Crisis, what Crisis?

The old Chinese proverb has rarely been so true: a crisis is just another name for an opportunity, but only if you know what you're doing.

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By now, any remnants of Obamania seem to have dissipated around Dhaka and we're once again deluged with the old and the bleak: our stocks seem to be down forever, banks seem to be scared stiff to give you a loan, and investors in general seem to be flocking out of the country en masse. So is all the bad news really vindicated? Has the decoupling theory the claim that Bangladesh and the rest of South Asia are really insulated from the troubled world economy just that, a theory with no substantive evidence to back it up? Well, it seems like the doom mongers may be wrong for a change.



First, let's revisit the bad news. Although we haven't faced the full brunt of it, Bangladesh hasn't been immune to the global financial crisis. Our terms of trade (the difference between exports and imports) have been on a serious downward spiral and the authorities have responded by cutting spending on development and bumping up fuel prices (although the latter has since been lowered a bit). The upshot has been bad for the average consumer: significant inflation, stagnating salaries and a sharp surge in the cost of living.

Every crisis, however, has a silver lining. Since the crisis seems to have hit the West most, effective demand (demand backed up by ability to pay) seems to have reached ebb as consumers have lost confidence in their economy. The immediate result is a sluggish growth for commodities and energy. Oil, which was selling at $150 dollars a barrel just a few months back, is half the price now. Commodity prices are also down and this is good news for our agro based economy and the rural sector.

What has really cushioned the blow, however, is plain old-fashioned good stewardship over the economy and a bit of good luck. High remittances from Bangladeshi workers abroad has meant augmented incomes for their families at home, not to mention a salutary effect on the country's balance of payment. Inflation, which had reached double digits right before the last Eid, is now slowing down to pre-crisis figures and low oil prices have served as a boon for our foreign currency reserves. So far, so manageable. But the real threat lies in the withering of the export market, mainly the garments and knitwear sectors which lead the vanguard of the nation's export train, and which depends on North Americans and Europeans replacing their wardrobes every few months. Will the Bangladeshi economy freeze or is there scope for ingenuity and growth?

The answer lies in how much you believe in the adage that one man's crisis is another one's opportunity. A financial crisis can not only be averted but also turned to our advantage. For starters, the crisis gives us perfect opportunity to remobilise our resources through a prudent tax system, something that will not only buffer the economy but offer new channels of growth. An example of this might be to steer exports away from Western markets to breaking new frontiers in the Asian side, or maybe even catering to a burgeoning domestic market. Give local producers a tax break and offer subsidies to firms who want to cater to new markets within Asia, a realm not really affected by the crisis so far. Not only will such a move avert our exporters from suffering significant