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curtailed, the price increase in Bangladesh is likely to be even higher. Non-food prices will be pushed up due to higher transport costs and increases in the taka prices of imports due to both the depreciation of the taka and the dollar price increases. This suggests that price indexes will grow at 11-14%.

In addition to these economic forces, the present policy of checking the market and looking for hoarders will contribute to higher inflation. At any time there is a minimum of 4-5 million metric tons of rice stored in Bangladesh. This is found in homes, farms, government warehouses, and within the trading system. Rice is moving around all the time in response to market requirements. If there is interference in these movements, then the rice being stored is going to be redistributed in ways that are inefficient, so it will tend to raise the price.

The rice market is very competitive and while there are constant judgments of future prices and the best time to sell or buy, there is no scope for market manipulation. Government interference will cause prices to be higher than they otherwise would have been; while a short term decline may be achieved as rice is sold by traders: someone has to buy it.

Households are unlikely to acquire a great deal more rice unless the price is sharply reduced, but this is not a sustainable policy. Lower prices following such a dumping of rice in the market will in turn be followed by higher prices. Disrupting the rice trading system is not a productive approach. Low domestic prices will discourage production. Waste in storage and movement will increase. Speculation will increase not decrease.

Is the worst over? From the above comments it is clear that, in my opinion, the evidence points to continuing double digit inflation and continuing weak aggregate demand. There will be a return of confidence by the private sector when there is an elected government -- this confidence will rest on the belief that businessmen can do things that perhaps they should not but they will not fear major retribution. But fear will remain and the exuberance about the future that characterised the last three years of the alliance government will not return for some time. All the conferences, reassurances, pleas will not change things very rapidly.

With the weakening world economy, I believe that export prospects are less promising than over the past five years. Now progress in exports will be achieved by raising productivity. But this is time consuming. It will take another two years to see a return to strong aggregate demand from private sector investment and exports. The caretaker government is establishing now the foundation of rapid growth, but it will take more time to achieve a new take off.