

# A tumultuous year for the economy

## Lessons to be learnt from 2017



**BIRU PAKSHAPPAUL**

**H**ISTORY repeats itself, though not fully, but history is the best educator. As we approach 2018, we can take lessons from the economic successes and failures of 2017.

A record growth of 7.23 percent was the biggest achievement for the economy in FY2017. Although global agencies like the IMF, World Bank, and ADB may cast doubt on the figure, it can be ascertained that Bangladesh has entered the zone of seven-plus growth after escaping from an imaginary trap of six-percent growth.

Another success was maintaining moderate inflation at around 5.5 percent. The global oil and commodity prices played a crucial role behind the moderate inflation. Domestic food production has been praiseworthy despite floods and rainfall.

Social benefits, however, were not commendable. Income inequality has definitely increased. The employment situation is no better than before. Okun's Law (named after economist Arthur Okun) claims that an increase in growth causes a decrease in the unemployment rate by around 50 percent of the change in growth. For example, if growth rises from five percent to seven percent, the unemployment rate is most likely to fall from, say, eight percent to seven percent. A two-percentage point change in growth will deliver its 50 percent result on unemployment inversely: a one-percentage point decrease in the unemployment rate.

The Okun mechanism did not work given the reluctance of the private sector to recruit. The employers have started giving excuses of the election a year before the actual event. This is a bad sign. The government should have focused more on development targets instead of paying excessive attention to the election arguments. This is disturbing for investors and entrepreneurs.

Bangladesh's unemployment rate at around 4.5 percent (apparently similar to that of the US) is defective and misleading. Either the ILO has to revise its unemployment definition or Bangladesh should come up with its own definition following the standards of



global practices. The turmoil in the banking sector has also prevented a healthy pace of recruitment in 2017. Investment rose marginally from 29 percent of GDP to slightly over 30 percent in 2017. However, the contribution mainly goes to the public sector that occupies almost seven percent of the 30 percent, making the private sector's contribution slightly over 23 percent.

Private credit has exceeded all expectations in 2017 by hitting a growth rate of almost 19 percent from 15 percent. But that credit growth did not improve the share of private investment in GDP. "Where did the money go?" is a question particularly ripe before the elections which encourages the stashing away of money, money laundering, or injecting money into the black economy. Part of this excessive credit growth might have fuelled the stock market, but that doesn't tell the full story. The stock price index rose by 25 percent in both Dhaka and Chittagong—a hyper growth in capital gain that requires caution for the economy so the ghost of 2010 does not reappear.

2017 was a year of wins for the syndicated business lobbies on all counts. They were successful in blocking the much-vaulted VAT law which should have been implemented at least five years ago. Though fiscal revenue showed a commendable 20-percent

growth, the government still remained weak in building fiscal capacity through reforms such as VAT and direct income taxes. The tax to GDP ratio is still hovering at 10 percent—lowest among the comparable peers. Sanchayapatra made it possible for the government to not borrow from banks.

The loss from not implementing VAT was over-compensated by the ballooning inflow of Sanchayapatra income whose interest burden will be disastrous for future fiscal budgeting. 2017 saw government sale of Sanchayapatra amounting to no less than Tk 70,000 crore—an ever-growing figure which the government celebrated as a sign of the nation's healthier saving habit. It however is a sign of desperate borrowing by the government and is detrimental to the investment spend. The closing year thus gained more fat through savings without burning it through investment.

The remittance growth in 2017 was no less than negative 10 percent, although the unofficial channels have remained strong since the incentives through the informal channels were dull and inadequate. Export growth in 2017 posted about five percent growth, but import growth would be four times larger—hinting at money laundering through improper invoicing. The growth of imports, particularly those of capital machinery, remained surprisingly buoyant. The fall in remittances has

added salt to injury of the current account balance that has turned into a negative figure of USD 3 billion from a positive figure of USD 4 billion in 2016.

The capital and financial accounts, being positive, cushioned against the collapse in the current account to ultimately make the overall balance of payment positive. But the amount has dropped taking a toll on the growth of foreign currency reserves that remained at about USD 33 billion—almost the same as one year ago. As a result, the value of tax fell, but that fall was not enough to stimulate exports and remittances so that the current account would come back to a manageable negative number—from one to two billion dollars given the size of the economy.

