

## BNP-Jamaat Government Completes One Year

As the BNP-Jamaat alliance completes one year in the government, it is an appropriate occasion to evaluate its performance. The near-collapse of law and order is the most important issue that is haunting the entire nation. In fact the sense of physical insecurity seems to be the over riding factor in the public's mind. But next to it, in terms of public interest and concern, is the overall situation of the economy. The latest murder of the City Corporation Commissioner by his rivals in the ruling party only highlights the loss of control by the government. Today I propose to look at some key aspects of the economy in order to see how the present government performed in this regard. After all, the state of the economy affects every one regardless of his economic status. Admittedly, the pervasive sense of insecurity can immobilize an economy but issues of economic management and the protection and promotion of the public interest also need to be looked at and evaluated.

First and foremost is the question of GDP growth that is viewed as one of the most important indicators of the condition of an economy. According to various authoritative sources, the current recession has slowed down the economy and in its wake brought down the GDP growth rate. The growth momentum of the second half of the nineties decade when the GDP growth rate averaged over 5.5 per cent has been lost and has come down to 4 per cent in 2001-2002. Both IMF and ADB have made these forecasts. Such a deceleration of the economy reflects primarily the fall in exports, industrial production, investment and stagnation in agriculture.

The picture for investment is decidedly grim. According to the United Nations Conference of Trade and Development (UNCTAD) there has been an alarming fall in the flow of foreign investment. UNCTAD figures of foreign investment flows are given in terms of calendar years. In 1997 the figure was US\$139 m., in 1998 it was \$190 m., in 1999 it was \$178 m. and in the year 2000 it was \$280 m. Unfortunately in 2001 it has come down to only \$78 million. The decrease in Direct Foreign Investment (DFI) compared to the previous year is 78 per cent! According to Bangladesh Bank sources, foreign investment in the 2000-2001 financial year was \$174m. but it fell to only \$65 m. in 2001-2002. The most likely reason for this discouraging development is the deterioration in law and order in the country and the resultant collapse of investor confidence. Domestic investment has fallen and when domestic investors are seen to be holding back, foreign investors generally follow them. The deepening recession has been exacerbated by the closure of 1300 RMG factories. Nearly half a million workers have become unemployed. According to the latest report, frozen fish exports are also facing a crisis. The lackluster performance of the economy is also evident from the large number of apartments that are cannot be sold nor rented. The atmosphere of gloom is all-pervasive.

Foreign assistance has also fallen dramatically. Disbursements of foreign aid, according to daily *Sangbad*, have decreased by 12 per cent. However, the commitment of assistance has decreased by a remarkable 57 per cent. This does not augur well for the economy.

The Finance Minister blows hot and cold at the same time. Coming back from Paris empty handed in April last year, he became very philosophical about the need for self – reliance. He knew that foreign assistance would fall. He knew that unless there was a significant improvement in law and order and unless governance in general improved, the donors are likely to reduce the quantum of assistance. Corruption is a sore point with them. The Danish government has reiterated its strong reservation about further assistance to Bangladesh against the background of actions by the Minister of Shipping. The actual reduction in commitment by as much as 57 per cent is indeed a serious development. Apart from fulmination against the Opposition the government does not seem to have any plan to deal with this problem. Finance Minister Mr. Saifur Rahman went to Washington to the World Bank-IMF joint annual meeting with high hopes but the World Bank president has given little concrete assurances. In fact his assurances are all conditional on good governance especially restoration of law and order. After a pat on the back for closing the Adamjee jute mills and imposing heavy tax burden on the people Mr. Wolfensohn said, “Weak law enforcement in Bangladesh severely undermines personal security, encourages pervasive extortion and stands as a major obstacle to any development activities.” I am not surprised that the World Bank president has singled out extortion as a major threat to economic development. The picture of extortion is indeed frightening. While reading the story on the sensational murder of Ward Commissioner Raju on 1<sup>st</sup> October in the “*Prothom-alo*”, one notes that: (1) both Commissioner Raju and his alleged killers are local BNP leaders and activists; (2) both groups were engaged in extortion in the Mohammadpur area, and (3) the murder resulted from a turf-battle between the BNP leaders. According to the ‘*Prothom-alo*’ “several local businessmen said that they paid protection money to Ward Commissioner Raju regularly. Paying money to Mr. Raju was not bad for them because other BNP gangs did not dare demand money from them. This incident and such remarks illustrate the dreadful picture of extortion. Businessmen seem to have become resigned to their fate. All over the country BNP, Chatra Dal and Juba Dal leaders go round the shops and even private homes with arms in hand to collect their protection money. Failure to pay would lead to horrible death, often hacking the unfortunate person to pieces. The idea is to make sure that others would take note of the consequence of refusal to pay. Terrorism and extortion by the ruling alliance seems to have become a matter of right for the BNP-Jamaat alliance leaders and activists. Under the circumstance the World Bank president has correctly diagnosed the disease that Bangladesh is suffering from under BNP-Jamaat rule.

