

Forecasting major economic events

ABDULLAH SHIBLI

As we look at the crystal ball, and try to forecast the major economic trends for the coming year, it is clear that while there are reasons to be optimistic about the global outlook one cannot rule out the possibility of major disruptions to the world economy either due to unforeseen shocks or due to worsening condition of one or a few major undercurrents that were known but ignored. What are the likely economic events that we can expect this year?

- The European economic crisis may deepen. While this is not entirely certain, there are two countries where events might take a turn for the worse and further destabilise the Euro Zone. They are Portugal and Spain, which have been on Europe's sick list for at least a year, and while the governments of these two countries have tried to reduce their budget deficit and taken various other austerity measures, only time will tell whether they will need the ICU treatment, as was the case with Ireland and Greece last year. In early January, it was reported that Germany and France have been suggesting to Portugal and Spain, particularly the former, to swallow their pride and get some outside help. The European Council is worried that if Portugal waits too long, this may (a) adversely affect its neighbour, Spain and (b) the delay will only make matters worse for Portugal and its "saviours."
- This year, the price of oil is expected to rise, and depending on its source and duration, this will adversely affect growth in all major countries. As the world economy recovers from the slowdown of the last three years, the demand for oil and speculative forces may influence the markets, driving the price of crude upwards. Crude oil prices are currently hovering around \$80 a barrel, and it is not unlikely to cross the \$100 mark again. Barring any external shocks, price of crude is projected to stabilise around the \$100 a barrel mark. If oil and other commodity, including food grain, prices increase dramatically, that will negatively impact the economic recovery and the balance of payments of developing countries. Mr. Ali al-



DIETER SPANNREBEL

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Naimi, the Saudi Arabian oil minister, has already predicted oil prices of \$70 to \$90 rather than his previous estimate of \$70 to \$80. Libya, another member of the Opec, the oil cartel, has forecast \$100 oil by the year end. And these pronouncements have been validated by some experts. "The current oil price is largely supported by the fundamental anticipation of continued and growing demand from the developing nations, although the quantitative easing in the US has weakened the dollar and added some froth to crude oil prices," said Andrew Moorfield, head of oil & gas at Lloyds TSB.

- The US economy, while it continues its recovery, is likely to be of concern for all, as it fails to create jobs and boost the housing market and sputters along at an anemic rate. While the QE measure initiated by the Federal Reserve last year has been greeted with some success, it is not by itself sufficient to bring the unemployment

rate to below 9%. The number of foreclosures continues at a fast rate, and this impacts the construction industry and economic outlook in 12 states. Last year, 2.9 home foreclosures were carried out, and this year one can safely forecast a rate of 3.2 million. On December 14, 2010, members of the Federal Reserve's policy making Open Market Committee met to discuss the current and future states of the economy. According to the minutes from that meeting, the committee feels that the U.S. housing market will weaken further in 2011. Low demand and high inventory were cited as the primary causes. Some participants noted that the "overhang of foreclosed homes" would contribute to further price declines in many areas.

- US debt burden will worsen and be a source of some instability in world financial markets. The current level of debt ceiling, which is at \$13.6 trillion, is a major concern for policy makers and

the general public in the USA. Tim Geithner, the US treasury secretary has indicated that the failure to raise the debt ceiling by Congress could lead to US default on its foreign lenders and have a major impact on the world financial market. While nobody expects that to happen, if Congress balks on raising the ceiling and this results in lengthy negotiations with the administration, that itself could cause some panic in the markets. However, an increase in the debt ceiling itself might have some of its own consequences. Right now the ceiling is around 10% of US GDP, and there is a national awareness and resolve to lower the deficit (1.3 trillion last year) and reduce our debt obligations. The budget panel has made some recommendations and it is very like that while Congress might raise the ceiling, the action will inevitably increase the need to take actions to reduce the deficit including cutbacks in federal spending. How that might affect the economy and consumer confidence needs to be seen.

- The Chinese economy, which has been growing at a fast rate in recent years, might experience some slowdown due to structural problems, such as labour shortages, housing shortages, lack of demand or industrial unrest. It has already been predicted that China's export growth will slow down to the 15 to 20% range, from the 30% growth experienced in 2010. China has been pursuing a policy of export promotion by undervaluing its currency RMB by over 3% to keep its export competitive in the world market. However, international pressure to revalue, and other forces, such as the European debt crisis, the political instability of the Korean Peninsula, and increase in domestic production costs will slow export growth. Compounding these influences are the revaluation of RMB, which is expected to go up by 3%, shift of world demand for Chinese products, a looming domestic housing bubble, an overheated economy, and shortage of housing for the migrant workers.

