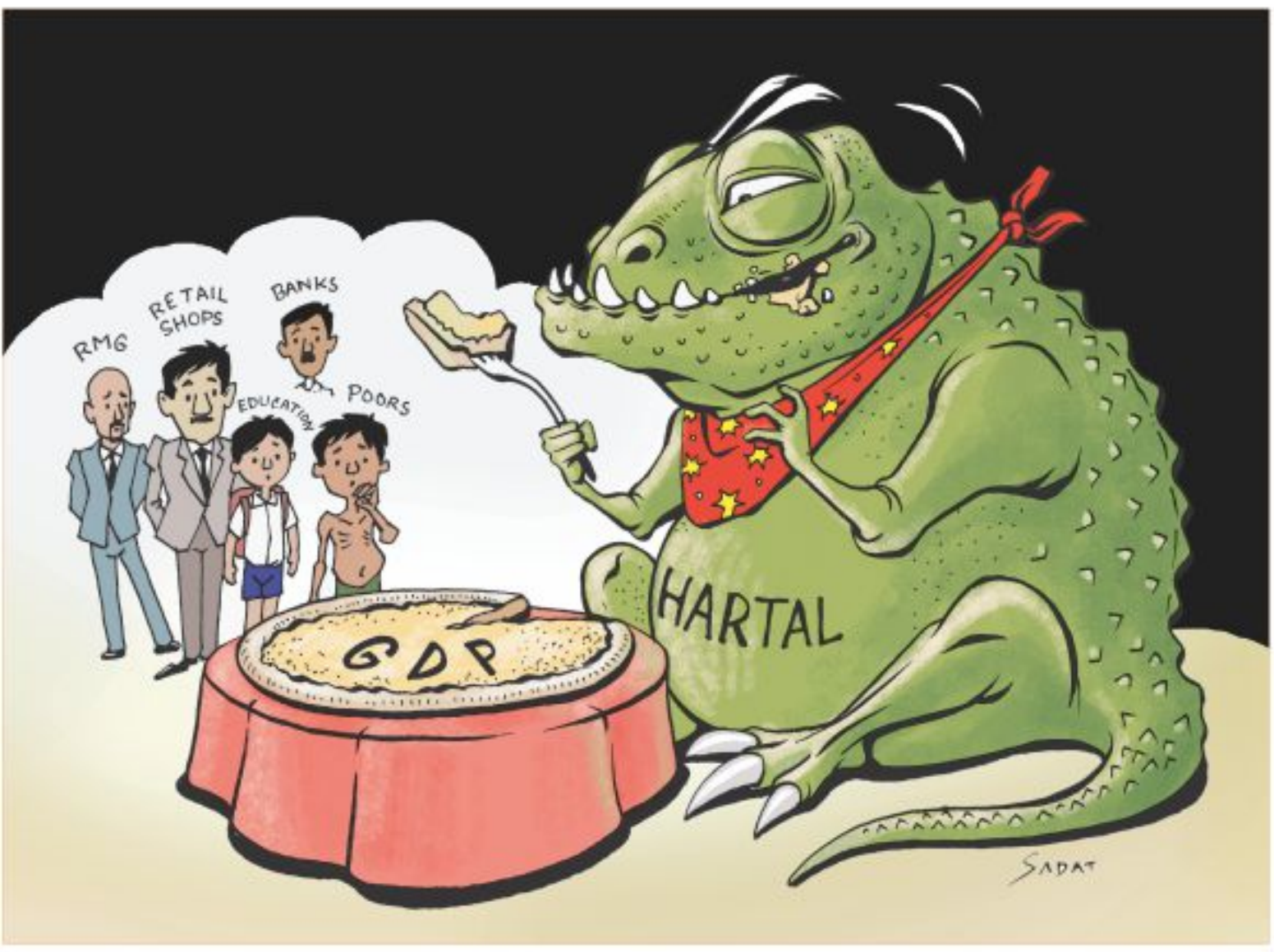


Economic implications of political instability

FAHMIDA KHATUN

THE outgoing year has been one of the most disturbing years for Bangladesh in the recent past in terms of domestic political instability caused by hartals, oborodhs and deadly violence for months. As a result, the economy had to bear the brunt in many ways. The World Bank International Monetary Fund, Bangladesh Bank (BB) and many experts have projected the gross domestic product (GDP) to be lower than 6%, which is much below the target of 7.2% for FY2014. Some even apprehend it may be lower than 5%.



All the effects of political unrest on the economy are in fact intertwined as they all lead to lower economic growth that leads to high unemployment, high income erosion and high poverty.

