

# Task force on global financial crisis: An introspective note

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DEBAPRIYA BHATTACHARYA

It was October 2008. The world was witnessing an apparent liquidity problem in an obscure corner of a highly leveraged and apparently risk-free financial market in the largest economy of the world. But this was increasingly turning into a global solvency and confidence problem beyond any pessimistic prognosis.

At that time, basically two strands of thoughts were discernible in Dhaka policy-makers. One group projected gloom and doom and was getting ready with its wish list to the government. Conversely, another group exuded a sense of complacency. Cautious voices took the golden mean and said that we might get hit by the global crisis, but we should not raise panic.

I was on one of my visits to Dhaka. The chief executive of CPD Prof. Mustafizur Rahman kindly invited me to make a presentation on the on-going global financial meltdown and lessons for Bangladesh. I complied. One can access the presentation at [cpd-bangladesh.org](http://cpd-bangladesh.org)

It was at this CPD dialogue, chaired by Prof. Rehman Sobhan in the presence of the governor of the Bangladesh Bank Dr. Salehuddin Ahmed, Mr. AMA Muhit (in his previous incarnation) categorically agreed with my suggestion that a high powered task force needed to be set up to monitor the emerging global economic crisis and articulate policy adjustments for Bangladesh.

Indeed, he emphatically stated that if voted to power, his government would

establish such a committee. Later this position found wide resonance in the election manifestos of most of the parties. The finance minister, thus, needs to be sincerely congratulated for giving effect to a pre-election commitment on economic affairs. I only wish that it had come sooner.

### Composition and modality

The newly constituted task force (TF) can now inherit all the good work done by two committees at the central bank and finance ministry which were set up by the immediate past caretaker government. It is only appropriate that the finance minister himself will be leading the TF which has brought together a extremely competent and relevant group, including concerned cabinet ministers and policy-makers, researchers and analysts, and trade body leaders. We are also encouraged by the induction of Mr. MK Anwar in the TF, representing the largest parliamentary opposition group.

However, I would guess that the TF will have to reorganise itself in the line of technical empirical works as against wider policy discussions and choices. It might have to design specific working group involving concerned institutions and experts on specific issues. This will obviously enhance the TF's operational efficiency and analytical efficacy.

The TF is supposed to analyse the results quarterly. Given the fast changing global economic environment and emerging policy initiatives, I find the reporting frequency to be inadequate. A monthly stock-taking appears to be more appropriate.

In this connection, one has to be mindful about empirical trends on economic performance. Globally, identification of the "inflection point" of the crisis turned out to be challenging. Moreover, establishing the "base month" for understanding behaviour of different key indicators will have great policy implications.

### Scope of work

It seems that the terms of reference of the task force are pretty comprehensive. One of its major tasks would be to identify the transmission channels of the impact of the global economic crisis on Bangladesh. We are by now aware that the potential areas of adverse impact would include export revenue, remittance income, foreign direct and portfolio investment, and overseas development assistance.

The global quest for vulnerability indicators has established a certain pattern among the low income countries facing the crisis. The most affected countries include those that are highly dependent on the following six areas: export of primary commodities, export of manufactures, export of services (including manpower), foreign capital flow (particularly in the equity market), income from tourism and foreign aid.

All these vulnerability indicators have varying (and often conflicting) relevance for our country. Take the issue of commodity prices -- we benefit as food and fuel prices go down, but suffer from decline of frozen fish and raw jute prices. We also need to locate opportunities within these transmission mechanisms, as the case may be for foreign private capital flows.

There is now an emerging consensus globally that most of the affected countries have to undertake counter-cyclical measures to boost domestic demand by way of compensating for the fall in external demand. In this regard, my presentation at the earlier mentioned CPD dialogue catalogued the following seven major points for promoting domestic demand and improving overall competitiveness of the economy:

- (a) Intensive review of public expenditure portfolios to release resources to accelerate implementation of infrastructure projects (e.g. gas, electricity, highways, and bridges).
- (b) Enhanced credit flow to rural areas to build productive capacities in agriculture, non-farm activities, and small and medium enterprises.
- (c) Considering lowering of interest rate, particularly in line with the falling inflation. Interest rate spread needs to be also kept under vigilance.
- (d) Active management of exchange rate so that it does not fall victim to creeping competitive devaluation.
- (e) Intensification of export market exploration in emerging economies where economic slowdown will be less pronounced.
- (f) Consolidation of labour markets in the non-OECD countries, particularly in the Middle East and South-East Asia.
- (g) Broadening and deepening of the social safety net (in both rural and urban areas) to protect the entitlement of the most disadvantaged.

wide differences on their financing modalities. Countries with better fiscal situation and current account surplus are considered to be better placed to undertake expansionary fiscal, monetary, and credit policies. However, concern about unsustainable public debt and apprehension of inflationary kick-back are often voiced in this regard. Ensuring disbursement of committed foreign aid is considered to be a flanking measure. Bangladesh has to see that its external weaknesses do not affect further its fiscal balance.