DR. ABDULLAH SHIBLI IS AN ECONOMIST AND IT PROFESSIONAL IN BOSTON, USA. HE IS MANAGING PARTNER OF NAS ENTERPRISE, LLC, AN INTERNATIONAL CONSULTING FIRM.

Metternich's World

Men of power, men in exile

ZINE al-Abidine Ben Ali has fled to Saudi Arabia with his family. Having lorded it over Tunisia for twenty three years, without much to show for performance in this long period, the just deposed president now must depend on the largesse of the Saudi royals in order to live a decent life for himself and his family, at least for the immediate future.

This reminds one of the time when Idi Amin, after making a mess of life for Ugandans and generally being an irritant for the rest of the world, ran off to Saudi Arabia with his brood of wives and children to live out the rest of his days. It was a good thing the Tanzanians did under Julius Nyerere. Had they not marched into Uganda when they did, Amin and his eccentricities as well as monstrosities would have taxed the world's patience for some years more.

If you go back to the early 1990s, one direct result of the misdirected invasion of Kuwait by Saddam Hussein was the arrival of the Kuwaiti royals in Taif. The Saudis, unwilling to let the Iraqi dictator off the hook and at the same time conscious of the fact that a failure to provide refuge to the Kuwaiti ruling class might threaten their own survival, played host to the exiles until a coalition led by the United States forced the Iraqis out of Kuwait. The difference between the Kuwaiti royals on the one hand and the Ugandans and Tunisians on the other is that the former were able to return home. Amin died in Saudi Arabia. One will simply have to wait to see how Ben Ali meets his twilight.

There are the curious cases of how powerful men, especially in Africa and the Middle East, have come by high office and then have either hung on to it or lost it in a wave of popular discontent.

In 1965, Algeria's defence minister Houari Boumeddiene ousted President Ahmed Ben Bella in a coup that would leave the latter languishing in imprisonment for years on end. Boumeddiene died of cerebral haemorrhage years later. In that same year, 1965, Ghana's Kwame Nkrumah was overthrown in a coup by his country's army even as he landed in China on an official trip. It was the first of many coups that would leave the country wounded to the bone.

As for Nkrumah, he was welcomed to exile in Guinea, where President Sekou Toure conferred on him the title of co-president of Guinea. It did not mean a thing, but it showed Toure's respect for Nkrumah. Incidentally, when Toure died in 1984, his country degenerated into civil strife when the military quickly seized power. It is in bad shape today.

Africa is indeed a place where coups and other forms of unconstitutional seizures of power have been commonplace. The army took over Nigeria in 1966 and in the process left Prime Minister Abubakar Tafawa Balewa and most of his ministers dead. For many years thereafter, the country lurched from one coup to another. It was not until Sani Abacha's death in 1998 that Nigerians found an opportunity to return to civilian rule.

In the early 1980s, Sergeant Samuel Doe seized Liberia, killed the president and then had the ministers of the deposed government shot on the beaches of Monrovia. Some years later, Doe himself was murdered in horrible manner by his enemies. A recent Liberian leader, Charles Taylor, is in The Hague on trial for crimes against humanity.

Coups apart, there are places in Africa and indeed in the Middle East where rulers have pretty much overstayed their welcome and yet refuse to leave. Egypt's Hosni Mubarak took power after the assassination of Anwar Sadat in 1981. Thirty years have gone by, with little sign of the ageing president preparing for the exit. He remains busy trying to ensure that son Gamal succeeds him in office.

Much a similar thing is going on in Libya, where Muammar Gaddafi is doing all he can to ensure his son Saif al Islam's rise to power once he passes from the scene. Gaddafi, as a young colonel, overthrew King Idris in 1969 and since then has erratically ruled his country.

In Eritrea, President Issaias Afewerki has been in office since independence came to his country in 1993. He refuses to arrange an election. Uganda's Yoweri Museveni has been getting elected over and over. He does not seem ready to go anytime soon. Watch Cote d'Ivoire's Laurent Gbagbo. He has lost the election to Alassane Ouattara but hangs on to presidential office. Zimbabwe's Robert Mugabe has absolutely no intention of giving place to the new.

