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EquityBd Campaign Brief

Equity and Justice Working Group

Owe Climate, Cancel Bangladesh Debt: Reparation and Justice Now

Bangladesh: striving promising in poverty reduction

Bangladesh is one of the poorest countries in the world. It has the highest population density, 1100 per square kilometer, where 800 are in the below poverty level. Although it has achieved promising progress in maternal and ante-natal health cares but still there have world highest maternal mortality (380 per 100000) and infant mortality (74 per 1000). Bangladesh has already gained gender parity in primary school enrolment. Per capita income is \$ 499; one of the lowest among the least developed countries. Annual rate of poverty reduction is 1%. Therefore halving the acute poverty as targeted in the Millennium Development Goal 1 (MDGs) Bangladesh would require till 2028.

Present crisis would fallback in MDGs and would lead Bangladesh to debt disaster by 2015

Country's present economic crisis, especially inflations, which has caused mainly due of global food and fuel crisis already increased level of poverty. Additional 2.5 million families became extreme poor. Review of national budget 2008-09 indicates that, reduced level of development budget (4 percent less than the last year), high level of revenue expenditure (25 percent above than the last year), increased amount of domestic and external debt (17.3 percent of revenue budget), increased dependency on foreign aid (65 percent; highest in last five years), increased amount of subsidy and safety net budget (34 percent of total budget) and reduced level of allocation in health and education sector (respectively 15 percent and 21 percent less than the last year) will not be supportive creating more employment and human resource development which is an indispensable need for poverty eradication. Thus economy is turning more toward macro stability rather than addressing human poverty.

If this situation continues then certainly there will be fall back in MDG indicators and there will be around 40 percent debt servicing in revenue budget and total per capita external and internal debt will be respectively \$ 250 and \$ 140 by 2015.

Climate catastrophes will compound the problems: big carbon emitters are responsible

Bangladesh is already suffering out of climate catastrophes for which the country is responsible in no way. One American emits annually 19.6 tons of carbon, one Indian 1.1 tons, one Brazilian 1.8 tons, one Chinese 3.9 tons, one South African 7.0 tons, while a Bangladeshi emit only 0.2 tons but, ironically, the poor Bangladeshis' has to suffer to compensate the life styles of the population of developed and advance developing countries. Cyclone and flood frequencies has increased four fold, but recovery and reconstruction efforts are very little, what has developed i.e. being gained it is being lost again, e.g. Cyclone SIDR in November 2007, caused death of 4000 lives and asset loss of \$ 3.5 billions (according to the joint estimation from donors) but so far government has received only \$ 400 millions foreign assistance for losses. If the recovery is little in comparison to the level and intensity of damages then it would be unimaginable. World Bank forecasted that one third of Bangladesh will be submerged by 2050 and 22 million people will be displaced and will become environmental refugees.

Bangladesh government has to manage the crisis amidst the situation of shrinking foreign assistance (it is found that foreign assistance has reduced 33 percent in 2006 compared to the level of 1999) and the country's national budget also indicated that the country has little money left out for development programs rather than managing statuesque.

Putting people, development and government in hostage: new tactics of the neo-liberals to pave the passage for MNCs and IFIs.

As we see the present economic condition of Bangladesh, especially at the national budget 2008-09, it is characterized with low development but high revenue expenditure, increased amount of debt service but little in human resource development. This is a signal to the government and the politicians by the international financial institutions (IFI) that "if you want development, you have to bow to my conditionality and then you will be able to get loans". And in Bangladesh IFIs is doing it deliberately as they want to do it

for multinational companies who are in waiting for exploiting natural resources since long time, and there are strong civil society movement against them. Asia Energy once failed to start coal mining in Phulbari due to huge public movement and CSO criticism still waiting for government node. Indian conglomerate Tata is waiting for final negotiation with government for agreement of \$ 300 billion investment looking for a guarantee of reduced rated gas supply and coal exploitations. Government has already started bidding process in inviting international companies for exploration of gas and oil in the Bay of Bengal and in the other areas for coal.

Multinational company e.g Occidental, Carin, Naiko and Shell made unequal business deal with government in respect of gas production; they have several corruptions deal and made gas field blow-out. Country's two top political party leaders are under the trial for such cases and very recently government sued Naiko for compensation in local court for a blow out disaster which has happened during 2004-06.

