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Urgent govt assistance essential for the economy

Urban poor in informal sector also needs help

WITH the coronavirus forcing more shutdowns across the country as well as the world, businesses and the economy, which have already been negatively affected, are bound to be hampered further. We have seen governments in countries around the world, such as the United States and others rallying behind their businesses and coming up with largescale relief packages to support their economies. And that is something that our government must also do.

During her address to the nation on March 25, the prime minister announced a stimulus package of Tk 5,000 crore for the export-oriented industries to fight the adverse impact of coronavirus on the country's economy. We welcome the timely action and hope that it will provide some respite to our businesses and help them pay the wages of their workers on time. The Bangladesh Bank will also ease some restrictions on companies, such as refraining from declaring any customer a loan defaulter till June. The timeframe for realising export earnings has been increased to six months from two months, and the timeframe for meeting import expenses has been increased to six months from four months. Certain assistance from paying utility service related bills will also provide businesses with some breathing space.

The prime minister also announced that low-income people would be provided assistance under the "Return-to-Home" programme and VGD, VGF and rice for Tk 10 per kg programmes would be continued with free medicine and treatment. All of this will certainly help the people suffering heavily during this moment of crisis.

However, we must emphasise the need to ensure that aid is provided to the right people at the right time. Previously, we have seen instances of government aid going to the wrong hands, and we hope no one will try to take advantage of the proposed government schemes for their own benefit, at the expense of ordinary people, who are currently in desperate need of assistance. Should there be a need for further relief packages, we hope the government will not hesitate to provide them, especially to the poorer sections of society and people working in the informal sector such as day labourers and rickshaw pullers, who are surely the most vulnerable under the prevailing circumstances.

Khaleda Zia's release from prison

A welcome move by the government

WE welcome the government's decision to release Khaleda Zia from prison on humanitarian grounds. The government through an executive order released her for six months on conditions that she will stay at her home in the capital and not leave the country. The 74-year-old BNP chief landed in jail on February 8, 2018, after she was sentenced to five years in prison in the Zia Orphanage Trust corruption case. Later, the High Court raised her punishment to 10 years, of which she has served 25 months. Although her health conditions had deteriorated in prison, according to her family members, her party leaders could not get her released through legal fights. So, this is a positive development of the situation especially during the crisis that we are undergoing.

However, we observed with frustration that hundreds of BNP leaders and activists crowded the entrance of the Bangabandhu Sheikh Mujib Medical University to welcome her—they had been there for a long time and were chanting slogans, disregarding the health directives given by the government. Party activists also crowded her residence to meet with her, oblivious of the risk of contracting and spreading the deadly coronavirus. We think the BNP leaders and activists should have restrained themselves from taking part in such risky activities. Having said so, we hope that there will be no barrier now to get her treated for her ailments according to her family's plans.

We particularly commend the government for taking such a decision because the country has been passing through a big crisis due to the Covid-19 outbreak. We hope Khaleda Zia's release would create a positive atmosphere in the country and in our political arena during this gloomy time. We also hope that both the Awami League and the BNP will work together to overcome this national crisis.



MUSTAFIZUR RAHMAN

THE transmission channels through which the emergent global scenario in the wake of the Covid-19 pandemic are impacting the increasingly globalising economy of Bangladesh are diverse: export outflows are getting disrupted; import inflows are facing delays; outmigration has ground to a halt; tourist arrivals are virtually non-existent; business contacts are getting delinked; investment flows are facing growing uncertainties. The early signs of the adverse effects of the Covid-19-induced external developments are already being seen in the Bangladesh economy, at the levels of financial transactions and the real economy, and on business, commerce and consumers at the levels of enterprises, entrepreneurs and workers.

