategy is not easy; but, for the third world that is now facing the consequences of the world capitalist crisis, there is no other alternative.

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