


# Bangladesh caught in the crosscurrents of Middle East posturing

A CLOSER LOOK



TASNEEM TAYEB

TENSIONS that saw a renewed escalation in the Middle East after the US unilaterally withdrew from the Iran Nuclear Deal in 2018, on grounds that can be at best termed flimsy and unconvincing, are only intensifying by the day.

With the deal in effect, economic sanctions on Iran had been eased. It offered a chance for peace to prevail in the Middle East—peace that could usher in a new era of prosperity: stable oil prices, safe sea-trade passage through the Strait of Hormuz and Gulf of Oman, and for Asia and some African countries especially, better opportunity to export manpower to the lucrative Middle East job market. It was a win-win for everyone. Countries like Bangladesh, which has strong economic ties with the Middle East, heaved a sigh of relief.

And then Donald Trump happened.

What followed was a spate of attacks on trading vessels in the Strait of Hormuz (which the US blamed Iran for without any proof); capture of Iranian oil tanker and a British flagged carrier; the Aramco attack by Houthi rebels (for which Iran was again blamed by the US without any evidence); attacks on US embassies in Iraq; assassination of Iran’s Quds Force leader Qassem Soleimani by the US; Iranian retaliation through shelling of US bases in Iraq; the tragic shooting down of a Ukrainian jetliner in Iranian skies by its army, leading to the tragic loss of 176 lives; and Iran, finally, completely pulling out of its commitments to the nuclear deal.

The Middle East tinderbox has been lit—again.

And the rippling effects of these are being felt in the far reaches of the world—rising oil prices affecting international trade; sea routes in the Gulf of Oman and Strait of Hormuz turning perilous; unrest, violence and bloodshed in the Middle Eastern countries affecting job markets. And countries like



Smoke is seen following a fire at an Aramco factory in Abqaiq, Saudi Arabia, on September 14, 2019.

FILE PHOTO: REUTERS/STRINGER

Bangladesh, heavily vested in the Middle East for import, export and remittance earnings, are bracing themselves for the possible future scenarios.

First of all, a significant volume of Bangladesh’s oil imports come from the Middle East. According to Bangladesh Petroleum Corporation (BPC), the country imports around 7 lakh tonnes of crude oil—almost half of its 12-13 lakh tonnes demand—from Saudi Aramco alone, and any fluctuation of oil prices in the Middle East has unavoidable consequences for Bangladesh.

The four-percent increase in crude prices in the wake of Soleimani’s assassination has had its effect on the various verticals of the Bangladesh economy.

According to CNBC, in the aftermath of the Iranian missile attacks on US bases in Iraq, the

prices of Brent crude shot to USD 71.75 per barrel—its highest value since September 2019 when the Saudi Aramco was attacked, shooting oil prices up. This directly led to a 20 percent hike in retail prices of liquefied petroleum gas in Bangladesh. And when prices of energy increase, its effects are felt in every aspect of an economy, from inflation to BoP imbalance—thanks to increased trading expenses.

The escalating tension in the Middle East can also easily trigger Bangladesh’s migraine for another reason: the prospect of its expat workers in that region. Six million of the country’s working population is employed in the Middle East—many of them in Iran—and they contribute significantly to the economic growth of Bangladesh. According to a local news portal, in 2018 remittance sent by the non-resident Bangladeshis accounted for 12

percent of the country’s GDP.

The Daily Star reported earlier this month that the expatriates remitted USD 18 billion in 2018. According to the same report, remittance contribution from the workers in the Middle East makes up for 60 percent of the total workers’ remittance.

Given the statistics, it is only natural for Bangladesh to be afraid of the ongoing situation in the Middle East. In the event of continued unrest in the region, Bangladesh faces a challenge to ensure the safety of its mammoth migrant workforce scattered all over the region. The effect it will have on Bangladesh’s BoP is going to be detrimental, to say the least. And what are the workers going to do once they are back in Bangladesh—assuming that they will return home safely?

