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The War in Iraq and Economic Implications for Bangladesh

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***The Centre for Policy Dialogue (CPD)**, established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together Ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The expectation of the CPD is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.*

*In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of the CPD include **The Independent Review of Bangladesh's Development (IRBD), Trade Policy Analysis and Multilateral Trading System , Governance and Policy Reforms, Regional Cooperation and Integration, Investment Promotion and Enterprise Development, Agriculture and Rural Development, Ecosystems, Environmental Studies and Social Sectors and Youth Development Programme.** The CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns.*

*As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of the dialogue on **The War in Iraq and Economic Implication for Bangladesh** held on April 10, 2003 at the CIRDAP Auditorium, Dhaka.*

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Dialogue Report on

The War in Iraq and Economic Implications for Bangladesh

THE DIALOGUE

The Centre for Policy Dialogue (CPD) organized a dialogue titled ***The War in Iraq and Economic Implications for Bangladesh*** at the CIRDAP Auditorium, Dhaka, on April 10, 2003. Chaired by *Professor Rehman Sobhan*, Chairman, CPD, the dialogue was attended by a cross section of people, including academics, leading business personnel, NGO activists, Government Officials, Parliament Members, Politicians and Ambassadors. *Dr Debapriya Bhattacharya*, Executive Director, CPD presented the keynote paper on ***Unanticipated Fallouts from an Unjust War: An Early Assessment of Possible Impact of Iraq war on Bangladesh Economy.***

INTRODUCTORY REMARKS

Professor Rehman Sobhan, Chairman, CPD, welcomed the participants of the dialogue and presented a brief resume of the premise and context of the dialogue theme. He said that the issue has been discussed in various forms across the world including Bangladesh and there has not been a single day when there was no meeting or procession or a seminars. He urges that unfortunately there were no formal protests from the government or the government officials. So CPD has taken this initiative of informing the general people about the outcome of the Iraq War and what impact it will have on the Bangladesh Economy.

KEYNOTE PRESENTATION BY DR DEBAPRIYA BHATTACHARYA

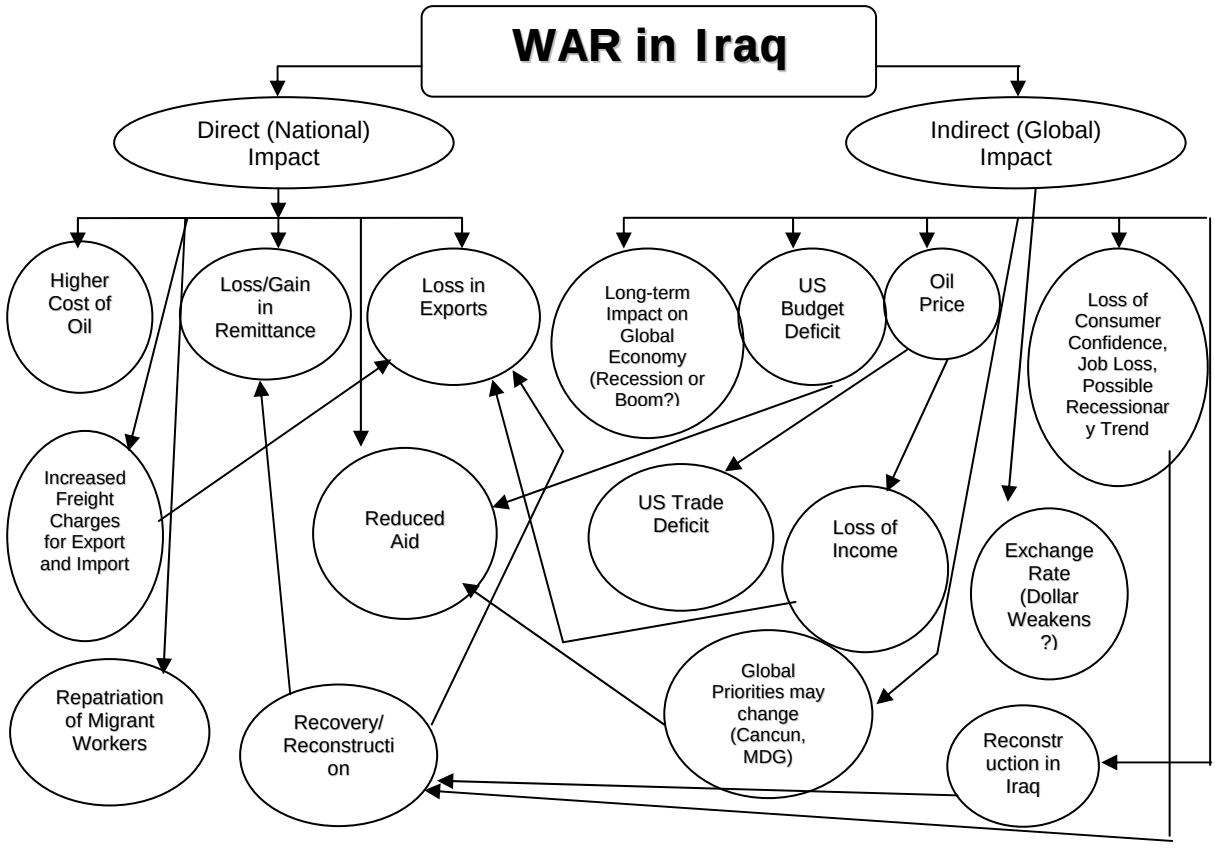
Dr Bhattacharya initiated the presentation by saying that CPD felt both professional and moral compulsion to deal with the issue but decided to keep the focus of discussion on the economic aspects of the War in Iraq. He mentioned that on the issue of impact he would basically try to address the dimensions of the possible impact, the depth of the fallouts and short-term and medium-to-long term effect.

