The Daily Star
FOUNDER EDITOR: LATE S. M. ALI

Why this relentless assault on BNP?

Govt must respect its freedom of assembly, stop creating obstacles

We express our deep alarm at the tragic death of a BNP activist during a clash between police and BNP on Wednesday afternoon. We are not fully convinced that this could not have been avoided. From the toughening of its stance in recent times, it has become apparent that the government doesn't want to grant BNP its rights as a legitimate political party, as evidenced by stringent conditions placed on its choice of venue, restrictions on transport, mass arrests of BNP men, etc. At the Naya Paltan incident on Wednesday, according to witnesses, law enforcers fired teargas shells and short gun pellets to disperse BNP activists, who retaliated with brick chips. One person died while over 50 were reportedly injured. Over 300 men were allegedly picked up by law enforcers, including BNP Senior Joint Secretary General Rahul Kabir Rizvi.

The repeated promises – or rather threats – of "khela hobe" (bring it on!) by prominent AL leaders have now become all the more ominous, with state apparatuses being used to methodically unlevel the playing field.

We cannot deny that BNP's movements in the past were occasionally marred by violence, but the rallies held in recent months have been mostly peaceful. Whatever violence we have witnessed was reportedly orchestrated or instigated by AL men to intimidate the opposition and impede the success of their mobilisations. Law enforcement agencies have played a rather partisan role during the whole period, acting as an extension of the ruling party, both in how they handled the protests and how they dealt with subsequent legal actions. Now, they are being used to pick up thousands of BNP supporters on flimsy grounds – including senior leaders, activists, their family members, field-level organisers and even drivers or assistants. At least 1,319 people were arrested on various charges across the country on Monday alone, under the pretext of a 15-day "special drive" ahead of Victory Day.

BNP has long claimed that "ghost" cases – filed, as per its estimate, against 6,723 leaders and activists of the party and 15,050 unnamed people between August and November – are ploys by the government to suppress its movement. An investigation into some of the cases has revealed serious discrepancies in the claims made by complainants and witnesses, lending credence to BNP's contention. Take, for instance, a recent case against a BNP activist who hasn't even been in the country for the last eight months, or another where three witnesses named by the police said they were coerced into signing statements naming BNP activists.

All these confirm that the ruling party is not living up to its commitment to help create a level playing field for the sake of free and fair elections. It has refused to respect the opposition's constitutional rights and created the perfect conditions for a violent eruption in the coming days, putting the safety of citizens at risk. This must stop. We urge the government to allow the opposition to exercise their freedom of assembly and relieve the citizens of this country, particularly this city, of having to live through a war zone and a needless bloodbath in the coming days.

Fix our current account deficit

Reevaluating economic policies and practices is the need of the hour

It is disheartening to know that Bangladesh's current account deficit has been increasing at an alarming rate amid ongoing economic uncertainties. As a report by *The Daily Star* reveals, quoting data from Bangladesh Bank, the current account deficit for 2022 stood at USD 4.5 billion by the end of October. While 2021 recorded a lower deficit of USD 3.83 billion during the same period, it was still concerning given that, in 2020, our current account recorded a surplus of USD 4.05 billion. As predicted by the IMF Global Economic Outlook Report in early October, the present dipping trend may continue until at least 2027. Worse still, the deficit is also having a negative effect on our dwindling foreign exchange reserve.

The fact that our imports have continued to rise in recent months – despite banks limiting the opening of letters of credit (LC), restrictions placed on import of non-essential goods, and an overall shaky business atmosphere (which makes imports of capital machinery unlikely) – indicates that money continues to be laundered out of the country. As per a report by the Global Financial Integrity (GFI), Bangladesh lost approximately USD 8.27 billion on average annually between 2009 and 2018 because of over- and under-invoicing of import-export goods by traders. Though such trends have persisted for long, allowing businesses to evade taxes and launder money abroad, the central bank has apparently become aware of them only recently. It points to the dire lack of monitoring, causing enormous damage to the economy.

It is because of such regulatory failures that huge amounts of money have also been disappearing from our banks, as highlighted by some recent cases of financial scams and wilfully defaulted loans. It is disappointing that the authorities are yet to take effective action to address this issue, despite some of the biggest loan defaulters being well-known, as media reports suggest. Instead, the central bank and the finance ministry have time and again relaxed rules and regulations, encouraging potential scammers to exploit the banking sector.

Reportedly, one important contributor to the current account deficit is remittance inflow not being proportionate with worker outflow. Remittance inflow rose by only 2.03 percent between July and October despite 7.84 lakh job-seekers having left the country between January and August. To encourage remittance inflow through official channels, it is important that the authorities allow taka's value to be determined by the market, as the current fixed exchange rate system makes it so that unofficial channels such as hundi are more profitable for those sending money home.

We urge the authorities to take effective action against all possible contributors to our current account deficit. They should identify goods and services that could bolster our export basket, increase monitoring to prevent money laundering through incorrect invoicing, and review existing policies to identify loopholes preventing our current account balance from rising.