Multiple wrongdoings in the banking sector sadly surfaced in 2017. Major decisions such as grant of licenses to new banks and extended family-based directorship were imposed on the central bank which ended up looking helpless and confused. The central bank however took numerous actions against some irregularities never seen in 2016. Default loans rose steadily reflecting poor governance in the financial sector that will surely impinge on economic growth in 2018.

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## Chittagong port operations a mess!

### Emergency relief stuck for six months

**I**t is ludicrous to think that a container carrying relief materials donated by a friendly nation for the victims of Cyclone Mora has been lying at Chittagong port since May of this year. The donations from the Indian navy contained 41 types of medicine and 70 types of other materials including packed food and soup tents, among other things, that could have come very handy for the cyclone victims had the shipment been delivered on time.

We are at a loss for words as to the blame game being traded between the Customs House, the Department of Disaster Management and Relief, the Chittagong District Administration, the High Commission and the G&F agent for the failure to expedite clearance for these essential items. The container was duly handed over, the usual paperwork filed and the appointment of a C&F agent done. Then why did it take the agent three months to ask customs for a registration number? Apparently, the agent had asked for necessary paperwork from DDM which was not forthcoming. The DDM placed the blame on the donor and this passing on the buck from one agency to another went on for months, while we forgot all about Cyclone Mora and the victims.

We were under the impression that when it came to national emergencies like a cyclone, the wheels of government would move a little faster. We were wrong. Indeed, from what has been printed in this paper on December 23, no agency, neither domestic nor foreign, is willing to take responsibility for the mess. If this is going to be our response to emergencies, it would not come as a total surprise to foreign donors who are sending relief materials our way next time a big calamity hits Bangladesh.

## Protecting expatriate women workers

### Their rights and dignity come first

**A**CCORDING to a recent report by IUN Women and the International Organization for Migration, hundreds of thousands of South Asian women migrant workers in the Middle East have signed employment contracts that they do not understand or which do not protect them against discrimination and abuse. The findings do not surprise us.

Middle Eastern countries have a well-documented history of exploitation. As organizations for international human rights organisations have routinely criticised them for not taking adequate protective measures to shield migrant labour. For women workers, the situation is even more daunting.

Nearly a year ago, Human Rights Watch revealed that female domestic workers from Bangladesh received some of the lowest wages in the Middle East. Additionally, hundreds of female Bangladesh workers endured physical and sexual assault and subsequently were forced to return home.

Many female workers agree to go to the Middle East having been assured of a secure future, only to have these promises broken later. As a result, they face a host of issues about their employment terms, salary, rights, etc. South Asian women workers are highly susceptible to exploitation.

It is the duty of both sending and receiving countries to make sure a worker gives consent to her employment terms only after having understood them. As host countries, we need to do more to address the issues faced by women migrant workers in countries like Indonesia stopped sending their female workers to the Middle East. Unless specific terms are negotiated to protect the rights and dignity of our female workers, Bangladesh government should follow suit. We cannot trade human dignity, wellbeing and rights for money.

# Safe migration, not leaky boats

## Global mobility is denied to the majority trapped in hopelessly bad economic or conflict circumstances



**WILLIAM LACY SWING**

Secretary General Antonio Guterres, in September 2017.

With a memorable turn of phrase, he captured what is perhaps one of the overriding challenges facing the world today. While we live at a time when a privileged elite considers global mobility virtually its birthright, it is denied to the

borders. That was then.

Today, the world's greatest leveler, the smartphone—which now is in the hands of more than two billion across the world—continues to change all that. In less than a decade smartphones have provided many outsiders with intimate knowledge of heretofore "elite" goings-on.

What's happening is that two coexisting, if starkly diverging, realities are clashing on the same planet, turning the hitherto somnolent politics of many countries unpredictable and indeed volatile.

On the one hand, freedom of movement is virtually guaranteed for a privileged and surprisingly broad global citizenry, for whom it has become natural to move safely, freely and

the gate, checking Facebook feeds and instant messages as they go. And above all they move in a regular way, their passports (and visas) in hand.

So why, one might ask, has migration become such a toxic issue, leading the news headlines and providing fuel for political populism?

Part of it may well lie in our brushing over the challenges of integration and being too quick to judge popular hostility towards migration as irrational or worse. Politicians ignore the values people adhere to at their peril.