Dr Bhattacharya started off with the current status of Bangladesh economy, which, at this stage is more globalised and sensitive to external factors compared to early 1990s when the first Gulf War took place. Our economy now is more vulnerable to any

external shock than 10 years ago. Currently about 40% of the Bangladesh's GDP is directly related to the global economy, which includes imports and exports, foreign aids, remittances and FDIs. Any major disruption in the external sector is likely to have more impact on the economy, both in terms of extent and severity and thus, the Iraq war generated significant concern among the stakeholders in Bangladesh.

Dr Bhattacharya noted that the impact will depend firstly on the duration of the war and then whether the war will spill over to other countries in the region, how the war will affect the Middle Eastern economy, how the post-war reconstruction is going to be organised and what is the likely impact of war in the global financial and commodity markets because of the change in the regime. Early assessment of the anticipated consequences for Bangladesh economy is necessary since this will have implications to understand the countervailing measures which the economy will have to take and that may have implications for the aid negotiations which are currently going on with the World Bank and IMF. Whatever is the consequence of the war; this may have serious implications over the upcoming policy makings events of global trade negotiations and preparation of Budget for FY2004.

Regarding the impact *Dr Bhattacharya* said that there will be short term impacts which are related to immediate dislocation in the labour market, product market and export market. There will also be medium term impact which will come through post war changes. In this context he discussed the *Direct or National Impact*, and *the Indirect or Global Impact* of the Iraq War.



The speaker presented the above transmission channel to explain these two types of impacts and interaction between the global and national economy. He showed that the direct impact of war will be on higher cost of oil, increased freight charges for export and import, loss in export, remittance, repatriation of migrant workers and reconstruction.

Similarly the indirect or global impact will depend on the nature and behaviour of the United States budget and trade deficit, the biggest two deficits that influence greatly the world economy now a days. There will be loss of the consumer confidence as a result of the war. The impact will depend also on whether the dollar will weaken or strengthen in the near future to influence the market of the various countries and how global priorities are going to change in terms of resource diversion and reallocation under the new paradigm change.

The Cost of Financing the War

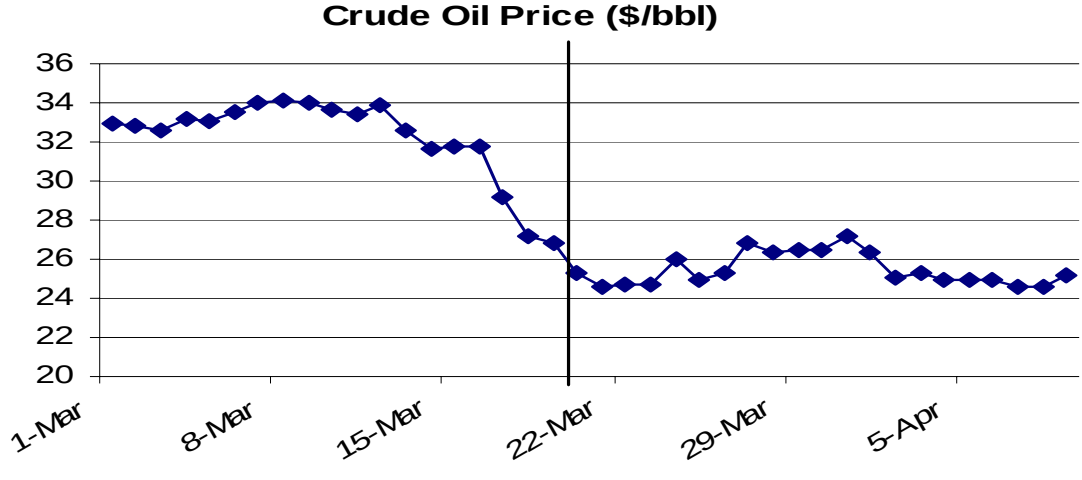
Dr Bhattacharya noted that without understanding the cost of financing this war we cannot tell exactly what will be the after effects in the global market place or how the