Please spare us your 'khela'

STRATEGICALLY SPEAKING

Brig Gen Shahedul Anam Khan, ndc, psc (retd) is a former associate editor of The Daily Star.

SHAHEDUL ANAM KHAN

Anew parlance, "*khela*," has been added to the political dictionary by the ruling party and is being regularly used as political jargon. The English equivalent of the word would be "sports," but because of the manner in which the word is being expressed by the Awami League, the word "game" perhaps expresses more volubly the true meaning of the word "*khela*." And the word conjures up in one's mind something creepy, something unscrupulous and unfair. And if one were to adduce some sinister intent in that word, would one be much wrong?

We do not know what exactly the Awami League general secretary means when he warns the BNP and advises his cadres to gird for *khela* on December 10. People are perplexed and even worried that the *khela* of December 10 may be portentous of bad things. The Awami League threatens the BNP with dire consequences if it crosses the line on December 10, while the BNP accuses the ruling party of provocation and instigation. We may have seen a preview of that yesterday. A clash broke out between BNP members and the police, in which at least one person was killed and 30 more injured in the clash (as of 7pm), and the party claimed that at least 200 of its members including top leaders Ruhul Kabir Rizvi, Shahiduddin Chowdhury Annie and Amanullah Aman were arrested.

The general public are least interested in the so-called game, or its rule, or that it would be played out on a political turf that remains heavily uneven.

FILE PHOTO: RAJIB RAIHAN

The issue of the site of the December 10 meeting has not been fixed, and the BNP sees a "game" here too that the government wants to play.

However, the general public are least interested in the so-called game, or its rule, or that it would be played out on political turf that remains heavily uneven and heavily in favour of the ruling party. But the game already started long before December 10; it started from the very day the opposition parties sought to exercise their political right by organising rallies and meetings.

The first game is that of keeping the public transports off the roads and rivers. The fact that the transport owners as well as the leaders of transport workers of all definitions are a cabal under the ruling party umbrella, such anti-people steps are easily implemented. The puerile excuses that were offered to justify the transport strikes did not wash with the public, and it was not difficult for anyone to see through the disingenuous tactic that was deployed to impede the gathering and spoil the BNP meetings. Strikes were called in Khulna, Mymensingh, Barishal, Rangpur, Sylhet and Moulvibazar, Rajshahi etc, starting a couple of days before the scheduled meetings – in some places, for an indefinite period. But interestingly, those were called off soon after the BNP meetings ended. Does one need any more examples of the gross malintent behind such a scheme?

But did this ploy succeed? Hardly. On the contrary, reportedly such impediments helped to gel the BNP supporters even more strongly together. And what the government failed to understand – and if it did at all, it perhaps couldn't care two hoots for the fact – that such a policy is a two-edged weapon. In fact, not only the BNP supporters, but the Awami League supporters also suffer from the same distress that is intended for the opposition.

The spectre of conditional politics is not new either. It would be of benefit to the readers to jog our memory. Nothing has changed in the last 10 years. Please recall the events related to the BNP rally on January 5, 2016 and March 2012, where six and eleven conditions, respectively (and 19 directives to boot), were imposed on the BNP to fulfil before it could hold the meetings.

And we are constrained to repeat what we said in 2016 in these very columns that when a political programme is subjected to restrictive provisos, admittedly for the sake of law and order and public safety, it does not say much about politics or our polity and even less about democracy. That a security agency of the government should remain the sole authority to determine where, when and how a political party should organise its programme is indicative of the deep malaise in our system. May we ask if the DMP imposes the same conditions when the ruling party or any of its appendages organise meetings or rallies in Dhaka city?

Another intimidating game that the ruling party plays is going after the opposition leadership, picking them up on flimsy, concocted offences, which makes the law enforcement agencies a laughing stock. The overdrive of the law enforcement agencies targeting BNP cadres is not surprising either. In one case, one who has been out of the country for nearly a year has been framed in the charge sheet. And the police have found this particular time propitious now to revive the arson case of 2018 against BNP men.

But it is not the first time such ploys have been used to obstruct the opposition's political programmes. Ever since the Awami League came to power in 2009, this very tactic was applied as a tool to prevent the BNP from exercising its political rights – a thoroughly anti-constitutional act.

Given that such a policy is being enforced by the ruling party, utilising the agencies during the run-up to the election, which is only a year away from now, such actions can hardly breed confidence in the administration under the Awami League to remain impartial and conduct a fair election.

Resolving liquidity crunch in our financial sector

Dr Mizanur Rahman is a commissioner of Bangladesh Securities and Exchange Commission (BSEC). Views expressed in this article are those of the author and not of the commission.

MIZANUR RAHMAN

Liquidity crunch has been one of the myriad issues our banks and financial institutions have been facing for a while. The emerging problem is fundamentally economic, but the role of weak regulatory oversight is also insurmountable in this scenario. Policymakers are nevertheless in denial, which is no prudential macroeconomic management. A persistent liquidity problem may not only translate into solvency problems for many, but it may also create fear in the minds of economic agents and produce contagion risks in the overall financial market.

