Karl Schwab of World Economic Forum (February 9th 2021) praised China’s Xi Jinping’s speech that came at an historic time for the global economy.

For the first time in 200 years, Asia is the world economy’s dominant region, set to account for more than half of global GDP in 2021. As Asia’s – and soon the worlds – largest economy, China has played a decisive role in this development. Given this, he particularly appreciated Xi’s call for continued global cooperation in areas like economic development, trade, and especially climate change”. He praised China’s commitments to the international agreements on trade and climate as crucial. Karl Schwab adds that income and wealth inequality are two of the most problematic realities of our time.

To be sure, the news is not all bad. Globally, income inequality has decreased in recent decades, thanks largely to economic progress in countries like China and India. Though full participation in the global economy has reduced inequality it has not offset the sharp and deeply worrying rise in inequality within countries, including the US and much of Europe, as well as China and India. Schwab however, admits the fundamental difference between Xi Jinping’s authoritarianism with democratic values of other countries where peoples’ voice are heard and makes a difference in the ultimate decision made.

As Arvind Subramanian argues (After Capital A Radical Agenda to Tame Inequality By Arvind Subramanian July/August 2020) giving the example of the USA whose economy faces taxi metered ambulance where profit making is the business of the business it is necessary to raise the voice of dissenters “those who want to raise minimum wages and change antimonopoly laws, or to reform corporate governance and socialize medicine. Referring to French economist Thomas Piketty, who wants to overhaul capitalism beyond the point of recognition by
abolishing permanent private property altogether. Subramanian adds that Picketty’s Capital and Ideology “was premised on the idea that an iron law of capitalism, captured in the expression r > g—meaning that the returns on capital would exceed overall economic growth—has doomed societies to ever-greater degrees of inequality. Essentially, r captures the income made by capitalists, and g, that made by society as a whole; if the expression holds, inequality will rise in favor of the former group.

Piketty raises a fundamental question: Why have all the revolutions and upheavals of history, which were intended to overthrow an unfair social order, ended up changing so little for those at the bottom of the pyramid? Inequality in France on the eve of World War I was much greater than it was before the French Revolution: in Paris, for example, the share of total private property of the top one percent was about ten percentage points greater in 1910 than in 1780. Whatever may have happened to liberté and fraternité, it is clear that égalité ended up serving more as a rousing call to arms than as a realized outcome. Piketty explains this puzzle through historical examples drawn from the aftermath of upheavals in Brazil, France, Haiti, India, the United Kingdom, and the United States. In all those cases, societies were keen to compensate owners of property—land, capital, and slaves—but never the peasants or the slaves themselves…. Why have history’s revolutions ended up changing so little for those at the bottom?”

The impulse Piketty describes stems from the sacralization of property. Those in powers, even if they had gotten there by means of a revolutionary overthrow of the previous political order, feared that if property rights were seriously violated, the economic and social order would collapse. And so the contest between justice and property rights was never really a contest: around the mid-1800s, the British preferred to pay wealthy slaveholders in the Caribbean about five percent of the United Kingdom’s GDP to compensate for the abolition of slavery rather than direct that money to education and public health to improve the circumstances of the poor in the United Kingdom itself…. Interestingly, Piketty’s aversion to private property comes with absolutely no wistfulness about the Soviet or the Chinese communist model. In fact, he attributes the rise of the Reagan-Thatcher revolution in part to the Soviet Union’s economic failure. And for all of China’s economic miracles, its undemocratic, nontransparent, repressive approach is not to his taste, either.

In his Leviathan Thomas Picketty gives credit to India for reducing the disparity in the ratio of lower-caste to upper-caste incomes which is higher in India than the ratio of black people’s incomes to white people’s incomes in the USA and South Africa and India has posted stronger improvements over time, as well. That achievement elicits a positive assessment from Piketty of India’s attempt to redress caste inequality via affirmative action or “reservations”: a euphemism for strict, constitutionally enshrined quotas for certain castes in public-sector jobs, government, and educational institutions. At the country’s independence, such quotas were set at about 22.5 percent for “scheduled castes” (the so-called Untouchables) and “scheduled tribes” (indigenous communities). Over time, they have been extended to different social groups, such as “Other Backward Classes,” and they now reach as high as 60 percent in some sectors.

Among Indians, especially those from upper castes, such reservations have become increasingly controversial as their reach has expanded*. How far can the already disbelieving world continue to bank on Chinese speeches? In the Davos meeting, pointed out by Eli Friedman (Why China Is Capitalist Toward an Anti-Nationalist Anti-Imperialism Eli Friedman July 15, 2020), “China’s rapid evolution
from one of the most economically equal countries in the world to one of the most unequal is suggestive of major structural shifts. China’s membership in the WTO, Friedman adds, the government’s continued insistence that it is in fact a market economy, or Xi Jinping defending globalization in Davos and advocating for the market to play a “decisive role” in resource allocation, as signs that the state is embracing capitalism.