It will be a blow to the growth momentum which is considered to be promising by the international community because of its 'development surprise,' despite being caught in a plethora of constraints. During the last three decades the country has increased its growth by 1% per decade. Therefore, it will face difficulty in increasing the growth rate by 1% and graduate to the 7% mark, a natural expectation based on previous decade's experience. Reduced growth will have ramifications that will boil down to lower efforts for poverty reduction. It is evident that political instability has contributed to this situation. Investment has been insufficient for the projected growth as it is struggling to cross even 30% of GDP. Though public investment has increased, private, domestic and foreign investments continue to be disappointingly low. Infrastructural bottlenecks, slow decision making, corruption and low skills of human resources are some factors that discourage higher investment in the country. Prolonged political crisis could only make it worse. Credit to the private sector is lower than the target and banks are sitting with excess liquidity as investment demand has been slowing. This is also

reflected through industrial loan, which was negative during July-September 2013. Low investment implies less employment generation and low income, which in turn has poverty implications. It is also frustrating that while there is dampened demand for credit the amount of non-performing loans (NPL) is soaring at an alarming rate that tells upon the health of the banking sector. As of September 2013, NPL reached 12.79% compared to 10.03% in FY2012 and 6.12% in FY 2011. Though this is partly due to a number of large financial scams that misappropriated thousands of crores of Takas from banks, it is also due to the inability of many genuine borrowers to service their loans given the dull business due to political turmoil. Reduction of NPL and bringing discipline in the banking sector will thus be most challenging tasks for the concerned quarters in the coming months. Government expenditure during political unrest also gets affected, which is evident from low implementation of the Annual Development Plan (ADP) during the first few months of the current fiscal year. This is mainly because of low disbursement of foreign aid due to political instability. During July-September 2013 only Tk. 6 crores had been disbursed as foreign aid as opposed to Tk. 36 crores during the same period of FY 2012. Foreign aid fell to \$41.8 million in July 2013 from \$156.8 million in July 2012. As for revenue generation, there is still shortfall in meeting the target. During July-October 2013 revenue generation by the National Board of Revenue (NBR) was only 16.4%, while the target is 25.3% for FY2014. This has been due to losses suffered by most businesses. Additionally, NPL and excess liquidity have been increasing and profitability of banks is on the decline. Thus lower corporate tax has been a major reason for the revenue target of NBR to go off-track. Low domestic resource mobilisation efforts coupled with slow aid disbursement will jeopardise both development and non-development expenditures of the government. This will in turn force the government to rely on bank borrowing. Though there is low demand for credit by the private sector, high government borrowing will only add to the interest burden of the government. A consequence of depressed business is unemployment. Many employees who lost their jobs have returned to their villages in search of work while others are haunted by the fear of uncertain future in cities. A large section of the low income group, such as workers in hotels, restaurants, shops, transport sector and the like, rickshaw pullers and day labourers have suffered huge loss of income. The industrial sector has been affected

as the products could not be distributed across the country. The exporters could transport their products with much difficulty, not only at higher transport costs but also at high risk of getting them burnt during political violence. Though exports are still showing high performance, buyers of readymade garments (RMG) have alerted Bangladeshi manufacturers about shifting their orders from Bangladesh to other sources such as Cambodia, Vietnam and even India if political violence continues. Any such move will mean unemployment of a large number of workers, who will create pressure on the already pressured economy in terms of employment generation capacity. This will also create social problems as a majority of RMG workers are women who have been empowered through economic independence by way of working in the RMG sector. The agriculture sector is vulnerable during times of political turmoil as the whole supply chain is disrupted. The media reported that producers of agricultural commodities had to give away their commodities at a minimal price as those were perishable and could not be transported to cities regularly. Milk producers literally threw milk on the streets out of frustration as they could not fetch the right price. Disruption of the supply chain pushed prices up in cities. Food inflation went up to 9% in December 2013 as opposed to 5.28% in December 2012. Notably, the target for inflation during FY2014 has been set at between 6% and 6.5% by BB, which seems to be difficult to achieve in view of the emerging situation. On the whole, political unrest has affected the production process both directly and indirectly. The direct impact is through lower economic activity and indirect effect is through disruption of various channels and means of production. With the political unrest cooling down gradually, many economic activities have started to get back on track. However, it will take some time and require high expenditures to get some of the damaged establishments functioning. All the effects of political unrest on the economy are in fact intertwined as they all lead to lower economic growth that leads to high unemployment, high income erosion and high poverty. If such a situation persists for a long period it can give rise to social problems as well. If politics is for the betterment of the people, then how can such economic and social problems bring any good for them? All of us should give fresh thought to this as we aspire to graduate to a middle income country in the near future. The writer is Research Director, Centre for Policy Dialogue (CPD).

How to stop attacks on minorities?