Bangladesh Bank has been selling foreign exchange reserves since September 2021 in order to finance persistent current account deficits, and hence unfavourable balance of payments (BOP). The volume of gross forex reserves declined from the record USD 48 billion in August 2021 to less than USD 35 billion in October 2022. This fast depletion is occurring amid a worsening disequilibrium in the money market and multiple exchange rates in the forex market. In other words, the central bank is targeting interest rate and nominal exchange rate(s) in an environment of too many uncertainties. We see twin unsustainable outcomes as a consequence.

First, a liquidity crunch is deepening in our financial system because the taka liquidity is mopped up by the central bank whenever it is selling forex reserves in the open market. As the nominal exchange rate of the taka against the US dollar is still considered to be overvalued, the excess demand for forex reserves is increasing, which calls for further depletion of the central bank's reserves, which will in turn cause further liquidity crunch. The government is putting disproportionate focus on controlling its expenditures, but that's only one source of demand for forex. The other drivers are household consumption and investments by firms, both of which are functions of interest rates, among others. With interest rates still capped, the only way to control the larger part of import demand, and so the demand for forex, is to place border barriers (quota and tariff, for example) and other administrative guidance. It is a self-defeating strategy, in my opinion, and it doesn't work in times of crisis.

Second, the aggregate price level has been rising fast since July 2021, mostly because of global supply chain breakdowns, rising prices of energy and other primary commodities (fuelled by the Russian invasion of Ukraine), and resurgent aggregate demand as the economy reopened after the pandemic. Now, a rising price level means more demand for nominal money balance in order to transact into even the same volume of goods and services. This means that the supply of real money balance has contracted faster over the past 12 months.

These two unintended outcomes are causing the liquidity crunch in our financial sector. The role of weak regulatory oversight and lack of governance are possibly the other major reasons. We have long observed that the asset quality of banks and financial institutions has deteriorated over the years. The rising volume of non-performing loans (NPLs) implies declining operating cash flows for the banks and financial institutions.

So how can the Bangladesh Bank resolve this liquidity crunch?

Firstly, the central bank shall be required to inject new liquidity, primarily through the repo market, into the financial system. If this class of assets turn out to be short of supply, the central bank may consider buying the next best class of financial instruments, such as bank bonds and of course at fair prices. A downside risk of this is that inflation will further accelerate, but the short-term priority is to avert a worsening liquidity crisis.

We have long observed that the asset quality of banks and financial institutions has deteriorated over the years. The rising volume of non-performing loans (NPLs) implies declining operating cash flows for the banks and financial institutions.

Secondly, in the parlance of money market equilibrium, the double decline of real money balance will demand a rapidly rising interest rate in order to clear the market. Here comes the destabilising role of fixed interest rates. Note that the Bangladesh Bank kept lending rates fixed at nine percent, when the equilibrium interest rate would be anything in the double-digit. So the policy solution is that the central bank lets interest rates be freely determined in the money market. This will work like a bypass surgery for a man under cardiac arrest. The reset of interest rates will allow banks and financial institutions to fairly price loans and credits and slow down demand for private sector credit. The money market will settle into fundamental equilibrium. This leads to the foreign exchange market.

The money market is intertwined with the forex market. An equilibrium in the money market, and so rising interest rates, will depress credit demand throughout the economy and so improve current account deficits. The BOP imbalance will also likely improve unless unsustainable payment obligations emerge on account of external indebtedness of private sector corporations. Private sector corporations which have borrowed from foreign lenders without hedging may also be forced to restructure their payment terms. But the best way to discipline the unscrupulous private sector borrowers of foreign currency loans is to subject them to fair-valued, not artificially overvalued, exchange rates of the taka. The biggest roadblock to external account stability is that the central bank is still living with an overvalued taka. The fact that the taka has depreciated 25 percent against the US dollar is no guarantee that the taka is fairly valued.

The IMF's BOP support will also ease the burden in the short to medium terms. I am sure that the government will explore new long-term loans from bilateral and multilateral development partners. Note that the aggregate external indebtedness is still below 25 percent of the latest measure of GDP. But the acid test for the government as well as the central bank is to crack down on trade-based money laundering.

In this complex scenario, restoring equilibrium in both money market and forex market should be the central bank's singular goal. The only way to interest rates and exchange rates to freely adjust until market equilibrium is reached. It will stabilise forex reserves via changes in the supply and demand for foreign exchanges in the immediate term.

The Daily Star
Reg. No. DA 781
thedailystar.net
bangla.thedailystar.net/
EDITOR & PUBLISHER: Mahfuz Anam
Printed by him on behalf of Mediaworld Ltd at Transcraft Ltd, 229, Tejgaon Industrial Area, editor@thedailystar.net
Registered & Head Offices: The Daily Star Centre
64-65 Kazi Nazrul Islam Avenue, Dhaka-1215
Phone: 09610222222
Newsroom: Fax- 58156306
reporting@thedailystar.net
Advertisement: 01711623910
advertisement@thedailystar.net
GPO Box: 3257
Subscription:
01711623906