Similarly, one can find widespread cultural expressions that suggest an underlying capitalist orientation, including the valorization of hard work, a crass consumerism, and worship of the unique genius of corporate heroes from Steve Jobs to Jack Ma. It would, however, be a mistake to confound such effects of capitalism with capitalism itself. China, a vast country of 1.3 billion people is heterogeneous with consequent inequality of income despite the surge of rural people rushing towards cities where jobs can be found but at a cost that has to be borne. Change of residence from village to cities deprive those leaving their place where they are originally registered would deprive them of the facilities, they were entitled had they not shifted from the village. One may ask the reason of the exodus of rural people to crowded cities where increasingly technical works are difficult to come by and in any case unfit for the rushing rural people with little or no knowledge of rudimentary technology. Such a situation results not only in increasing income inequality but at the same time demand push increase in the price of commodities.

Could one opt for Thomas Picketty’s revolutionary proposal of “Patek Philippe Custodialism” which contains a proposal of giving certain amount of money to each individual at the age of 25 or there about to start a business thus ensuring his future. Such a proposal even if affordable to developed economies would not be acceptable to a rich country like China or much poorer third world countries either because they do not have the resources or would push up price of consumer goods to an already impoverished people. There is also the possibility of financial repression if people find price of commodities being too high that it would be preferable to keep the money in the bank, many banks are offering advantages to clients.

Bangladesh may be cited as an example, assuming that these people have money to spare. This writer had in the past expressed his opinion that India’s economic and political health are of crucial importance to her neighbors. China as an alternative is not acceptable to India’s neighbors for historical and economic reasons. But for Bangladesh as a Muslim nation other countries-Nepal, Sri Lanka, Maldives and Bhutan have more similarity with India. Branco Milanovic (China’s Inequality Will Lead It to a Stark Choice a New Oligarchy Can Be Restrained Only by the Government That Made It February 11, 2021) considers stark inequality as the Achilles for China. He thinks “China’s inequality looks at first glance like the predictable product of rapid growth and urbanization. But aspects of the country’s distribution of wealth and income are more particular. They rise from the nexus of economic and political power within the Chinese system, and they suggest that the country’s leadership faces a difficult choice as to how, and whether, to restrain the growing power of new elite.”

The level of income inequality in China today is very high. According to the official data China’s Gini coefficient (a measure of inequality that ranges from 0 to 1) is around 0.47. By comparison, that of the United States is around 0.41. Chinese leaders have insisted a number of times that inequality above 0.40 is potentially destabilizing. Milanovic adds: A person with the median urban income in China is in the 70th
global percentile (meaning that he or she is richer than 70 percent of humankind), while a person with the median rural income is in the 52nd global percentile. Differently put, the average urban person in China is as rich as the average person in Hungary, whereas the average rural person in China is as poor as the average person in Vietnam.

One study comparing Chinese and American inequality has shown that 22 percent of Chinese inequality is due to these two “structural” features—inequality among provinces and between urban and rural areas. According to the UN and World Bank indices (2020) the ratio of the average income of the richest 10% to the poorest 10%. and the ratio of the average income of the richest 20% to the poorest 20% and Gini coefficient is:-21.6,10.2, 38.5 and 2016 while that of India are 8.6, 55, 37.8 and 2011. The world’s richest 1% has more than twice as much wealth as 6.9 billion people. Only 4 cents in every dollar of tax revenue comes from taxes on wealth. It is generally reported that in both India and China, income inequality substantially grew after the economic liberalization of the 1980s. In India, the top 10% income share grew from 30% in the 1980s to over 56% in 2019, while in China; the top 10% share grew from 28% in 1980 to 41% in 2019.

In Asia, within-country inequality has been rising significantly since the 1990s. In India, the top 10% income share grew from 30% in the 1980s to over 56% today, following deregulation and liberalization reforms. In contrast, the top 10% share in China grew from 28% to 41% in 2019. The lower rise of inequality in China was associated with stronger growth rates and much faster poverty eradication than in India, showing that more economic growth need not necessarily mean increased inequality.