US budget will react. As we know that President Bush estimated the cost of war to be around $75 billion and later he asked the congress for $80 billion. Pentagon study shows $55 billion which is .55 percent of Gross National Product (excluding the reconstruction cost). Yale University Study (by William Nordhaus) forecasted the direct cost of war $48 billion - $60 billion (excluding interest) in case of short war, around $140 billion in case of a year long war. The Financial Times forecasted the cost of war between USD 156 billion to USD 755 billion over the next decade. Assuming a certain degree of military difficulty the US Economic Adviser Lawrence Lindsey forecasted the cost of war between USD 100 billion and USD 200 billion. The Oxford Economic Forecast presented 3 scenarios of the cost of the war; $53 billion will be needed in the Benign Case, the Intermediate Case will cost around $90 billion and the Worst Case will cost around $124 billion. If we look at these 3 scenarios more closely our assessment is that the revealed situation is somewhere in between the Benign Case and Intermediate Case. To find the aftershocks of the war we can look at some of the previous wars and their effects which provide us with the information on economic impact of various wars and shocks on the world economy and economy of the countries involved in them. The Korean War experience in 1950 to 1953 was initially positive for both the US and UK, starting with boom, followed by a bust and ultimately the economy recovered. However, the Suez conflict in 1956 did not bring any happy memory for the UK economy, which caused a Sterling crisis and ended up with a mild recession in the UK economy. The prolonged Vietnam War stimulated growth in the US economy, however, the outcome was mixed to due the inflationary pressure. The UK experienced a positive impact on the economy as a result of the Falkland war. The first Gulf War brought a mixed outcome for the US and UK economy. After the 1st and 2nd Oil Shock there was inflation and then a recession in the UK Economy. But American economy experienced a recession followed by a strong recovery in 1993/94. The question is whether the global economy will repeat the same scenario and there will be a recession in the 2003 and a growth in the 2004.

Oil Price

Dr Bhattacharya further noted that the major consequence of the Iraq War will be the oil price. As we know that the oil reserves are the second largest in the world and the production level at present is way below the capacity level, and represents around 2

million barrels per day which is 2 to 2.5 percent of current world oil demand. The recent peak in the oil price was in February 27, 2003, when the price of crude oil went up to high US$ 39.9 per barrel. However, the price of the crude oil on the last day of the war, when the US force captured Baghdad, stood at US$ 25.19 per barrel. Figure shows that the price of oil have a declining trend from the second week of March 2003. The recent oil price scenario explains that the price of oil on March 1 was 33 $/bbl (*please see the graphical presentation below*) and gradually decreasing and on April onwards it well be flatten to a rate of 24/26 $/bbl. This projection of oil price is not based on benign case scenario rather much on the catastrophic situation which has been anticipated. How much value we put on the oil price is going to define what outcome we are going to get in terms of the consequences. Basically, they drew the conclusion from the previous Gulf War, when the price of the oil shoots as high as 90% in the beginning and then falling subsequently. It is understandable that the uprising high price of oil in the near future will give the world a mild Fourth Oil Shock. Oil price rises are likely to change the price of other energy resources such as coal and natural gas. Same mechanism might apply to Bangladesh where there might be a change in the price of Gas.



US Trade Deficit

US Trade Deficit is running one of the largest current account deficits in the world and US trade gap has surged to $44.2 billion in December last accounting about half a million job loss in the months of February and March, 2003. The trade gap stood at $462 billion (4.7% of GDP) in the third quarter of 2002 and is expected to hit 5% mark in the early 2003.

US Budget Deficit

Keeping the budget deficit under control is the most important thing the U.S. could do to limit expansion of the current account deficit. Some economists are forecasting that the U.S. budget deficit could climb to $500 billion this fiscal year, which may put global financial stability at a high risk. So, financing this $500 billion will be one of the major factors in determining the flow of financial resources in the global economy in the coming months.

Inflation

The inflation in the USA, which has been virtually non-existent, jumped by 1.6% in January 2003, its biggest increase in last 13 years, according to figures from the US Labor Department. One other factor that will affect the world economic prospect is how strong the dollar will remain. It is the third most important factor after the oil price and trade & budget deficit in the US economy. Will dollar weaken because of financing the trade deficit and budget deficit in the US economy? Dollar was behind Euro before the war but it was gradually getting stronger. The breakout of the Iraq war made dollar lose it's mounting and it started depreciating. In the coming months how the export prospects and import prices are going to behave will largely depend on whether the dollar is strengthened or weakened.

Impact of US Economy on the Bangladesh Economy

The US is an important development partner of Bangladesh. Bangladesh's export to US accounts for 38.7% of the country's global export of goods. The recessionary state of US economy will impact on Bangladesh's export performance as we know that US is a major source of FDI in Bangladesh (25.2% in FY01 and 22.8% in FY02) and US's share (bilateral) in disbursed aid to Bangladesh is low, less than 3% ($40 million, 2001), but it is a major player in global financial and development institutions. Any immediate slowdown of the US economy is likely to affect Bangladesh through:

- Trade – Stagnancy in export demand
- Aid – Lower disbursement due to diversion of scarce resources
- FDI – Reduced availability as equity risk increases

- Global Support for LDCs – Further weakening of commitment to LDCs causes and market access situation.

The projections might be:

- Mid-term Impact on Global Economy (Recession, Recovery or Boom)
- Growth rate projections for USA, UK and Euro Zone have been toned down by marginal points for 2003, but 2004 may see good recovery. This has been projected considering the facts and figures of the First Gulf War.
- Bangladesh has to brace itself for possible global recessionary trends in the rest of the 2003 and prepare for the expected recovery in 2004. This is possibly one of the strategic approaches that she can take into consideration.