TAYEB HUSAIN

HINDU-Muslim clashes started during the beginning of the last century and are still continuing. Millions of people were killed due to these clashes during partition and there seems to be no end to this criminality in the subcontinent even today. There are political and economic reasons for these clashes, camouflaged in "religious and cultural attire." In Bangladesh, we have two major communities, Muslims and Hindus. Muslims comprise almost 88%. What are the reasons for the attacks by the vast majority Muslim on the minority 10% Hindus? Why are they happening again and again? Creation of hatred between communities is a good way for the majority Muslim politicians to grab Hindu property. This happened during Pakistan time with blessing from the government and it is happening after liberation of Bangladesh, with the successive governments turning a blind eye. I am told that some politicians are beneficiaries of this Hindu property snatching after the creation of Bangladesh. Now, another phenomenon has appeared, which is small-scale attacks in which properties of the Hindus are burnt down and valuables stolen. The recent clash over playing badminton at a Hindu locality in Barisal Sadar upazila and burning of Hindu houses is an example of such attacks. Could there be a clash if the man killed was a Hindu? Most probably not. What would have happened if the locality was a Muslim one and both the parties were Muslims? Most probably there would not have been any house torching but there could be further killing. Who incites these attacks? One can say that those who do are thieves and thugs, and they do it with direct or indirect encouragement from some politicians. The attacks after the election of January 5 were highly political. But why do they attack these poor people? Because they are Hindus? Does the Islam permit them to do it? Why don't they attack their poor Muslim opponents? I know, they do that too but why so fiercely when the targets are Hindus? Again, because they are weak and the perpetrators' patron protects them from punishment, if and when necessary. Is it not so? Is it impossible to find out the real masterminds behind the attacks on the Hindus? Certainly not. But politics and political consideration make it impossible to bring the culprit to justice and punish them properly so that they never commit such offence in the future. The other day I read about an attack in Northern Bengal. The media also published a photograph of a criminal involved in this crime appearing with a minister the next day as if he knew nothing about the crime. What action was taken against the minister and the goon? We may recall the Ramu violence in September, 2012. Both BNP and AL were involved, but what measures did the government take against the criminals? Did the minority-friendly AL government, as they claim to be so, bring the culprits to justice and give them exemplary punishment so that they would not dare to do commit such a heinous crime again? They arrested 300 people but no proper justice has been done as yet. And if justice is done, it is generally selective, and there lies the problem. If the government, formed by whichever party, takes a solemn vow to take stern action against the culprits and acts sincerely, the attacks may not stop for good but certainly would be reduced. Local leaders and administration can also be active and take proper action against this crime. Most importantly, everyone, from ministers to Union Parishad members, should be given extra responsibilities to ensure communal harmony. Whenever there is a communal problem the Union Parishad chairman, members and the local administration should be held fully responsible. If necessary, stern action should be taken against the community as a whole to protect minorities against attacks. The problem is very inhuman one and only draconian action can tackle it. The question is, can we go for it? The writer lives and works in Lund, Sweden.

CROSSWORD by Thomas Joseph

1 2 3 4 5 6 7 8

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38 39

40 41

12-25

- ACROSS**
- 1 Sources for maple syrup
 - 5 Kite part
 - 9 Lake swimmer
 - 11 "Divine Poems" poet
 - 12 Fashion's Lauren
 - 13 Singer Baker
 - 14 "What a good boy--"
 - 15 Green plastic toys
 - 17 Christmas travelers
 - 19 Colony member
 - 20 Tatter
 - 21 PC Key
 - 22 Egyptian dam site
 - 24 Capp and Pacino
 - 26 Perfect
 - 29 Had dinner
 - 30 Winter creations
 - 32 Laborers
 - 34 Sense of self
 - 35 "A New Deal for Christmas" musical
 - 36 Key
 - 38 Play part
 - 39 Paris river
 - 40 Grazing group
 - 41 Gum masses

- DOWN**
- 1 Manger fill
 - 2 Friend of Porthos
 - 3 Shine
 - 4 Dine late
 - 5 Theater award
 - 6 Zoo resident
 - 7 Meaning
 - 8 Inclined
 - 10 London river
 - 11 Consign to failure
 - 16 Merlot, for one
 - 18 Important times
 - 21 Over again
 - 23 Venus's love
 - 24 Immediately
 - 25 "Camelot" lyricist
 - 27 Activist Bloomer
 - 28 Folk tale
 - 29 Overflowing
 - 30 Hook's helper
 - 31 Staff symbols
 - 33 Compassionate
 - 37 Put in stitches

CRYPTOQUOTE

Q N YK SPKXS OKWOIK XR SUKC WGFUS SW HK, YK UKIO SUKD HKZWDX YUXS SUKC XPK ZXOXHIK WN HKZWDXQE

-- FWKSUK

Saturday's Cryptoquote: ANYONE WHO KEEPS THE ABILITY TO SEE BEAUTY IN EVERY AGE OF LIFE REALLY NEVER GROWS OLD.

-- FRANZ KAFKA

Yesterday's answer

W R E A T H B E T A

I B E R I A A V I D

G I N G E R B R E A D

O R D E R

H A T S L I V E

R O S S S L E I G H

A A H S O S B R A

F R O S T Y W E E D

D E E R L I S T

R O M A N

P L U M P U D D I N G

R E N O G L O R I A

O X E N S E W E L L

A XYDLBAAXR is LONGFELLOW. One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.

HENRY

by Don Tranchte

ANYTHING GOOD ON?
YEAH, WE'RE WATCHING "ANIMAL PLANET." JOIN US.
GREG? MORT WALKER

BEETLE BAILEY

by Mort Walker

DID MY DOG JUST TALK TO ME?
NAH. BEETLE'S A VENTRILOQUIST.
WOOF

QUOTABLE Quote

Rivers, ponds, lakes and streams -- they all have different names, but they all contain water. Just as religions do -- they all contain truths.

Muhammad Ali

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