Power is an aphrodisiac. It often creates an illusion of immortality for those who come by it. And then it explodes in the face. One is reminded of Romania's Nicolae Ceausescu, circa 1989.

Let us also know, dear leader

MOZAMMEL H. KHAN

In the last few days the BNP chairperson and leader of the opposition in the parliament delivered two hard hitting speeches in two separate forums of her supporters. The language of both of her speeches reflected her desperation and contained a threatening phrase like "dire consequences" for the government leaders when they fall from power. She spelled out in clear term what her government will do in dealing with political opponents when, not if, she is voted to power.

There is no scope to take her threat as political rhetoric since the people, who do not suffer from memory lapse, remember how her supporters and her government treated her opponents and members of the religious minority right after her election victory of October 2001.

The current regime is not the perfect role model for upholding human rights and rule of law and the treatment of political opponents. However, its wrongdoings are not even comparable by any count to those crimes committed during the last BNP-Jamaat rule. However, the current piece is not intended to bring reminiscence of her rule, but to humbly request her to let the people know what she claims to know already.

She has categorically declared that "all activities of this government will be considered as illegal, once it bids bye." In line with her past repeated allegations she considers this government came through a stage-managed election and is, as such, illegal. In her words "foreigners have now divulged that it was a rigged election." This is new information, and the general people have no information who these foreigners are and how they revealed it to you.

In this era of open flow of information, people have not seen any such report in any credible international news media terming Bangladesh's last election as a rigged one. Quite to the contrary, the last general election was billed as the most transparent and fair one in the country's undulating democratic history. It is incumbent on you to share the information and its source with the people to add any element of credibility, whatsoever, to your allegations.

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Alleging the widespread corruption of this government, she said "We have all the information and proof in our possession of corruption, bribery and plundering by this government, sector by sector." Here again, it is the appropriate time, dear leader, to share this information with the people. In spite of all the shortcomings, our media is free enough to publish all that information, especially when it comes from the leader of the official opposition. If she waits till she returns to power and then the corruption cases are initiated, it will be termed "politically motivated" by her opponents no matter how credible the accusations would be.

The corruption story of Arafat Rahman Koko has found a place in the World Bank publication named "Asset Recovery Handbook." This World Bank-UNODC publication mentioned the alleged embezzlement of several million dollars by her son as an example of stealing national assets.

Also, on January 3, the Strait Times of Singapore, under the heading "Fine for not reporting \$3 million in transfer,"



reported that the managing director of a company providing corporate secretarial services failed to inform authorities in 2007 that he had been instructed by Arafat Rahman Koko to transfer and hold some \$3,171,000 in his personal bank account.

The above two publications have nothing to do with the current government of Bangladesh and yet the opposition leader and her supporters are terming any accusation of corruption against Koko as "politically motivated."

The BNP leader wondered if foreign people had been inducted in the country's intelligence agencies. This is a serious allegation. Here again, if you hold

any sort of corroboration in your possession, you must share it with the people. Also, you must demand an early investigation by the parliamentary defense committee since it involves the nucleus of our nation's sovereignty.

Referring to the "torture" on one of her party's standing committee members in custody, she said: "A Bangladeshi cannot torture a fellow countryman in such a manner." We beg to differ seriously with you, dear leader. You have probably not read any of the newspaper reports over the years about the torture cell in your member's Good's Hill residence and the tragic depictions of how he tortured his "fellow countrymen" in 1971. Some of them, albeit a small minority, who fortunately escaped death from his hand, have volunteered to testify about his crimes and cruelties when the trials begins.

The BNP chairperson asked the prime minister to begin trial of the war crimes at her home. She said "Look at your home first; begin the process at your home and find out the war criminals hiding there." Here again, let us know who are the war criminals hiding in AL. The lists of alleged war criminals which have been published by different forums (not AL) do not apparently contain name of any nationally known AL leader.

As the leader of the opposition and former PM, you could help the prosecution team with the name of any alleged war criminal "hiding in PM's home" if you or your party possess credible evidence of his involvement in crimes against humanity in 1971. By doing so, you will be helping at the same time to expunge any apprehensions people have on your party's stand on trial of war criminals.