Although the ToR particularly does not mention, I hope that TF will take note of the generous stimulus and bailout packages which are being delivered in various countries. These packages do have serious negative spill-over implications for our economy, including creating various types of market access barriers. The TF will need to keep tabs on various international initiatives now under way to benefit from them.

The other set of issues which has not been mentioned in the ToR of the TF



How will the recession affect the very poor?

relates to strengthening the oversight functions in the financial sector. I guess this work is being done by the Bangladesh Bank. Given the state of our financial sector, it is possibly the opportune moment to take a fresh look at, inter alia, the credit rating agencies, sophisticated financial products (e.g. derivative instruments and swaps), credit deterioration linked to securitisation, transparency of corporate governance, off-balance sheet operations, etc.

I am quite confident that the task force will come up, in phases, with sets of valuable recommendations. But if history is any guide, the main challenge had always been the full and faithful implementation of such recommendations. Given the gravity of the problem we are confronted with, one would like to believe that this time there will be enough political will and administrative capacity to do justice to the upcoming outputs of the task force.

Debapriya Bhattacharya is an eminent economist.

# 'We are poor, but are we not human?'

I want to ask you too: Are they not human? While my relatives and yours get treated at the lavish Square and United Hospital under the best care, do these citizens of Bangladesh not deserve at least the most basic care -- being attended by a doctor at an emergency?

ASIF SALEH

EVERY Saturday our prime minister speaks directly to the common people for a few hours and hears their grievances, and later asks the relevant ministry to take action on these matters.

Yesterday was one such day. I wasn't there. But if I were, what would I tell the PM?

I would have told her about the inhuman barbarity of some of those people known as "internee doctors" of Dhaka Medical College (DMC). They are the fresh medical graduates who work for junior house physicians in different departments of the hospital. Internee session is the period when a student becomes a doctor. They manage patients under supervision of senior house physicians.

For this work they get paid by our government -- a decent salary with free housing and heavily subsidised meals. After getting their education, subsidised by the tax payers' money, at close to no fees, their job, as interneers is to get some practical knowledge -- successful completion of which lets them obtain physician license in Bangladesh.

Boy, but what a service they are giving their patients! What was done at

DMC on March 20-21 by a group of thugs is so inhuman and barbaric that it's painful to realise that this is done by our own countrymen to their own people. To understand this somewhat complex story, I will use time-lines below put together from various news reports.

Friday 2:30pm: A 30-year old man, injured after being hit by a falling roof of a shopping centre, was brought to DMC immediately.

Around 6pm: The patient dies after being left unattended after admission for 30 minutes at the emergency. The relatives blame the attending doctor for negligence and misbehaviour.

9pm: Internee doctors refuse to issue a death certificate and hand over the body to the relatives.

11pm: One of the elder relatives asks for forgiveness for the misbehaviour and requests the body to be handed over.

Saturday midnight: The internee doctors call a strike, confine the director of DMC and ask for his resignation. The interneers force staff to block the entrance to the emergency. They bang tables and shout abuse at the director. As demanded by the junior doctors, the confined DMC director files a case against the dead patient's relatives.

1am: The agitating doctors call the widow who lost her husband just 6 hours

earlier in an accident and her younger brother under the excuse of negotiation for handing over the body. As they step in the hospital, they are manhandled and handed over to Shahbagh police. The wife had her 7-month old child in her arms while being arrested.

2am: Emergency patients are stranded as the doctors shout out abuse. One of them, a pregnant woman, was seen lying unattended while her relatives were stuck on the other side of the blocked entrance. Relatives of patients are stuck inside the hospital and some of them unable to get medicine from outside.

9am: Doctors continue their "strike" even after the demands were met. The health advisor and the health minister arrive at the scene and request the emergency gates to be opened.

10:30am: The doctors open the emergency gate at this request, but the strike continues. They demand the resignation of the director.