Export Market

The Middle Eastern market accounts for 3.4% of Bangladesh's total exports and 5.3% of the country's total import. Though it seems to be a very low figure but for some specific products Middle East market is very important to us. The Middle Eastern market account for 75% of Bangladesh's Vegetables export, (22%) Jute of Yarn, (30%)Jute of Goods, 30 % of Textile Fabrics, and (10%) of Tea. Export of perishable items, which are mostly exported to the Middle Eastern region, discontinued for a week as a consequence of the war.

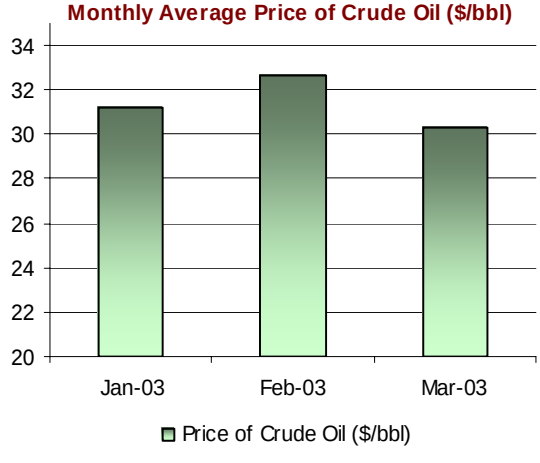
The RMG sector was not affected much in the short run as the major destinations of the supply are Europe and the USA but some orders placed earlier have been deferred. Iraq was one of the major importers of jute and jute products form Bangladesh. Thus, export of the jute and jute products had been hindered immediately before the war and during the war. The war pushed the transaction cost of export up through increase of freight and insurance cost. The cancellation of cargo flights hampered export of perishable items to the region. Bangladesh Biman has withdrawn the facility of subsidized rate for carriage of perishable items to the Gulf region.

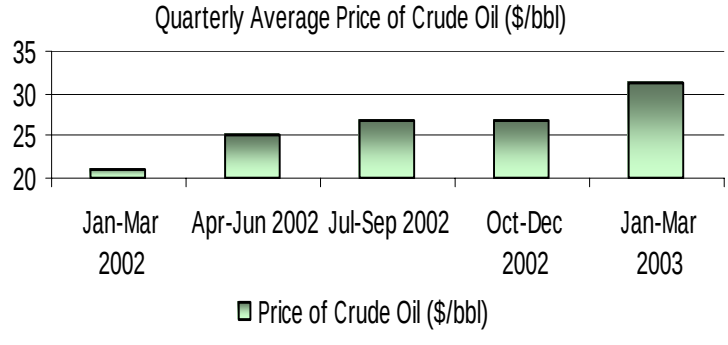
The war in Iraq may disrupt the export in the short run. But such disruption will accentuate the ongoing erosion of competitive strength of Bangladesh's export sector. The export sector is going through a turbulent time, where we are seeing a fall in the unit price of export commodities. We are trying to cover it up with volume of exports; in that

current situation any short term dislocation will create cash flow problems and may lead to stock lot and other problems.

Impact of increase in price of oil

As the Iraq war is likely to influence the world oil price, the national market will be adversely affected. Product price also may increase as the increased oil price is likely to push the production cost hence pressurize our general Consumer Price Index. The situation of our imports is that about 10% of our imports are petroleum and petroleum products and about a quarter of it come from the Middle East. L/Cs opened for imports of petroleum and petroleum products increased by more than 30% (in $ term) during January – February ’03 compared to January – February ’02 and for L/C settlement the increase was more than 38% and accounted for about 9% of total settled L/C. In FY91, share of petroleum and petroleum products in Bangladesh’s total import rose to 10% from 8% (FY90); if the post-Gulf war-I trend repeats itself; Bangladesh may expect an extra import burden of around $170 million on account of these commodities.