What is deeply worrying is that the virus-inflicted injuries are hurting the economy at a time when the external sector of Bangladesh is under stress on several fronts. Growth of export earnings over the first eight months of FY 2020 has been negative (-4.8 percent growth over the corresponding period of FY 2019). Bangladesh's flagship export sector, the RMG, posted negative growth over the first eight months of FY 2020 (-5.5 percent) compared to the corresponding period of the previous year. Indeed, barring jute and jute goods, all key items of export have experienced negative growth in the first eight months of FY 2020. It is already evident that the ambitious export growth target of 12 percent for FY 2020 will not be achieved, and the actual export earnings this fiscal year will possibly be less than that of FY 2019 (USD 40.5 billion). Growth in import payments has also been in the negative terrain (-2.2 percent growth in the first seven months of FY 2020). Indeed, the performance of the import sector is indicative of an economy experiencing demand depression, with likely adverse impacts on growth performance in FY 2020. Important import sub-components such as intermediate inputs (-2.1 percent) and capital goods (-8.3 percent) including capital machineries (-22.0 percent) have posted negative growth in terms of import payments in the first half of FY 2020, compared to the corresponding period of FY 2019. A welcome relief is that the remittance sector has registered robust growth (+21.5 percent) in the first eight months of FY 2020. However, growth in the number of workers going abroad has slowed down perceptibly (+4.2 percent growth in the first eight months).

The higher remittance flow has helped to reduce the deficit in the current account balance: the figure at the end of December 2019 was (-) USD 1.4 billion, an improvement over the matched figure of a year back which was (-) USD 3.4 billion. Over the first six months of FY 2020, no discernible change, however, was visible with respect to the flow of foreign direct investment (FDI) to Bangladesh: the net FDI figure was (+) USD 1.36 billion in FY 2020 compared to (+) USD 1.32 billion in FY 2019, a growth of a mere 2.6 percent. The cumulative effect of the movement of various components of the balance of payments (BoP) was that the overall BoP position remained rather weak on the eve of Covid-19: (+) USD 27.0 million in December 2019 as against (-) USD 513.0 million a year earlier.

If the identified transmission channels are examined in conjunction with Bangladesh's overseas partner countries, it will become quite evident that Covid-19 will have important implications for

Bangladesh's external sector performance over the coming months of FY 2020, and most likely beyond even. Indeed, some of the repercussions are already becoming increasingly visible. On the export side, Bangladesh's major export destinations are some of the countries hardest hit by Covid-19: USA (accounting for 16.9 percent of Bangladesh's total exports), Germany (15.2 percent), UK (10.2 percent), Spain (6.3 percent). This observation holds true for other export items as well: for raw leather, Hong Kong and China together account for more than half of the export; for leather goods, USA (25.8 percent) and Japan (24.4 percent) are major markets; for jute and jute goods, Turkey is a key market (22.7 percent of export of the item); for exports of fish, China (16.3 percent) and UK (15.3 percent) are the most important destinations.

Already exporters are experiencing delays in the shipment of goods. RMG entrepreneurs are experiencing deferment of orders and delays in delivery as well as disruption in imports of machineries and equipment, primary and secondary inputs and accessories. Major brands are sending cautionary signals regarding possible cancellation of orders in view of the protracted shutdown of borders in

oil-dependent developing countries could expect their oil and gas revenues to be slashed by up to 85 percent.

There is widespread apprehension that the havoc caused by Covid-19 on the global economy could lead to a global recession of the type seen in 2007-2008 in the aftermath of the economic and financial crises. The stock markets and futures markets, which have seen a significant erosion of market values in the recent past, transmit an ominous sign as regards such a possibility. The coronavirus has destroyed USD 23 trillion in global market value since mid-February, according to the Economist. As a matter of fact, the IMF, UNCTAD and the OECD are all projecting significant economic losses in 2020, the decline being to the tune of about 1.6 percent, 1.7 percent and 2.4 percent of global GDP, respectively. The ILO has warned that the pandemic may trigger a global economic crisis which could destroy up to 25 million jobs worldwide if governments fail to take coordinated efforts. As a consequence, there are likely to be demand-side repercussions for Bangladesh's key export markets.

In view of the emergent and anticipated near-term scenario, Bangladesh's external sector will need

The interest rate on lendings from the USD-3.5-billion Export Development Fund may be revisited and lowered. Some quantitative easing may be pursued to inject additional money into the system to enable banks to meet the demand for credit at a time of liquidity crunch in the banking system. The policy rates in place and statutory reserves should be reviewed on a regular basis over the coming months.