Bangladesh is also a good place for business for other MNCs especially in mobile phone sectors; company like Telenor has been able to repatriate 95 percent of investment by first five years, now it is being denying transferring its share to Grameen Telecom (a local company) which was agreed in earlier memorandum of understanding. More company like Orascom, Warid and Signtel in the field. They are in Bangladesh as Bangladesh has increasing amount of foreign remittance, which has reached annually about \$ 7 billion from \$ 5 billions in 2005. Most of this remittance is coming from the unskilled Bangladeshi labor who is working mainly in Middle East countries. Most of this reserve is being used to meet the import, foreign direct investment and debt servicing bills.

Historical / Ecological debt accumulated 250 years, South paid for industrial development in the North and still it is continuing in neo colonial form.

Bangladesh while it was a part of Indian subcontinent, it was under the British colony for around 250 years (1757 to 1947). During this colonial period resources has been plundered and drained especially to the England. There was a great Bengal famine during 1943, thousands of people died in this part of Indian subcontinent. Renowned economist Amrita Sen showed that during the famine highest amount of revenue had been transferred to

England. Jubilee Netherlands in a study titled "Debt and MDGs in Bangladesh (2007) showed that for each of grant aid \$ 1.00 Bangladesh pays debt servicing of \$ 1.50. In course of time debt servicing is increasing while actual foreign assistance is decreasing; the ratio being increased definitely. During last government the Finance Minister openly admitted the fact; he is worried about the depletion of foreign currency reserve due to the pressure of profit repatriation for foreign companies.

Little hope from USA in DF / QF for LDCs and little agreement on movement in natural person in WTO Doha round discourse, is this leading Bangladesh in a crisis of paying the bills ?

Major portion of foreign currencies comes from export income out of garments industries where USA is the major market. US have already mentioned that, they will give only 97 percent QF / DF (quota free / duty free) access to LDCs (least developed country) products which was agreed in WTO Hong Kong ministerial. If Bangladeshi garments will come under restricted 3 percent then there will be serious blow to this income. Bangladeshi garments are already in stiff competition with other East and South Asian countries. Migration of unskilled labor which is also one of the major sources of foreign remittance, also under threats as still developed countries are not agreed in free movement of natural person for LDCs as said in the GATS Mode 4 of the WTO negotiation. More and more restrictions on the movement of labor and immigrant are coming from the developed countries and also from the Middle East countries too. If the situation remain like these then there will be huge fallback of foreign currency reserve in Bangladesh, which will create new sort of crisis and Bangladesh hardly will be able to pay the import, FDI and debt servicing bills.

MDG a game of false hope and broken promises: Bangladesh has not fallen under the debt cancellation due to debt to export ratio is set by IFIs.

It has already mentioned how Bangladesh achieving promising developments in MDG indicators. MDG goal no. 8 solicits to increase development assistance to the countries in need so that they could achieve MDG goals. The millennium development goal report 2007 of the United Nation showed that ODA was highest in 2005 i.e., it was \$ 108 billions because of US initiatives for debt cancellation to Iraq and Nigeria, amidst these it has not reached up to 0.3 % of GNI (gross national income) of developed countries, although they committed to the UN to give 0.7 percent of their total GNI. The report also reported that the ODA has declined in 2006 (5.1 percent less from 2005) and apprehended that it will continue to be so in 2007 and in future. If the developed countries fulfill their commitment then the ODA will be fourfold high. It should be noted that, according to the UN set criteria there were 25 LDCs in 1971 which is now 50. LDCs contribution in global trade even worsening, in 1950 LDCs total export share was 3.0 % and in 2000 it was 0.7 % only.

Thus, in Bangladesh foreign assistance has dropped 33 percent from 1999 level. A study of Jubilee Netherlands showed as per UN Millennium project calculation theory to achieve MDG Bangladesh would require \$ 7.5 billion assistance annually which is four times high from the assistance what at present (annually average \$ 1.5 billions) Bangladesh is getting. Bangladesh has not entitled for the debt cancellation because of debt to export ratio has been set by the IFIs. Jeffery Sacks (2005) mentioned the criteria as arbitrary; he criticized the criteria as it is not lined to MDG achievements. Former UN Secretary General Kofi Aanan, in his report in UN + 5 millennium summit, argued tat the debt cancellation should be linked to MDG achievement. He apprehended that if it is not so happen then there will new overhang of debt to the country like Bangladesh.

International Assistance, 75 % Illegitimate and Odious, so it has to be cancelled

Professor Abul Barakat a renowned economist and the Secretary General of Bangladesh Economic Council showed one of his studies that 25 percent of international assistance goes to the recipient country, 25 percent to the consultants and companies, 25 percent to the rural and urban elites and only 25 percent goes to the poor. So, taking this view we can say that 75 percent of the debts are illegitimate and odious. So, these illegitimate debts have to be cancelled.

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