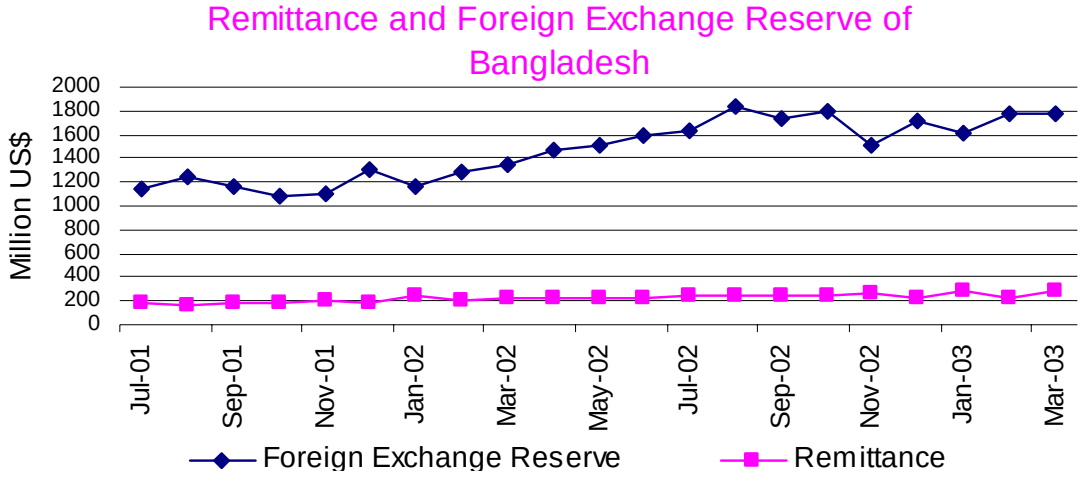




The monthly world average price of crude oil was below US$ 33 in January and February 2003. However, there was a hike in the crude oil price during the last three quarters of 2002 [Figure]. The quarterly average price of crude oil increased from US$ 21. 16 in the first quarter to US$ 26.76 in the third quarter of 2002. The quarterly average price raised further in the first quarter of 2003, to a high of US$ 31.4.

Repatriation of Migrant Workers

The number of Bangladeshi worker in Iraq is very negligible. However, Bangladesh has a large contingent of migrant workers in the neighboring countries of Iraq, such as Kuwait, Qatar, Bahrain and Saudi Arabia. Since the beginning of the war on March 20, a total of about 3000 Bangladeshis have come home from Kuwait and UAE; however, most of them appear to have come home on leave.



Loss/Gain in Remittances

As we all know that remittance from the Middle East has become a crucial component of foreign exchange earnings. In 2002 remittance from Middle East ($1911.5 million or 76.4% of total remittance) was equivalent to 31.9% of export earnings and 22.3% of import payments. Remittance during first 3 months of 2003, $785.9 million, was 12.8% higher than the corresponding period of 2002. The growth rate appears to have slowed down: during the preceding six months (July-December, 2002) the growth rate was 31.1% compared to the corresponding period of the preceding year.

Concluding remarks

Concluding his presentation *Dr Bhattacharya* stated that as the War is played out, the immediate adverse impact on Bangladesh economy, as of today, seems to be limited.
But in the medium term, rise in oil price, increased trade-facilitation charges, possible economic slowdown in the US, UK and Euro Zone countries may aggravate the ongoing vulnerabilities of Bangladesh's export sector. Prospect of participation of Bangladeshi workers in post-war reconstruction activities may get affected because of alleged

discriminatory recruitment practices. The government should also think of policies to put in place mechanisms for up-gradation of skill of the expatriate workers, which might help diversify the destinations of the workers that would help reduce the risk of economic loss due to economic shocks and extraordinary events. The need to pursue moderately expansionary policy through enhanced public expenditure and accelerated domestic credit expansion to the private sector for the rest of the year have become more imperative.

THE DISCUSSION

Subsequent to the keynote presentation, *Professor Sobhan*, Chairman, CPD opened the floor for discussion on issues raised in the keynote papers. *Professor Sobhan* emphasised that the presentations have raised a number of critically important issues and requested the participants to share their experience and wisdom. He hoped that the dialogue would provide important inputs into the policy making process in Bangladesh, especially on the economic end considering the Post Iraq War situation in the Global Economy.

Reason for War and Impact on Oil Price

Dr Atiur Rahman, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS), brought up the issue by pointing out that Dr. Bhattacharya didn't mention why the war started in the first place. He noted that the main theme is the oil in Iraq, arguing that the US Economy is going through a recession for a long time and this oil in Iraq will help to boost the US Economy again.

*Ms Rita Afsa*r, Research Fellow, BIDS supported *Dr Atiur Rahman's* point of view that the paper didn't discuss why US went into this war. She further added that US government will recover the cost of war from the oil rigs.

Mr K. Z. Islam, Managing Director, Nirman also shared the same view. He mentioned that Iraq, Saudi Arabia and Kuwait, the trio controls 60% of the world's total oil reserves. According to him Saudi Arabia extracts 9 million barrels of oil each day with a reserve of 280 billion barrels. Compared to this the US got oil reserves of only 28 billion barrel. US already seem to have Kuwait and Saudi Arabia under control and now they are after Iraq, which has the second largest oil reserve. The US does this for their own

power and energy security. *Mr Islam* also mentioned that US will recover their war cost, which might be around $74 billion, from Iraqi oil wells. He also added that the war will not have any impact on oil price and it will remain stable.

At this point Professor *Rehman Sobhan* raised two issues even though Iraq is the second largest reserves it will not be very easy to extract their output because it will require huge investment to upgrade the quality of oil wells which massively are over the last 10 years. Secondly Iraq was the first country to change the denomination of the currency for its oil transactions from Dollar to Euro which was not that good because it made them pay a heavy price for that decision.