Bangladesh’s exports are also going to

suffer if tensions continue to mount in the Middle East, with losses on multiple fronts. First of all, Bangladesh’s direct exports to the Middle East will be affected if war breaks out, or even if tensions flare further in the region. According to Bangladesh Export Promotion Bureau data, the country exported around USD 373 million worth of goods to Iran, Iraq, Saudi Arabia, Qatar and UAE between July and December in 2019, which is two percent of its total goods export during that period. Any increase in tension will directly affect this number leading to potentially lower export earning for Bangladesh from the region.

Secondly, if shipping expenses go up due to increased insurance costs for vessels, especially those travelling through the Gulf of Oman and the Strait of Hormuz, it will also affect Bangladesh’s cost of exports to other countries. Bangladesh makes USD 34 billion from its exports of RMG to the US, and should the US engage in a new warfare, its imports of RMG from countries like Bangladesh might get affected. And increased shipping costs might affect the volume of Bangladesh’s exports, leaving its footprint in the country’s already stressed trade balance.

Luckily for Bangladesh, tensions in the Middle East seem to be diffusing. While the US Senate is trying to limit Donald Trump’s ability to take military action against Iran, the world powers and regional players, including Qatar and Canada, are also pushing Iran to take a softer approach. And Iran itself has reiterated time and again that it “does not seek escalation or war”, as has been informed by the country’s Ambassador to the United Nations Majid Takht Ravanchi.

Yet, although Bangladesh has significant vested interest in the outcome of the events unfolding in the region, the events themselves are way beyond the sphere of influence of our nation. We can only hope that this de-escalation is not just a brief interlude, and that some sense, any sense, prevails. And soon.

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# The role of spreadsheets in Brexit

AN OPEN DIALOGUE



ABDULLAH SHIBLI

AS the UK prepares to leave the European Union on January 31, there are two important issues still unresolved: the monetary cost of the break-up, and the future of UK’s trade relations with the EU. Surprisingly, Sajid Javid, the British Chancellor of the Exchequer, who is in charge of the finance ministry, has not been shy of voicing his strong reservations about evidence-based policymaking, and has time and again articulated his lack of trust in data and economic forecasts to guide strategic negotiations, and during the national debate on Brexit. One cannot, therefore, doubt that future trade negotiations and talks on various aspects of the mutual regulatory framework are going to be tricky.

A key role in shaping the UK’s post-Brexit policy and strategy will be played by Chancellor Javid, who has been very sceptical of any attempt to narrow down the uncertainty surrounding the economic cost of the break-up, and has in the past shrugged off questions on the national debt and the GDP. Last May, when he was the Home Secretary in Theresa May’s cabinet, he criticised other ministers for their focus on the costs and benefits of Brexit. “We’ve been in office for nine years now, and I’ve noticed a growing perception that we view the country through a lens of spreadsheets and efficiency savings,” he said at the Welsh Conservative Party conference, while he was the Home Secretary.

Javid stands in sharp contrast to his predecessor Philip Hammond who was referred to by his colleagues as “Spreadsheet Phil”, for his adherence to facts and

estimates of the economic impact of Brexit. Hammond was known to be a politician who wanted the facts to come out when the British citizens were weighing the pros and cons of leaving EU. He faced a pushback within his own party from the hard-core Brexiters keen to keep the public focused on only the beneficial effects resulting from the break-up with the EU.

We all remember the case of the former Brexit Minister David Davis who inveighed against economists for their unfavourable econometric forecasts on the impact of Brexit. Davis not only expressed his distrust of the statistics that economists sometimes come up with, but also blamed them for the financial crisis of 2008 and mocked their inability to forecast it.

Incidentally, Javid’s disdain for spreadsheets, an electronic tool that plays an important role in policy discussions involving data on costs, losses and rates of return resulting from policy actions, is not very unusual. It is, in fact, a widespread sentiment not only among British politicians but also in many other countries. Spreadsheets are, in this instance, a proxy for model-based forecasting, data and fact-based decision-making, econometric analysis, and sensitivity analysis that are often used in financial institutions.

Sajid Javid belongs to a coterie of politicians who want the public to believe what they say regardless of whether there is any hard evidence to support it. “Trust in democracy and bringing an end to the

division that has characterised this debate over the past three years, is something that cannot be measured solely through spreadsheets or impact assessments, important though they are,” he wrote in a letter in October in response to a parliamentary committee’s request for an economic analysis of Boris Johnson’s Brexit deal. “Evidence is superfluous to good policy making,” Javid said.

