

## Inflation: Don't fight the market

ASIF ANWAR

ONE of the burning issues of recent times has been the soaring prices of commodities. Especially the escalating prices of food items have dogged the caretaker government (CTG) from the beginning.

Over the last three months the CTG has taken various initiatives to control the spiraling prices of basic food items, all of which have failed due to the flaw in understanding the reasons behind the inflationary pressure.

The CTG is yet to recognize that we are at the peak of a global inflation. From neighbouring India to the United States, inflation, particularly in food items where certain commodities prices have risen 30% to 200% over the last 2 years, is also a major concern. The global commodity index is at all-time high. Add to that the price of energy, and you get the picture.

In many instances, demand for

certain food products used in non-food industry has resulted in higher cost of production for the food processors. For example, demand and the price of corn has grown sharply over the last few years as it is used as a raw material for ethanol (a petroleum substitute).

The syrup made from corn, on the other hand, is also a major ingredient in many western food products from tomato ketchup to soft drinks. The producers of corn based food items are having to buy their corn at very high prices and pass the cost to the consumer. Fortunately, Bangladesh is not a corn consuming nation, but we have a similar problem as the consumers are hit with the additional cost of production passed on by the producers.

Food producers in Bangladesh have long been practicing dodging taxes and using adulterated ingredients to be "competitive." The recent drive against such practices has resulted in higher cost of

production which is passed on to the consumer. However, this is a short term implication and the consumers will benefit in the long-run if this drive against ghoosh and bhejol continues.

We must realize the lag between the time when such measures are taken and the effect on income. It will be between 12 months to 24 months for income to catch-up with inflation. At the same time the government will also realize higher revenue that should be invested in infrastructure to transport, store, and preserve food commodities.

On the legal side, emphasis should be placed on anti-trust laws to stimulate competitiveness. This should be applicable to all industries not just FMCG (Fast Moving Consumer Goods) as monopolies and oligopolies control many sectors of our economy. Laws against stockpiling are a good idea but difficult to draft. We must also explore the possibility of setting



minimum wage. A standard minimum wage may not be suitable for a country like Bangladesh, and therefore an alternative approach

could be setting industry specific minimum wage which will vary from industry to industry.

There is no organized com-

modities exchange in Bangladesh, and as a result commodities trading is not transparent and open. A commodities

resources need to be deployed in the forecasting of weather patterns and their effects on farming.

There is no short-term formula to control the prices of commodities. It is demand and supply that makes a market price, and attempts to control market price will not last or succeed if demand and supply is not taken into consideration as the major force behind price fluctuations.

The best way to tackle rising prices is to improve efficiency in the production, transportation, and storage of food products and by setting up a commodities exchange where trading is transparent and open. Supplement that with anti-trust and minimum-wage legislations, and you have the "magic formula."

The writer is an economist and financial markets professional.

## Russia plays the oil card



SHADA ISLAM

WHEN the mood is sour every minor irritant can become a major impediment to relations. The row between Estonia and Russia over Tallinn's decision to remove a Soviet-era war memorial from the center of the capital has injected new strains into Moscow's already tense relation-

ship with the European Union (EU) and the North Atlantic Treaty Organization (Nato).

The episode has also fueled fears of a new East-West split reminiscent of the Cold War. In recent months, a testy Russia has opposed Poland and the Czech Republic's plans to accept elements of a US missile-defense system stationed on their territory

and threatened to freeze participation in a key European arms-control pact.

EU and Nato policymakers struggle to forge a new strategy to deal with an assertive, energy-rich - prickly - Russia. But their efforts are hamstrung by strong differences among key European governments on policy toward Moscow and EU dependence on Russia's vast energy resources.

Relations have soured enough for senior officials to worry about it openly. The EU-Russia relationship contains a "level of misunderstanding or even mistrust we have not seen since the end of the Cold War," warns European Trade Commissioner Peter Mandelson.

Given the importance of NATO-Russian ties as a "fundamental strategic bridge," Nato spokesman James Appathurai says Moscow's new tough tone on East-West security questions is worrying. "Nobody can ignore concern over the rising level of rhetoric over a range of strategic issues."

