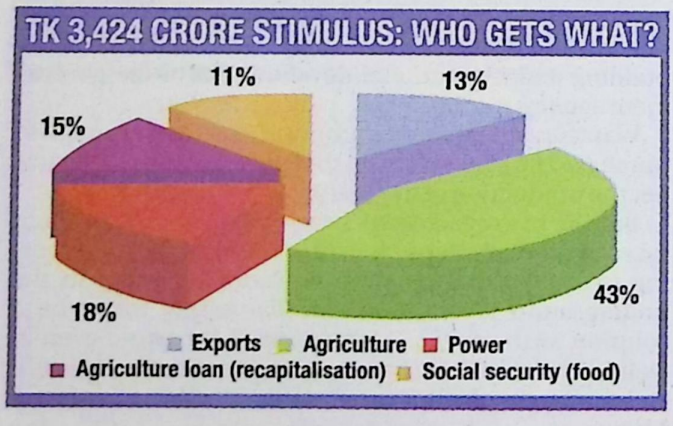
Stimulating Expectations

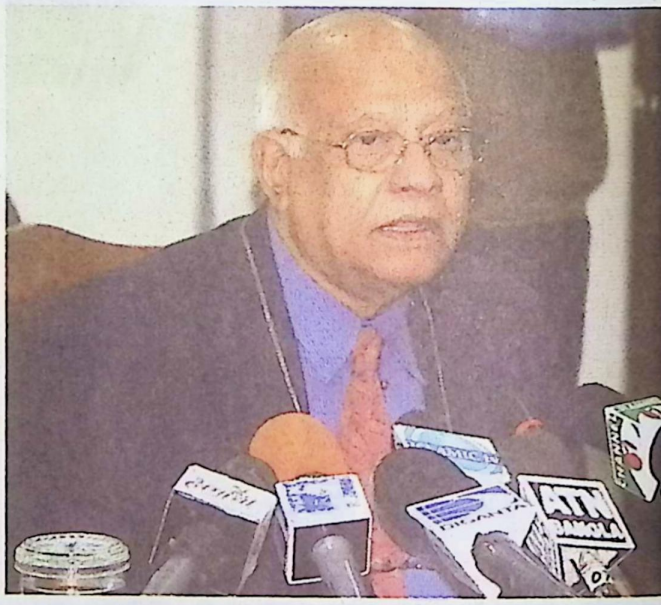
NADER RAHMAN

The word stimulus has been bandied about a lot in the last six months, from America to China, England to Japan and in each country it takes on a new meaning. In America the first stimulus package suggested by George W. Bush brought their presidential campaign to a halt with Obama and McCain rushing to Washington in an effort to prove their presidential credentials. Across the pond Gordon Brown scrambled everything he could to keep England's economy from falling apart. The trickle down effect of globalisation finally reached Bangladesh as on Sunday, as we announced our own stimulus package. It was not huge, it did not help everyone but in its own limited way it served its purpose, just don't ask the clothing sector what they thought of it.

When Finance Minister AMA Muhith announced last week that he was working on a stimulus package to help deal with the effects of the global recession, businesses and industries around the country anxiously waited for its announcement. When the figures were finally rolled out the clothing sector was under whelmed by the government response to what they thought was the biggest problem to face their sector since the end of the Multi Fibre Agreement. Having earlier demanded Tk 6000 crore alone for their sector, they were crushed when they realised that the whole stimulus package amounted to less than Tk 3500 crores. They were further aggravated when they read the fine print which excluded them entirely from the stimulus package. Muhit claimed the current policy support and bank loan rescheduling help that the government recently provided for them was all the stimulus they needed.



The Tk 3474 crore stimulus while derided by some was promising for the agriculture and power sector as it singled them out for the greatest stimuli. In the plan, the government earmarked Tk 1,500 crore for the agriculture sector, Tk 500 crore for farm loan re-capitalisation, Tk 600 crore for the power sector, Tk 374 crore for social security (food) and Tk 450 crore for the exports sector. Dr. Abul Barakat, Professor of Economics at Dhaka University says, "the (current) stimulus package is encouraging because it shows that the government is committed to enacting its election manifesto. It was in their manifesto that they clearly outlined the agriculture and power as two of the most important sectors to look after and nurture. Thus, by providing them with this stimulus, they are living up to their word."



Finance Minister AMA Muhith announcing the stimulus pacakage.

The Finance Secretary, Dr Mohammed Tareque said the Tk 500 crore allocated for the agriculture sector would be used to ensure smooth flow of agri-loans through recapitalisation of Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank and Karmasangsthan Bank. By putting the emphasis on the backbone of our argi-based economy, the government realises that it is the poor who really need the stimulus, rather than those whose profits have fallen. The move to allot the agriculture sector 2000 out of 3474 crores has been wise as it proves that the government has a clear grasp on the wide ranging affects of the global recession. Instead of giving into the different pressure groups that brayed for the money, they took a bold and popular decision but now they seem destined to be vilified by the country's clothing sector.

On paper the clothing sector has something to gripe about, they account for 76% of the country's export earnings and the recession around the world has pushed their prices down. Confirmed orders are now being renegotiated, while a few manufacturers have lost crores due to the closure of a few international chains. Utilisation declarations