Mr M Zamir, Former Secretary & Ambassador, with his 35 years of experience in the Foreign Ministry put forward his comments by saying that there is no point in worrying about the increase in oil price. He said many other countries wanted to restructure their oil price which was always pushed behind by US oil companies. And also, currently the Iraqi oil wells are extracting 2 million barrels from the rigs and very soon it will rise to 9/10 million per day, so there is no need to panic rather it might happen that the price of oil may decrease. According to *Mr Zamir* this war would not have started if Iraq didn't change its oil price exchange rate from Dollar to Euro in the first place during 1999. The reason was all other countries were thinking of changing the exchange rate of oil to Euro and this would make Dollar unstable which the US government couldn't afford to risk. In the coming months when the interim authority is in place, not the military administration but Iraqi people in the government, a new production sharing contract will be signed regarding oil and energy product in Iraq between the newly formed Iraqi government and major US and British oil companies. The reason being that no matter how much the companies would like to sell oil according to corporate structure and company law, they cannot do it unless there is some sort of agreed arrangements. The production sharing contract will mean inversely that if a company owns a production contract then part of that share will go into their balance book and is reflected in their balance sheet which helps to jack up their prices of stocks and share in the stock exchange. This will help in the stock exchange valuation and devaluation.

Sharing the same view with *Mr Zamir, Dr Masihur Rahman,* former Secretary, ERD stated that the oil price would not rise and would remain fairly stable and if there is an improvement in extraction of oil from Iraqi wells there might be decline in oil price.

Mr Mahbub-Ur Rahman, President, International Chamber of Commerce – Bangladesh (ICC-B) and *Mr Ghulum Rahman*, former Secretary, Ministry of Commerce gave the same opinion that the war is about oil and it's price will remain stable depending on whether it will benefit US or strengthen or weaken OPEC and vise versa.

Impact on Export

Dr Atiur Rahman, BIDS, emphasised that, for Bangladesh to be a part of the global economy, it should have more diverse export sector. He mentioned that if this war goes on for a prolonged period then our export sector might be in jeopardy. In this context he quoted *Dr Debapriya Bhattacharya's* comment on the cancellation of RMG orders. Former State Minister *Mr Abul Hasan Chowdhury*, also suggested diversification of exportable products and emphasised on taking initiative to do so.

Ms Rita Afsar, BIDS, depicted that the war will hamper export quotas, import prices and price index. She further underscored that Bangladesh is now more globalised as *Dr Bhattacharya* pointed out and that brings instability and uncertainty. Therefore to be more integrated with the world economy we should follow long term strategy and our export should be more diversified.

Mr. Matiul Islam, Chairman, Industrial & Infrastructure Finance Co. gave a very different view on this subject. He stated that as we do not have any trade ties with Iraq we need not worry and therefore export sector of Bangladesh will not be hampered by the war. *Mr Mahbub- Ur Rahman* also shared the same view.

Mr. Mushfiqur Rahman, MP, Chairman, Parliamentary Standing Committee on Finance opined that, though we do not have any business ties with Iraq we will still be affected. We are a point of global community and some of the countries will be directly affected by this war and this will affect some other countries with whom we have business ties. It's something like a chain reaction. Once it starts, at one point in time it will affect our economic situation.

In this context *Mr Zinnat Ali Mian*, second Vice President of BGMEA, mentioned that the war has thrown the RMG industry into a very fragile situation. Lots of pre-agreed

contracts have been cancelled and lot more is in the process of cancellation. The government should take necessary steps to deal with the situation.

The Debate on the Flow of Remittance

Mr. K.Z. Islam suggested that government should take active policy regarding the flow of remittance as it is one of our major sources of foreign exchange reserve. In this context he mentioned the fact that a large number of workers were working in Iraq at the time of the First Gulf War and there used to be some difficulties in remitting money. But after this war when US nominates a new government for Iraq, I believe exchange rate will be under control and there will be no difficulties in remitting money. He suggested to send Bangladeshi workers to Iraq for employment.

Dr Masihur Rahman viewed remittance as one of the major issues in our foreign exchange reserve. He mentioned that post war reconstruction in Iraq can help to boost remittance but he assumes that most of our workers are unskilled and the reconstruction work might need skilled labor force. There we may not get such contract.

Dwelling on the subject *Mr. Matiur Rahman* noted that we do not have any workers in Iraq so there is no point in worrying about declining of the flow of remittance. He further added that the information given in the presentation about 3000 people coming back from the Middle East is partially true, because they are only the families of the workers.

Mr Rashed Khan Menon, MP, opined that remittance will be reduced not only from Middle East but also from US as Bangladesh has already been included in the black list of US.

Mr Mushfiqur Rahman, gave completely opposite view. He noted that in March 2003, more than 5000 people went to the Middle Eastern countries which is more than that of previous year's March. And also during the war a lot of people went to the Gulf Region with work permit. Therefore war has not affected the remittance and outflow of labor.

In this context *Mr G M Quader* said that if we can place our people in Iraq and can keep good contacts with the border countries and EU and US then we can have lots of business from these countries. He urged that there is a necessity of a 'best suited to the circumstances' Ambassador in Iraq.

The issue of Foreign Direct Investment

Dr Atiur Rahman observed that at this moment there is an ongoing trend of boycotting US products and as most of our FDIs are from US ventures, it will be very difficult for us to get FDI in near future. He believes that it will be the same scenario in other Muslim countries. *Mr. K.Z. Islam* also agreed with *Dr Rahman* on the issue but he added that this is an in-house problem and unless we concentrate on our infrastructure development. We can not expect foreigners to invest in Bangladesh.