While recognizing that Moscow is becoming a difficult partner, European governments are split between those who want to play tough with Russia on issues like energy and human rights and others keen to woo the country by using Europe's traditional "soft power" tools of aid, trade and diplomacy.

To some extent, the divide is based on history and geography. Russia's direct EU neighbors and former allies -- including the three Baltic states and five eastern European countries which joined the bloc in 2004 -- lobby hard for a tough stance against their former Soviet patron and argue that Moscow's renewed imperial ambitions threaten its neighbors. These nations are also convinced of Russia's determination to use its energy resources as a political weapon.

Estonia, locked in a heated wrangle with Russia over removal of monuments, called for the cancellation of the EU's annual summit talks with Putin. Poland refuses to give the go-ahead to launch negotiations on a long-sought EU-Russia cooperation pact and is preparing a resolution on national monuments that would also remove symbols from the Nazi or Soviet eras.

But others, including powerful players like Germany, the UK, Italy and France push for a "strategic partnership" with Russia, covering joint efforts to combat climate change, stronger energy links and cooperation with nearby countries, including Ukraine, Georgia, Belarus and Moldova.

Those seeking engagement with Russia advise patience, suggesting that Moscow's readiness to confront the West stems from increased wealth and a desire to reassess its proper influence as a world power. EU trade chief Mandelson urges Europeans to be more understanding of Russia's vulnerabilities, arguing that while Europeans see Nato and EU enlargement as the extension of stability, prosperity and democracy, Moscow views such expansion as "associated with Soviet territory dismembered; its previous sphere of influence eroded." Adds Mandelson: "They feel increasingly encircled by the West and wedged up against a rising China."

Javier Solana, EU foreign and security policy chief, also appealed for "calm," suggesting that given the nation's global clout and vast energy resources, the EU and Russia must forge a "deep and solid relationship."

He also argues that the West needs Russian help in solving an array of problems, including efforts to convince Iran to suspend uranium enrichment and the search for a final settlement for the breakaway Serb province of Kosovo.

EU newcomers have little time for such arguments, however.

Following Russian protests at Warsaw's decision to follow Estonia's lead by removing Soviet-era monuments, Polish Culture Minister Kazimierz Ujazdowski insisted: "I call on our partner in Russia to recognize the facts:

Poland is a sovereign state." A Czech Foreign Ministry statement warned Moscow that it is up to each state to decide how to cope with the past: "Pressure exerted by another state is, as a rule, counter-productive."

Since the brief cut-off of Russian gas supplies to Ukraine in January 2006, a move that also disrupted deliveries to several western European states, Moscow has successfully used its energy resources to divide Europe. The EU depends on Russia natural gas for 25 percent of its needs, but the rate is higher in countries like Germany.

Berlin is at loggerheads with Sweden and Poland over the construction of a Baltic Sea undersea gas pipeline, primarily financed by Russian state-owned gas giant Gazprom and German energy companies E.ON and Basf.

Central and eastern European countries oppose the Nord Stream pipeline, which will bring Russian gas supplies to Germany before distribution to the UK, France, the Netherlands and others, and they fear higher energy prices. Countries bordering the Baltic Sea led by Sweden criticize the pipeline from an environmental perspective, arguing that a Russian naval presence in Sweden's economic zone would pose "a security policy problem."

Putin scored another point against the EU and the US recently by agreeing to a landmark gas-pipeline deal which will run from Turkmenistan to Russia via Kazakhstan -- a route long favored by Russia over a rival US proposal that would cross the Caspian. With EU states thus split on whether to deal with Russia as friend or foe, Putin has repeatedly gained the upper hand at joint meetings with the bloc and has taken to criticizing Washington.

