IMF goes for the kill in Bangladesh

The Fund is imposing new levels of austerity and credit restrictions, with murderous results.

The Finance Mininster of Bangladesh, A. M. A. Muhith, shocked the staid pin-striped crowd in Toronto at the annual conference of the International Monetary Fund Sept. 7 when he reported that "millions of his countrymen will die of undernourishment" but that "bankers do not see dead bodies, they can only understand a loan default."

There is every reason for Finance Minister Muhith to be upset. Bangladesh, once dubbed by Henry Kissinger a "basket case," needs massive investment to build up its infrastructure and break away from the present low-level agriculture and an almost primitive technology. Instead, in the name of fiscal discipline, it has been forced by the IMF to undergo a program of total austerity.

This policy is reflected in the Bangladesh budget for the fiscal year 1982-83 presented early this year by Finance Minister Muhith. Incredibly, the budget is designed to produce a revenue surplus of Taka 730 crores (U.S. $485 million). Muhith has announced that the growth rate for this year is yet to be officially calculated, but is expected to be zero!

The IMF's grip over the Bangladesh economy has been strengthened steadily. "Agencies like the IMF urge us to enter a certain room, but withhold the key," former Finance Minister Dr. Fashiuddin Mahtab told the Bangla press last November. "Washington is, in effect, imposing on Bangladesh policies it has not been able to carry out even at home."

Last year Bangladesh's $285 million budget deficit drew a sharp warning from Washington. "Bangladesh must be made to observe financial discipline for its own good," said a representative of an international aid organization.

The pressure to impose total fiscal austerity in Bangladesh came to a head when the IMF last year froze 580 million out of 800 million SDRs that the Fund had committed to the Bangladesh government to ease its balance-of-payment deficits. So far only 220 million SDRs have been disbursed.

In 1981 Bangladesh was told that the remaining 580 million SDRs would be made available only when Bangladesh could satisfactorily impose spending and credit controls.

Since then, the World Bank's South Asian regional vice-president, David Hopper, has visited Bangladesh and approved its austere budget. Nonetheless, the SDR freeze has not yet been lifted; the IMF is well aware that the budget as it stands now is genocidal, and they want to make sure the Bangladesh leaders stick to their guns when the inevitable popular revolt occurs.

The IMF has forced Bangladeshi leaders to reduce the subsidies on a number of essential items. More than 50 percent of the population subsists below the poverty line. But the 1982-83 budget raises the price of rice by 12 percent and price of wheat by at least 10 percent. Prices of irrigation equipment, fertilizers, and petroleum products have also been raised.

In February, responding to IMF pressure, the Bangladesh National Economic Council drastically reduced the annual development plan (ADP) by $200 million.

Recently an inter-ministerial committee entrusted with the rationalization of the ADP recommended eliminating 365 projects, suspension of 87 more, and reduction of "unnecessary expenditure" connected with another 193 projects. Within Bangladesh it is no secret why this was proposed.

With the continued devolution of the world economy, Bangladesh foreign exchange reserves—which depends heavily on the country's jute products for export earnings—are being drained. Jute products, which account for as much as 64 percent of Bangladesh's total exports, are selling at a much lower price than last year. Even with a 10 percent increase in volume of jute exports last year, earnings were down 34 percent. With this trend continuing, Bangladesh's ability to service a rising foreign debt of about $4.0 billion is vanishing fast.

The nation is on the edge of an economic holocaust. It is this realization perhaps, that is behind the bitterness and distrust conveyed at the September IMF meeting by Muhith, who has been attacked in his country for his docile attitude toward the Fund. "The hardening of Fund conditionalities and the growing number of inoperative programs raise serious doubts," Muhith told the IMF Board of Governors, "about the adequacy of the Fund as an institution entrusted with the management of world monetary affairs."