This disregard for data and facts runs through the vein of many politicians on both sides of the Atlantic. In the USA, for example, President Trump dangled the prospect of greater investment to get his 2017 tax cuts passed in Congress. He and the Treasury Department shunned any realistic assessment of the impact of the massive tax cuts which were a bonus mostly for the upper-income classes. A new Congressional Research Service report finds that the 2017 Tax Cuts and Jobs Act had little measurable effect on the overall US economy in 2018. “And, no, the tax cuts didn’t come remotely close to paying for themselves by turbocharging the economy as President Trump repeatedly promised. This was a surprise to few, since most independent analysts predicted more than a year ago that the law would have little economic impact,” wrote Howard Gleckman, Senior Fellow at Tax Policy Center, a think tank at the Brookings Institution in Washington, DC.

Public debate on many important issues in the USA these days is surprisingly devoid of any reference to hard data and evidence. Take the case of immigration policy, where politicians on both sides of the debate do not share critical information with the public. Blaming the immigrants for any economic issue relating to jobs or crimes has been an American pastime for some time and has been quite common recently. President Trump has frequently railed against immigrants for negatively impacting

the economy and national security. He declared in a well-quoted speech, “I want people to come into our country in the largest numbers ever, but they have to come in legally.”

“Working-class Americans are left to pay the price for mass illegal immigration: reduced jobs, lower wages, overburdened schools, hospitals that are so crowded you can’t get in, increased crime, and a depleted social safety net,” Trump said on another occasion. However, immigrants were only 15 percent of the population in 2019 (according to Migration Policy Institute), and more than 75 percent of the immigrants arrived legally. The public perception of immigrants and their role is highly skewed because politicians will just give the thumbs down to facts and truths when they are running for elections.

Three Harvard University economists released a paper last June that looked at immigration in multiple countries and concluded that native-born Americans overestimate the prevalence of immigrants. “These Americans estimated, on average, that legal immigrants made up 36 percent of the US population, more than triple their actual share. They thought that immigrants were less likely to work and more dependent on government aid than immigrants actually are—and these stereotypes made them less supportive of social programs that might aid immigrants.”

“We were surprised by how much of a misperception there was about the level of education, income and contribution to society that immigrants give,” said Alberto Alesina, Nathaniel Ropes Professor of Political Economy at the Department of Economics at Harvard, an economist who co-wrote the paper.

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Pro-EU demonstrators protest outside parliament in Westminster London, Britain, on September 13, 2018.

FILE PHOTO: REUTERS/HENRY NICHOLLS

QUOTABLE Quote



MARINA TSVETAEVA (1892-1941) Russian poet

And soon all of us will sleep under the earth—we who never let each other sleep above it.

CROSSWORD BY THOMAS JOSEPH

ACROSS

1 Wrong

6 Captain’s superior

11 Florida city

12 Rust, for one

13 Characteristic

14 Convoy trucks

15 Maggie and Bart’s sister

17 Termite’s cousin

18 Good at sports

22 Derisive calls

23 Plot

27 Company symbols

29 Ambulance sound

30 Follows as a result

32 Told whoppers

33 Nursery three-some

35 Naughty

DOWN

1 Lawyer: Abbr.

2 Spoil

3 “—Yankee Doodle Dandy”

4 Flows from a container

5 Composer Erik

6 Inlaid artworks

7 Chopping tool

8 Two —

9 Norse god

10 Take a breather

16 Ave. crossers

18 Skilled

19 Animated character

20 Swine

21 Relaxes

24 Lake near Buffalo

25 Come together

26 Finishes

28 Eden tempter

31 Knight’s title

34 Homes for koi

35 Mexican pen-insula

36 Weary word

37 Brake type

40 Dove sound

42 Doctor’s charge

43 Had a snack

44 Spinning toy

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FRIDAY’S ANSWERS

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BEEBLE BAILEY by Mort Walker

BABY BLUES by Kirkman & Scott