As opposed to *Dr Rahman and Mr Islam*, former State Minister, *Mr. Abul Hasan Chowdhury* believed that there will be tremendous amount of FDI flow in Bangladesh.

Mr G M Quader also agrees that the FDI problem lies in our own territory. When we do not invest in our own country and transfer all our money abroad, why the foreigners will be interested in investing in our country. He suggested that if we could strengthen our infrastructure, and then creates investment opportunity for foreign companies to feel confident to invest here and getting good return on their investment, only then we can expect foreign investments in our country. *Mr Mushfiqur Rahman* agreed with *Mr Quader* and said that we have to formulate policies in such a way that we can attract the foreign investors.

Opportunity and post war reconstruction process

Mr Delwar Hossain, Director, FBCCI urged that the war has put Bangladesh into a unique position and being a non Arab Muslim country it should take this opportunity by taking part in the post war reconstruction work in Iraq as US will need Muslim moderate country especially non Arab Muslim country for their reconstruction process. He mentioned that being politically allied with some of the nations will help Bangladesh to achieve a boost in their economy from this war and these steps should be taken keeping in mind that it will bring welfare to the country's people. He further suggested that every country looks after its own interest and Bangladesh is no different, So she should really grab this opportunity.

Mr Abul Hasan Chowdhury, former State Minister, GOB, also supported the idea of political allies. According to him the world is at such a stage that only lots of allies with strong countries can keep a country safe.

Mr K Z Islam pointed out that India already formed a committee of secretariats to discuss how to benefit from the war and suggested that Bangladesh should take such steps.

Mr Zamir was very practical at this matter. He stated that we have to be selfish in terms of our own economy. We must look at China and learn from them. There is an opportunity a head of us and we should grab that. The war has already started and it is inevitable that US will win this war, so there is no point in sitting back and crying for Iraq. Bestn thing to do will be to take the opportunity of the post war reconstruction work in Iraq and help boosting our economic conditions and hence strengthen our foreign exchange reserve. The government should really look into this matter.

Lt. Col. Faruq Khan, MP, asked the *Expatriates Welfare and Overseas Employment Ministry* to pay attention to this matter of re-instating migrant workers to Iraq for their post war reconstruction. He further mentioned that Bangladesh have lots of workers in the Middle East and anything happening in the Middle East will ultimately have an impact on Bangladesh.

Mr. Rashed Khan Menon, MP, pointed out that we must realize that US is a very powerful nation and for survival we have to be friends with them. Already Bangladesh is in the black list of the US government. If we can take the opportunity and extend our hand to the post war reconstruction work in Iraq then not only will the country be benefited by the foreign exchange in flow but also it will have good ties with the US government.

Mr G M Quader reminded the audience a fact that none pays attention to what weak nations have to say. Though all the people in this country are against the war, the government can't take a negative stand on Iraq issue because after the war the US will look behind and see who were their friends and who were their enemies and being a poor, over populated, mal-nourished country we cannot take the chance of being in the black book of the United States. One may think this as unethical but we have to force ourselves to take part in post war reconstruction in Iraq, just to remain on the safe side. He further added that no one can take a strong stand against the US and still survive. He talked about France, Germany and Russia and how they had shifted their chairs over night.

Mr. Mushfiqur Rahman, MP suggested that there should be a Parliamentary Session on possible impact of the Iraq War in Bangladesh based on some parliamentary work done by the Inter- Ministerial Task Force under the Chairmanship of Minister of Foreign Affairs. As an outcome the parliament will try to adopt some strategies so that we can have the sub-contract for the Post Iraq War reconstruction work. We should also look for our own benefits and try to gain from this war and the post war reconstruction is a good opportunity for us to improve our economic condition and make it more stable. This would also bring more foreign exchange to the country.

Issue of US Budget Deficit

Mr. K.Z. Islam opined that the US will not face any budget deficit as they are going to recover the cost of war from the Iraqi oil rigs. This means the war is not costing them any money, they are fighting with Iraq with their (Iraq's) money. *Mr. Abul Hasan Chowdhury* also agreed with this view.

Mr. G.M. Quader noted that if there is a budget deficit in the US economy then to overcome this, the US government may raise taxes in some sector. But he feels and also agrees with all other colleagues in the dialogue, that the budget deficit will be overcome from the Iraqi oil.

Impact on Political Alliances

Dr Atiur Rahman urged that we need to refocus on SAARC to face the impact of war. In support of the view of *Dr Rahman, Mr Delwar Hossain* he mentioned that we should look at our neighbours and have good political alliance to deal with such situation. *Mr Abul Hasan Chowdhury* also added to this by suggesting that we should reinvent and revalue the SAARC process to take advantage of the situations.

Lt. Col. Faruq Khan, MP showed his deep concern about the Middle East region. He stated that Iraq was balancing the power between Israel and Arab Community. But now as Iraq is falling, Israel will be the sole power in the Gulf region, which may not be a very good situation.