Equally, if uninterrupted, global mass movements of people are seen to be orderly, normal and beneficial for all that they do not draw comment, we will need to figure out how to cope with the

to climb aboard the "leaky boats" referred to by the secretary general. Pushed by lack of economic opportunity and exacerbated by climate change, they too are vulnerable to the siren song of social media. That's where smuggling networks, human traffickers and modern-day enslavers ply their trade these days with complete impunity.

These cruel deceptions go unchecked, as the social media giants chase new markets in the global south.

This is the type of migration that we see on the news and that at its worst has led to the shocking reality—first revealed by IOM—of African migrants being sold as slaves and indentured servants. As population growth and economic failure drive migrants to throw caution to the wind and leave their homes, the inevitable result is populism at the receiving end where communities are also struggling with unemployment and identity issues.

This is why I place so much hope in the Global Compact on Migration, due to be signed at the end of 2018. It's being negotiated under the auspices of the United Nations and aims to cover international migration in a comprehensive manner. The first inter-governmental agreement of its kind, it crucially will not intrude on nation state sovereignty and will not be legally binding, probably just as well given the tinderbox nature of the subject matter.

There is a great deal of existing common ground and it hinges on the understanding that migration isn't so much a problem to be solved as a reality to be managed. If we stop to think about the strict and mandatory rules which enable over eight million flights per year that enable the equivalent of 44 percent of the world's population to take off and land safely, it should be possible to find some common rules in order to allow many more to travel, migrate and return home freely and safely. We need to offer hope to those facing economic despair, to provide legal pathways for more migrants or circular migration options for those who wish to work and return home. Because if we don't come up with solutions the smugglers will do it for us, at great cost to human life and to the fabric of our societies.

William Lacy Swing is the director general of International Organization for Migration (IOM).  
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Shipwreck of an overcrowded boat of migrants off the Libyan coast last year. Hundreds were rescued and at least five people died.

PHOTO: AFP

## LETTERS TO THE EDITOR

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### A serious threat to education

Question paper leaks have become a serious issue in the country. Earlier, the leaks were mainly of SSC, HSC and BCS. Now, even class 1 papers are not spared. This shocking phenomenon has engulfed the entire nation. Nowadays, education is marks-centric. It is no longer about grooming the pupils for intellectual growth. Both parents and teachers are to blame for this malice. Parents are more concerned about marks and teachers do not play their due role to curb this disease. If this trend continues, we as a nation will not be able to fully prosper and flourish. And perhaps the scariest thing is that the intellectual crippling of an entire generation is not as far as we thought.

Ehsan Nuzhat Rifa, Barishala, Dhaka

### Who is to blame for stampedes?

Deaths from stampedes are not a new phenomenon in our country. The police records these deaths as "unnatural". No one feels an urge or need to consider these incidents as a crime or, at least, an act of negligence. Without mismanagement or some sort of negligence on the part of organisers, such tragedies wouldn't occur. Accidents do happen but not all incidents are "accidents". The tendency to treat all such incidents as "unnatural" is unacceptable. I urge the concerned authorities to formulate necessary policies when it comes to holding large public gatherings and investigate any such incidents thoroughly.

Ferdous Kabir Tipu, London

majority trapped in hopelessly bad economic or conflict circumstances.

But something else has changed to bring this self-evident reality into the grinding gears of global politics with often tragic consequences.

**Diverging realities**

Not long ago a sort of insider/outsider code of conduct meant that what the elite got banded mattered to the global poor, who were only dimly aware of the opportunities to reach a better life beyond the confines of their country's

relatively inexpensively around the world. This includes tourists, students, visiting family members, migrant workers from the global south (over two million Filipinos and one million Sri Lankans, etc.) as well as the businesspersons who keep our globalised world humming.

What we so easily forget in the discourse about migration is that millions are travelling in ever greater numbers. They move safely and orderly, passing through security on the way to

majority denied mobility because of circumstances.

**Caution to the wind**

Hundreds of millions who are not part of the growing, truly global labour talent market find themselves outside looking in, onto a world they can only dream of. They face enormous income disparities and hardships and no chance of getting a visa or a work permit.

It comes as no surprise then that vast armies of hopeful young migrants want