Exports are falling. The plight of the RMG sector reflects the sad story of our exports. In 1995-96 the total figure of exports was US\$ 3884 m. In 2000-2001 the figure rose to US\$ 6477 m. The latest figure is not available but I am told, the government has cleverly scaled down the target to a figure well below \$6 billion in order to cover up its failure. The loss of growth momentum in the industrial sector is both because of the poor performance of the export sector and the dreadful situation of law and order in the country. In agriculture one finds a strange sort of stagnation. During the previous government’s term of office, annual food grains production rose from less than 20 million metric ton to almost 27 million metric tons. The country had achieved self-sufficiency in food. What has happened in one years’ time to change the picture so radically? Where

there was no food shortages in the country even during the great flood of 1998 when at least two thirds of the country was under water for almost three months, today some districts are already in the grip of hunger and food shortage. For five years food prices remained low and stable. In fact in most parts of the country the price of coarse rice was 10 or at most 11 Taka per Kg. Today one cannot buy coarse rice even in the rural areas for less than 14-15 Taka per Kg. For the poor - especially the large numbers of landless agricultural labour and fixed income earners this is indeed bad news. Edible oils such as soyabean oil used to sell last year for Taka 32 to 35 per litre but today the price is close to 50 Taka or more. In fact there has been a rapid rise in prices of most essential items of daily life between June and September. Finance Minister's first budget seems to worked like magic to push up prices beyond the reach of the poor people of the country.

The fall in the production of food grains has a direct bearing on the foreign exchange reserves. While there has been some improvement in the reserve position, mainly due to increase in remittance and decrease in imports, the need for food import in the months ahead might put new pressure on the reserves. The signs are not good. In the last financial year food import increased by 15 per cent. According to daily *Sangbad* of 4 October, on the basis of opening of new LCs, there has been an increase in food imports by 40 per cent. In July this year LCs worth \$49m was opened for food import whereas in July last year the corresponding figure was only \$10m. Agriculture Ministry sources said that the standing Aman crop situation is not encouraging. Food stocks have gone down recently causing some concern about the overall food situation in the country.

Finance Minister Saifur Rahman is taking a lot of credit for the increase in reserves, without acknowledging that much of the improvement actually it reflects a stagnant economy in which import demand has fallen. Imports actually decreased by 9 percent in value in the last financial year. Remittance has increased in the last financial year by 33 percent. This was mainly due to the threat of war in Iraq and the nervousness among the expatriates about the possible unstable situation in the Middle East. They are promptly sending their earnings home in order to avoid losing their money in the likely turmoil following an attack on Iraq. The latest trend in remittances is not encouraging. However, one would have been pleased with the reserve situation if the increase resulted from an increase in exports and increased disbursement of foreign aid. In a stagnant or declining economy, import demand falls away due to lower investment and decreased consumption. The satisfaction of some observers about the reserves level is therefore based on a misunderstanding of the real picture of the economy. Barring a precipitous decline in exports due to the onset of war, reserves will rise as the economy weakens. A higher level of reserves is to welcomed – but when it is at the cost of higher unemployment and substantially lower growth, the human costs of such a policy must be recognized.

Financial conditions remain a cause for concern. Credit flows are increasing especially to the government sector giving ominous signals about likely increase in the rate of inflation. Idle money with the banking system is increasing. Up to June this year idle funds with the banks stood at Taka six thousand five hundred crores but in August the amount has increased to Taka seven thousand 236 crores. The poor investment climate is

the principal reason for this unhappy situation. The decreased import of capital machineries and raw material for industries clearly indicates the deepening stagnation.

The ultimate test of the performance of an economy is its impact on the life of the people. Unfortunately, the impact on the common people's life is disastrous. Prices of rice, lentils, oil, salt, spices, vegetables, fish and meat have all increased with out any corresponding increase in income. The price of utilities such as electricity, gas, water has increased putting additional pressure on them. Besides, the last budget put greater tax burdens on the middle and lower income earners. Indeed it is a grim picture for the ordinary citizens of the country who are groaning under the combined burden of higher taxes, higher prices and shrinking income. Wherever one goes one hears of cries of regret from those who supported an alliance that has proved itself the biggest patron of terrorism, extortion and lawless repression. To this is now added the recognition that BNP-Jamaat mismanagement has ushered in a new era of economic hardship and uncertainty for the vast majority of the people of this country.