Duties at the import stage will need to be monitored on a continuing basis so that availability of import items in the domestic market can be ensured at affordable prices, particularly in case of essential items. The NBR, in the meantime, has already taken the right decision to waive import duty, regulatory duty, supplementary duty, VAT, advanced VAT and advanced income tax on 12 medical items under 17 HS codes; this is to remain in force till June 30, 2020. If the situation demands, other essential items and medical equipment and ingredients should be added to this list.

A targeted rationing system may be introduced in the urban areas, particularly for workers and low-income people. The significant food stock at the disposal of the government (of about 1.7 million tons at present), as also the stock



The RMG sector is experiencing deferment of orders and delays in delivery as well as disruption in imports of machineries and equipment thanks to the disruptive influences of the coronavirus. STAR FILE PHOTO

the EU and North America and the likely slowdown of the economies of importing countries. BGMEA has come up with evidence of this happening already.

While shipment from China is expected to pick up in the coming weeks, exporters and producers whose inventory drawdowns have already reached the limits are facing difficulties in keeping their production process going. Diversifying import sources, away from China, can only be a medium-term solution which, however, has tangible cost implications. China's increasing dominance as an import source of Bangladesh originated in the first place from the competitive price it is able to offer to Bangladeshi importers and enterprises.

Also, it can be noted that some of the countries most affected by the coronavirus are those where many Bangladeshi citizens live and work. The pandemic is likely to have a dampening impact on the robust remittance flows of the past several months. The already lower number of workers going abroad in recent times could fall further. The Middle East, which accounts for about two-thirds of the remittance flows, is having to deal with the dual challenges of the pandemic and the falling oil prices. Projections are that

to be supported through appropriate policies, targeted measures and incentives and, if the situation demands, by putting in place a comprehensive stimulus package.

While fiscal deficit could exceed 5.5 percent of the GDP in the current FY 2020, this should not deter the policymakers from pursuing an expansionary macroeconomic stance, underpinned by higher public expenditure, quantitative easing, fiscal incentives and sector-specific targeted support measures. The Bangladesh Bank has already asked the commercial banks not to change the classification of loans between January and June 30, 2020 even if a business fails to repay its loan. In another positive move, the central bank has started to buy treasury bills and bonds to add to the liquidity in the banking system. In addition to this, the central bank can ask the dealing banks to reduce L/C margins and extend settlement of L/Cs from three months to six months. The government could also take an initiative to create a fund for on-lending to exporters by the commercial banks at a reduced interest rate, preferably at 5 percent. Export-oriented micro and SME enterprises affected by Covid-19 should get priority in accessing this fund.

maintained by the private traders, should provide comfort to the policymakers in this regard. The government could also think of introducing the open market sale (OMS) programme, perhaps at a further reduced price, to cater to the needs of the low-income people.

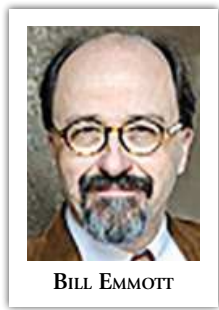
A database of visiting migrant workers, who are not being able to join their workplaces, should be created. These people will need support from the government to tide over these uncertain times.

The upshot of the above discussion is that navigating the Covid-19-impacted evolving scenario will call for a dynamic and prudent macroeconomic management on the part of Bangladesh's policymakers. And the government should be ahead of the curve in dealing with the health issues, meaning it will have to be proactive rather than reactive. While Bangladesh can rightly claim success in view of the sustained economic growth of the past decade, the coming days will test whether the economy has also the capacity to absorb shocks without undermining macroeconomic stability and by sustaining the growth momentum.

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Toward a 2021 Tokyo Olympics



BILL EMMOTT

(parliament) this week that the Tokyo Summer Olympic Games may need to be rescheduled, and ultimately reaching an agreement with the International Olympic Committee (IOC) to postpone the event until 2021. (The IOC had given itself four weeks to decide what to do.)