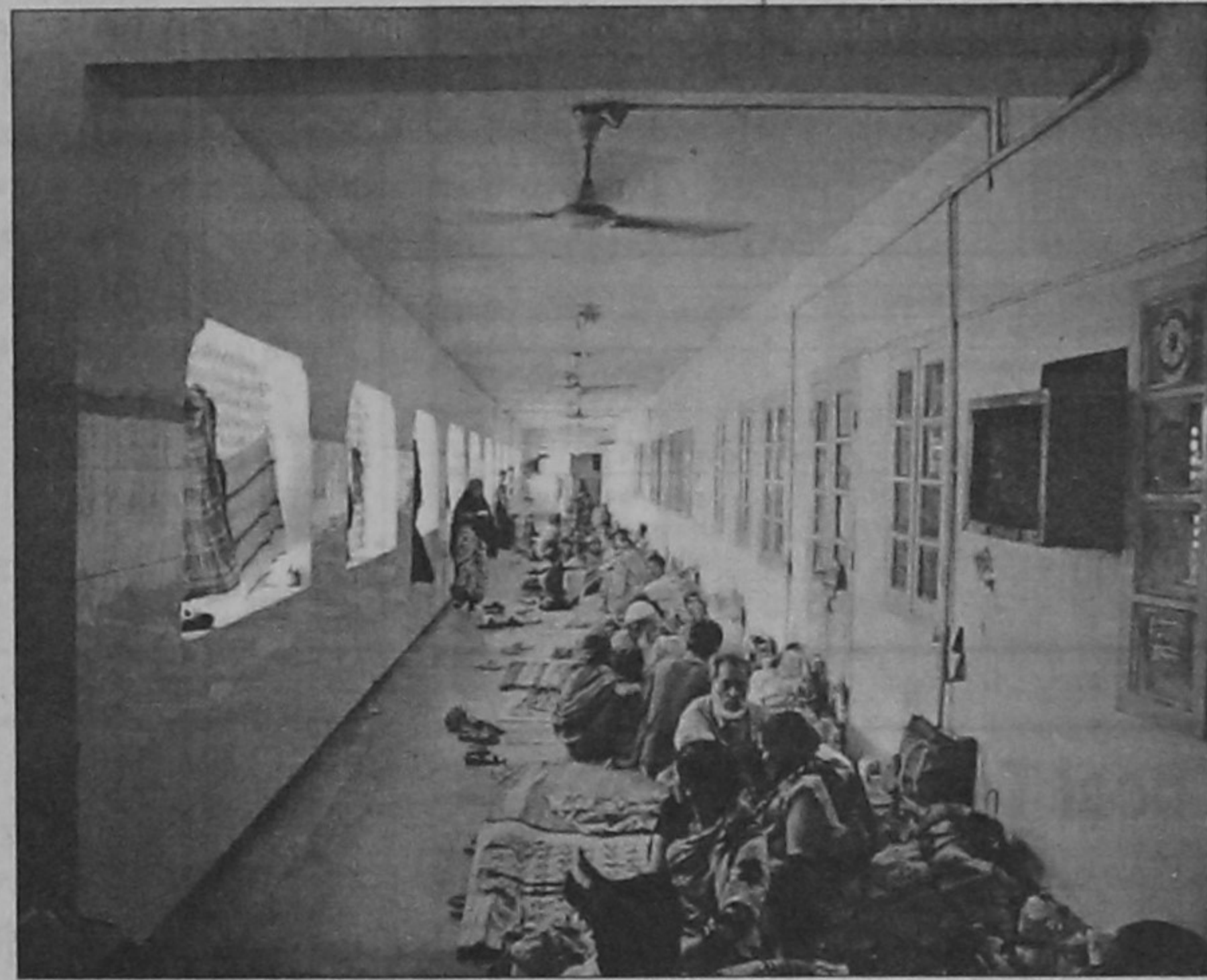
11am: The relatives and neighbours of the deceased protest the arrest of the wife and block roads in Rampura for one hour.

Noon: The wife of the deceased released by police after 12 hours, pending her appearance in court, on account of the baby.

2pm: The doctors call off the strike and release the dead body. Over 2,000 patients, a good many of them critical, refused treatment during the 14-hour strike.

One of the relatives says to a TV camera: "I know we are poor, but are we not human?"