Mr. Mushfiqur Rahman thought it was absolutely right for us to talk against such an unjust war but if the government is involved then it becomes an international issue and

being already in the Black Book of the United States, Bangladesh can not risk it's independence. In this context he mentioned that warning has already been given to Syria, North Korea and Iran. Today US is talking about regime change, imposing rules against Iraq and finally declares war; what if tomorrow India shows the same cause and cut down business ties with us and invades us? We cannot defend ourselves against the power of India. That's why we need a friend like United States who will come to our rescue when we are in need.

CONCLUDING REMARKS BY THE CHAIR

In his concluding remark *Professor Rehman Sobhan,* Chairman, CPD said that the rich discussion that has taken place at this dialogue will provide the government some food for thought. He suggested for the government to take competitive pricing policy in the export sector to grab more business opportunities but at the same time he was suspicious in a sense that other countries might also be preparing to compete in the same way to avail of the opportunity. Who the US will favor may well become the decisive factor. He further noted that this war will change the ownership structure of the oil resources in Iraq. It will lead to a breakdown of the biggest oil company in the Middle East. *Professor Sobhan* concluded with a note "We must always be in good ties with the United States because anytime anywhere this super power can bring a change in our regime if they think that the country is against their interest. So it is best for everyone to be careful for their own security."

List of Participant

(*Alphabetical order*)

Dr Rita Afsar	Research Fellow, Bangladesh Institute of Development Studies
Dr Anwara Begum	Research Fellow, Bangladesh Institute of Development Studies
Mr Ashir M. Chowdhury	Advocate and Consultant, PROSHIKA
Mr Abul Hasan Chowdhury	Former State Minister, Ministry of Foreign Affairs
Ms Rubana Haq	Director, Mohammadi Group
Mr Delwar Hossain	Director, FBCCI
Mr M A Hossain	DC, MOPNE
Mr Matiul Islam	Chairman, Industrial & Infrastructure Finance Co
Mr K Z Islam	Managing Director, Nirman
Dr Mirza Azizul Islam	Former Director, UN-ESCAP
Mr Md Kohinoor Islam	Senior Vice President, Munshigonj Chamber of Commerce & Industry
Mr Alexander Kayrish	Embassy of Russian Federation
Mr M Lutfur Rahman Khan	Director, FBCCI
Lt Col Mohammed Faruk Khan psc (Rtd), MP	Chairman, SUMMIT Properties and Construction Company Pvt. Ltd
Mr Rashed Khan Menon	President, Workers' Party
Mr Jinnat Ali Mian	Second Vice President, BGMEA
Mr Md Ghulam Murtaza	General Manager, Department of Research, Bangladesh Bank
Dr Narayan Chandra Nath	Research Fellow, Bangladesh Institute of Development Studies
Mr Alexander A Nemov	First Secretary, Embassy of Russian Federation
Mr G M Qader	Member of Parliament
Ms Rokia A Rahman	Chairperson and Managing Director, R R Cold Storage
Mr Mostafizur Rahman	Joint Director (FEPD), Bangladesh Bank
Dr Atiur Rahman	Senior Research Fellow, Bangladesh Institute of Development Studies
Dr A K M Masihur Rahman	Former Secretary, ERD
Mr Mahbub-Ur Rahman	President, International Chamber of Commerce- Bangladesh (ICC-B)

Mr Mushfiqur Rahman, MP	Member, Advisory Council, BNP
Mr Ghulam Rahman	Former Secretary, Government of Bangladesh
Mr Anisur Rahman	Secretary General, WARBE
Mr Subrata Sarker	Research Associate, Bangladesh Institute of Development Studies
Mr M Shafiullah	Former Ambassador, Bangladesh Enterprise Institute
Mr Abu Taleb	Former Director General, NGO Affairs Bureau
Mr M Zamir	Former Secretary & Ambassador

List of Journalist (Participants)

(Alphabetical order)

Mr Babu Ahmed	The Prothom Alo
Mr Babu Ahmed	The Bangladesh Observer
Mr Monzur Ahmed	The Prothom Alo
Mr Rezaul Karim Byron	The Sangbad
Mr Motahar Hossain	The Azadi
Mr Rasidul Islam	Radio Tehran
Mr Sayed Islam	The Daily Ittefaq
Mr. Zahidul Islam	Bangladesh Television
Mr. B M Jahangir	Bangladesh Bater
Mr Masumur Rahman Khalili	The Dainik Inqilab
Mr Asjadul Kibria	The Daily New Age
Mr Sujan Mahmood	The Daily Ajker Kagoj
Mr Monjur Mahmud	The Daily Star
Mr S. M. Mobasher	Freelance Journalist
Mr Serujul Islam Qadir	The Daily Manab Jamin
Mr Kawser Rahman	The Daily Janakantha
Mr Ziaur Rahman	Senior Staff Correspondent
Mr Saiful Alam Reza	The Daily Jugantar
Mr Vivekananda Roy	Bangladesh Flim Censor Board
Mr Hamid Sarkar	The Daily Arthaneeti
Mr Asif Showkat	The Bangladesh Today
Mr Belal Sarker Tuhin	Freelance Journalist