In such a situation where does Bangladesh go? Due to historical and geographic reasons Bangladesh must remain in Indian orbit. India is already in the top table in the world (G 20 and other organizations). Most importantly India is a democracy while China is not. Till the British left in 1947 most of the South Asian countries, barring Nepal and Afghanistan, were one entity. Even looking at recent history but for Indian assistance Bangladesh war of liberation could not have been achieved so quickly. Despite recent interpretation of few hundred years of Muslim rule of India by a section firmly rooting themselves in the concept of Hindutva’s articulated by Vinayak Damodar Savarkar as foreign rule, Hindutva is the main inspirational theology of the ruling political party. According to Association of Asian Studies “The exploration of the relationship between Hinduism as a religion and Hindutva as a political philosophy has become a virtual academic cottage industry that shows no signs of slowing down. In popular writings on the subject, Hindutva has been variously described as “Hinduism on steroids,” as “Hinduism which resists.”
A preliminary way of understanding the difference between Hinduism and Hindutva would be to recognize that Hinduism is a religion (however defined) while Hindu nationalism, or Hindutva, is a political ideology, whose relation to the religion of Hinduism could be considered analogous to the relationship between Christianity and Christian fundamentalism or Islam and Islamic fundamentalism. There is, however, one key difference. Hinduism is a plural tradition, as compared to Christianity and Islam which possess well defined universal creedal formulations that are largely absent in Hinduism according to most observers. Therefore, Hindu “fundamentalism” is remarkably thin in terms of religious content as compared to Christianity and Islam. What follows is an attempt to analyze the differences between Hinduism and Hindutva by identifying the points that separate or divide them.

It therefore appears that difference in religion alone cannot and should not divide our two countries. Bangladesh shall continue to have friendly relations with China more so because of the benefits expected from China’s Road and Belt Initiative. Bangladesh officially became a partner member of BRI project when the Chinese President visited Bangladesh in 2016 when several deals between the 2 countries were signed. Under the deal, Bangladesh will receive $26 billion for BRI and $14 billion for joint venture project (totaling $40 billion). The big Chinese loan is expected to be invested in power / infrastructure/manufacturing industries.

Geographically, writes Dr Jashimuddin of Bangladesh Bank, Bangladesh holds a strategically important position blessed with the easy access to the Bay of Bengal and the Indian Ocean. Out of 2 maritime and 6 economic corridors under BRI initiative, one will pass through Bangladesh (the corridor that starts at Kunming city in China, passes through Myanmar and then enters the North East part of India. The corridor finally ends up to Kolkata via Bangladesh). To all intents and purposes, Bangladesh can be a suitable connecting corridor between the semi-industrialized ASEAN (Association of South East Asian countries) and the highly populated fast growing Indian sub-continent. Despite considerable Bangladesh-China trade, the amount of foreign trade between Bangladesh and China is about 10 billion dollars. Bangladesh import about 8 billion dollars of goods from China while it exports 2 billion dollar of goods. Bangladesh Balance of Trade Bangladesh recorded a trade deficit of 98.20 BDT Billion in June of 2019. Balance of Trade in Bangladesh averaged -29.24 BDT Billion from 1976 until 2019, reaching an all time high in April of 1977 and a record low of -209.80 BDT Billion in May of 2018.

An Indian critique (Economic Times-July 11 2020) cautions Bangladesh that China’s decision to offer duty free access to Bangladesh is merely a promise on paper as Beijing has very stringent Rules of Origin criteria and lot of concessions remain on paper. This so called “diplomatic victory” by China involving duty free access taking advantage of the pandemic can only push a promising economy into distress and despair. Chinese trade concessions can push Bangladesh into a ‘dual-deficit and debt trap'. China’s decision to offer duty free access to Bangladesh is merely a promise on paper as Beijing has very stringent Rules of Origin criteria and lot of concessions remain on paper. This so called “diplomatic victory” by China involving duty free access taking advantage of the pandemic can only push a promising economy into distress and despair. This could force Dhaka to accept stringent terms and conditions. Beijing’s moves come as BRI projects get delayed ever since Covid outbreak. “While BRI projects may not be shelved, they will most certainly be plagued by delays. China is already facing requests for debt relief. In South Asia, the Maldives has sought to renegotiate its debt to China while Bangladesh has reportedly requested
China to consider deferring payments. In October 2018 then Vice President of the USA in a speech at the Hudson Institute accused China of militarization of South and South East Asia and of practicing “debt diplomacy” in developing countries. Cases of Sri Lanka and Laos need no reiteration.

Bangladesh is India's biggest trade partner in South Asia. Bilateral trade between India and Bangladesh has grown steadily over the last decade. India's exports to Bangladesh in FY 2018-19 stood at $9.21 billion and imports during the same period was at $1.04 billion. Despite occasional problems, particularly in land based connectivity, political desire to cement bilateral relationship overcomes difficulties mentioned above. China will remain as a gargantuan in the area and all South Asian countries will have to deal with it in accordance with their national interests. Relations between China and India does not have to be a zero one sum of the game theory.

In our case relations with India has to remain a mathematical constant if it always assumes the same value independent of how its parameters are varied.

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