Dear Prime Minister, I want to ask you too: Are they not human? While my relatives and yours get treated at the lavish Square and United Hospital under the best care, do these citizens of Bangladesh not deserve



Unattended and uncared for.

at least the most basic care -- being attended by a doctor at an emergency? While all of the privileged can go to private hospitals, DMC remains the only hospital with an emergency outlet in Dhaka for treating major trauma from road accidents and burn injuries.

Why do these thugs get sweet talked by the health minister in spite of committing such acts and how can we let this go on in such a major institute of ours?

Dear PM, can I ask you to take a stand for the little people who voted for you hoping for a change?

Can I ask you to make sure these forty odd doctors who committed such

thuggeries pay a price for the gross abuse of trust and professionalism?

Internee doctors are not essential to run day to day business of the hospital. There is a huge surplus of senior house physicians working in all departments and these doctors could have managed the hospital easily during the interneers strike. But these doctors were forcing others not to work and was locking down departments. While strikes may be legal, shutting down the hospital preventing others from rendering service is absolutely immoral.

Dear PM, we want you to do the right thing and not tolerate such act of violence.

# Bangladesh and the Islamic world

With almost 150 million Muslims, Bangladesh is one of the three largest Muslim countries. However, we have not been able to create a strong impression in the Islamic world, especially in the Middle East.

MAMUN RASHID

MY professional engagements over the last 25 years have allowed me to either visit or have transactions with almost all the Muslim countries in the world. I had the opportunity to go deep into the relationships with Bangladesh expatriate community in each of the Middle East and South East Asian Countries, as well as interact with members of the ruling families and some of the Muslim country diplomats in Bangladesh. However, I am yet to go anywhere nearer to the ex-

ploration of Bangladesh's relationship with the Islamic world -- what we could expect from them, how much we could get and what could be the outcome of our best of relationship with the Islamic world?

With almost 150 million Muslims, Bangladesh is one of the three largest Muslim countries. However, we have not been able to create a strong impression in the Islamic world, especially in the Middle East. We have not been able to establish our credentials in the minds of Middle Eastern policy makers, even though countries like Pakistan enjoy

special attention.

This has become critical for our economy as we have a lot to gain from strengthening our ties with the Middle East and the Islamic world. I will focus on some of the key issues that are vital for developing our relationship with the Islamic world.

The creation of Bangladesh did not please many in the Middle East. However, Bangabandhu very clearly defined our priority as a predominantly Muslim nation and had shown keen interest in integrating Bangladesh into the Islamic world.

The time has come for us to admit that we have failed to create an appropriate image of ourselves. As a result, we succumb to the constant propaganda of not being "proper Muslims" and are always excluded in serious discussion in the Islamic world.

While other countries leveraged their

Muslim identity to get generous economic benefit from the oil rich Middle East, we were left behind. Not only is that true for economic benefits, it is also true for various social and political issues where our national interest has been kept hostage by so called "proper Muslims." This has affected our social and political stability, and it is like a severe wound that will continue to divide us.

To resolve this long-standing issue, we need to think out of the box, and examine some key areas while coming to a final action plan. First, we need to establish our credential as a large, moderate Muslim nation with significant economic prospects, and our strong desire to integrate ourselves with the Islamic world, specially the Middle East. Secondly, we need appropriate analysis of what we want to achieve from the Islamic world, with adequate prioritisation.

Establishing our credential is a long-term but essential process. We cannot establish our credential or change the perception regarding Bangladesh overnight. But we can initiate the process, which will pay dividend in years to come. For that we can think about a "Special Advisor" to the prime minister regarding Middle Eastern affairs.

He will have to be a well-accepted person, with the ability to destroy the negative perception about Bangladesh and its people. The focus of his effort will be to build a bridge between policy makers of the Middle East and Bangladesh, and bring more understanding of Bangladesh in the Middle Eastern mind.

Analysing and prioritising what we want from the Middle East is important and, at the same time, difficult. There is a clear economic priority where we export a large number of workers to the oil rich region. We need to establish a process that will

enhance this export of blue-collar workers. We also have to think about exporting doctors, engineers, bankers, etc.

We also need to integrate ourselves with the ever-growing Islamic financial world, which can help us in building our infrastructure and development activities. We need to be in the minds of Islamic policy makers, so that whenever a new initiative is considered or thought about, Bangladesh is included in the entire development and execution process.

Special focus on Middle East is required for Bangladesh, not only for economic priorities, but also for destroying the social and political division that is being used by some vested interests to achieve their narrow objectives and deprive the country of economic, social and political stability.

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