Until recently, Abe's reluctance to delay the Games was understandable. The 2020 Olympics and Paralympics have long been billed as a chance for Japan to demonstrate to the world how well it has recovered from the devastating earthquake, tsunami, and nuclear meltdown of 2011, and to showcase its diversity and openness to often-sceptical outsiders. To postpone or cancel the Games will be a big—and very costly—disappointment.

But that previous calculus was overturned. The problem was not a lack of preparedness on Japan's part. After closing all schools on March 2, the government is already discussing plans to reopen them for the new academic year starting in April; universities are making similar plans. While there is a heated debate over the wisdom of reopening these facilities, the fact is that the country had only 1,140 confirmed Covid-19 cases and just 42 deaths from the disease as of March 24. Compared to other large, densely populated countries, Japan has been pretty successful in containing the outbreak.

The issue, rather, was that the rest of the world would not have been able to attend, whether as competitors or as spectators. With less than four months to go before the planned opening ceremony on July 24, the pandemic disrupted training and final preparations, as well as the qualification rounds for national teams. Moreover, there was almost no chance that among the thousands of athletes who would have come to Japan to compete, and their support teams, none would be carrying the virus. Add in the visiting spectators and you would have had a recipe for another outbreak.

For all these reasons, the 2020 Olympics were a lost cause. Politically, when something becomes inevitable, accepting it sooner rather than later makes it much easier to command the narrative, and to make it appear as though the decision was not only your idea, but also a good thing in itself. And, in Japan's case, rescheduling the Olympics really is a good thing considering the circumstances. The alternative would have been either to host a stunted, inadequate, poorly attended Games amid a barrage of criticism, or to have a cancellation or postponement forced upon you by others.

The Covid-19 crisis could be Abe's last chance to shore up his legacy. By proposing a postponement before the IOC concluded its deliberations (and before other countries announcing boycotts made the decision for him), he presented himself as both a statesman and a responsible international leader. Delaying what is by definition a global event must be seen as an act of international solidarity. Even if Japan does go ahead and reopen its schools and other institutions, Abe can still say, "We are making a sacrifice so that the world can defeat the pandemic more swiftly."

To be sure, given the rescheduling costs, a 2021 Tokyo Olympic and Paralympic Games might not be as financially beneficial as the 2020 Games promised to be. But that promise is now dead. It is thus in everyone's interest to look to the future. Japan has an opportunity next year to host a spectacular celebration not merely of its own recovery, but of the world's.

By taking the initiative now, Abe—along with Tokyo Governor Yuriko Koike—has set an example for the world, placing Japan at the vanguard of the global recovery from the Covid-19 crisis. Postponing the Games is a gesture of solidarity in the present and offers hope for the future. People around the world can now look forward to a time when they can gather once again in the spirit of athletic competition and the pursuit of human excellence. Not only was delaying the event the right thing to do; it is also in Japan's own interest.

Bill Emmott, a former editor in chief of The Economist, is the author of The Fate of the West.

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LETTERS TO THE EDITOR

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A unique phase of the pandemic

Over the last couple of days, I have noticed that the Letters to the Editor section of this daily was mostly about the coronavirus and how the pandemic is taking a toll on us and what steps need to be taken. While it is surely one of the worst outbreaks in the history of mankind, claiming thousands of lives worldwide already, ironically the contagion seemed to have a rather positive impact on certain things.

For example, the tension in Syria and Libya has eased down for now. Saudis are no longer bombing Yemenis. Iran has temporarily freed thousands of political prisoners. The US has decided to withdraw its troops from Iraq and Afghanistan. Israel has stopped bulldozing Palestine. Terrorists don't seem to be as frightening. Donald Trump does not talk about "walls" or "tariffs". Narendra Modi is no longer busy sharpening his CAA rhetoric. Religious clerics don't claim that Covid-19 is God's punishment for the evil-doers only.

Mankind, for some odd reason, seems to be united like never before as they join hands to fight their common enemy.

Mohammad Kabir, Dhaka