Bangladesh budget heaps on more burdens as poverty grows

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9 July 1999

Finance Minister Shah Kibria has presented the Bangladesh budget for the fiscal year ending June 2000, which will heap more burdens on the masses.

The US$6.86 billion dollar budget had a revenue target of only US$4.83 billion. To fill the gap, the finance minister proposed taxes on hotels, restaurants, bank savings, cigarettes, clinics, hospitals, and the manufacture of bricks. These taxes will increase the prices of consumer goods and services directly and indirectly. But foreign and local business will receive more concessions and incentives.

"The new budget will bring momentum in the economy as it contains proposals for giving incentives for the manufacturing and export sector," said Kibria. He cited allocation of US$112 million for export subsidies and financial assistance to this sector. To modernize agriculture through big capital investments, the government withdrew customs duties on tractor and power tiller imports.

For a few years after the fall of military rule in Bangladesh, the defence budget went down. But in recent years military expenditure has been escalated. For the fiscal year 1998-99 it rose to US$536 million—an increase of 18 percent—and the new budget has increased it by a further 17.6 percent to US$630 million.

The increased defence expenditure reflects the growing political tensions in the country. The government launched a massive crackdown to suppress underground guerrilla groups and to terrorize poor peasants in rural areas. And the rivalry of the opposing political parties is worsening.

To exploit the mass discontent against the deteriorating social conditions, opposition alliance led by the Bangladesh National Party called a general strike on June 13 against the budget. Because of the strike, major workplaces, markets and schools were shut and a few vehicles were seen in Dhaka, the capital city. Five thousand police and paramilitary forces were deployed to maintain "law and order". In some parts of the capital pro- and anti-government marches could be seen.

But businessmen again demanded that the government and opposition leaders negotiate to end further disruptions, warning that "strikes will spell disaster". The opposition parties have no alternative policies to those of the government of Prime Minister Sheik Hasina, but the various cliques of the bourgeoisie are in a battle to establish their own dominance over the economy. At the same time the continuous agitation of the opposition has served to exhaust the popular anger against the dire social conditions, diverting attentions from the main issues.

The policies demanded by the IMF and World Bank, of opening the economy to international capital, have destroyed jobs and living standards while the transnationals and the local bourgeoisie reaped the advantage.

A speech of the Finance Minister to a seminar organized by the Bangladesh Privatization Board and the World Bank in Dhaka on May 12 revealed how businessmen grabbed state enterprises under privatization. "Many of them took advantages of the loan system and adopted tricks to stop repayments," he said. "They have enjoyed many units virtually free of cost, just paying 15 to 25 percent" (*The Independent,* May 13, 1999).

At the same time, he emphasized the "need" to carry out privatization ruthlessly, without any concern about jobs and living standards of workers. "We can't permit inefficient units to continue on humanitarian grounds," Kibria said. Statistics given to the seminar indicated losses by state-owned enterprises amounting to US$423 million—equal to 1 percent of the GDP, or 16 percent of the “development program” budget.

Kibria said that the government should not suffer losses to maintain 259,000 jobs at the state-owned units. These figures were shown to justify the privatization. The warning is that hundreds of thousands of jobs will be scrapped in the near future as the state enterprises are sold or closed.

Meanwhile the Bangladesh government has signed agreements with two multinationals to set up power plants, which may cost the country US$225 million. Enron and Ogden will set up power plants and sell power to the Power Development Board at a higher rate than it sell power to consumers, the *Bangladesh Observer* (May 19) reported.

The open economic policy has not reduced the burden of poverty to masses, as suggested by the IMF. A recently released annual report of the Asian Development Bank, *Asian Development—1999* has noted: “Bangladesh's primary challenges will continue to be the progressive reduction of poverty and the improvement of living standards. Slow economic growth during the past decades and rising income inequality are the primary reasons for slow progress in poverty reduction.” The government has set a plan to have 7 percent annual average growth, which is “necessary to make any significant impact on poverty.” But to achieve this rate, the report noted, Bangladesh does not have enough “higher savings and investments”. Any increases in growth rates did not alleviate the poverty in Bangladesh or any other countries, but increased the poverty and income inequality of the poor masses.

As a remedy to increase investments, the report notes the necessity to attract more foreign direct investment (FDI). One such area for large-scale FDI is to set up plants to exploit gas reserves. But the report itself admits, “developing the gas industry may put a strain on the balance of payments, because a significant portion of profits may be repatriated to the investing countries . . . and because development of industries will require extensive imports.” But the government needs to ensure “that investors earn a sufficient rate of return on the project”. This is how the drawing of profits by the multinationals goes on.

Poverty has become a weapon in the hands of the bourgeoisie, which sells cheap labor to transnational corporations. “Bangladesh has a comparative advantage in its cost of labor, which is one of the lowest in Asia,” the ADB report notes.

Bangladesh was able to have a 16.8 percent export growth in 1998, almost entirely from the garment and knitwear sectors, because of the country's low labor costs. However the world crisis will have a large impact on Bangladesh in 1999. According to the estimates of the ADB, based on IMF sources, Bangladesh's GDP growth rate will dip to 3.6 percent in 1999 from the 5.7 percent rate of 1998.