In Munich earlier this year, Putin stunned EU and American officials by raging against US unilateralism and warning that he would oppose a US-led "unipolar world" leading to conflict across the globe. Since then, Putin has also vented his outrage at US plans to deploy part of its anti-missile defense system in Poland and the Czech Republic and warned that he intends to suspend implementation of the 1990 Conventional Forces in Europe (CFE) Treaty, designed to reduce the number of troops, tanks, aircraft and artillery in the former Warsaw Pact and Nato countries. Putin's reason for a moratorium on the CFE pact was the failure of Nato governments to ratify an updated version from 1999.

Urging Russia to stay calm, Nato Foreign Ministers meeting in Oslo in April promised to involve Moscow in discussions on missile

defense EU and Nato officials admit that dealing with Russia will be difficult in the months leading to the spring 2008 presidential election that will determine Putin's replacement.

But they also insist, as one official put it, that "there is a limit to how much they can flex their muscles vis à vis Europe." Moscow needs European investments in the natural-gas sector and also depends on energy sales in Europe. Secondly, Europeans have warned that they will hold up Russian membership of the World Trade Organization unless Russia plays by the rules.

But such threats will remain little more than words until European governments can agree on a common response to Moscow's new assertiveness. "What we need is not self-defeating appeasement but realistic engagement with Russia," says a senior EU official. The challenges facing the EU is to find ways to overcome its own contradictions about whether to view Russia as a troublesome neighbor or a valued, if nettlesome, strategic partner.

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## Gathering the tribes

MELINDA LIU

PUNGENT smoke floats through the chandeliers of the tribal chief's reception room. At his home in Ramadi, capital of Anbar province and a one-time Iraqi insurgent stronghold, Sheik Shakir Saoud Aasi is enjoying after-dinner cigars with his guest of honor, battalion commander Lt. Col. Craig Kozeniesky of the 2/5 Marines.

Around the room, Marines and Iraqi tribesmen and police are sitting together, swapping jokes and stories. Some of these Iraqis were probably shooting at Americans less than a year ago. Now they and the Marines are fighting side by side against Al Qaeda. "We are not just friends but also brothers," the sheik tells Kozeniesky. "This is a new beginning for both of us." Kozeniesky can only agree: "Things have

changed dramatically." A 5-year-old Iraqi boy in traditional robes and headdress is racing around the room and vaulting into US troops' laps. What does he want to be when he grows up? He proudly announces: "American general named Steve!"

The Pentagon is praying that its new allies will reconfigure the war.

The success of the Ramadi experiment has given rise to hopes that the model can be applied elsewhere in Iraq. A year ago insurgents were launching nearly 30 attacks a day in the city; now the daily average is less than one.

Anbar province as a whole is showing similar improvements. Brig. Gen. John R. Allen, deputy commanding general of the Second Marine Expeditionary Force in Anbar and a tribal-affairs expert, describes the province as "a laboratory for counterinsurgency." From roughly 500 attacks

a week, the rate has sunk to barely a third of that figure.

Weapons-cache discoveries, based largely on tips from sympathetic Iraqis in Ramadi, have skyrocketed nearly 190 percent. The fledgling local police force could muster only 20 recruits a year ago; today, with local sheiks encouraging tribe members to sign up, it has 8,000.

But even as the Americans rejoice in Ramadi's transformation, they worry that it may not last. Some townspeople are already losing patience as they seek Baghdad's help in rebuilding their community. At the same time, the Shia-dominated central government in Baghdad is in no hurry to do favors for Anbar's overwhelmingly Sunni population.

Late last year local sheiks -- most of whom had by this point lost family members to the killings -- formed a group they called Anbar Awakening. Their leader, Sheik

Abdul Sattar Abu Rishah, had lost three brothers and his father to insurgent attacks. The sheiks ordered their followers to assist the Americans against the jihadis -- and among Iraq's tribesmen even today, the sheik is the law.

After the Awakening's sheiks began urging their followers to join the police, enlistments soared. The quick drop in attacks would seem to indicate that many of the newly minted cops were once part of the insurgency. While declining to take a public stand on a nationwide amnesty, the Americans aren't asking too many questions.

The names of new recruits are checked against a list of previously detained insurgents, but most background checks are left to the sheiks. "In every counterinsurgency, one of the indicators ultimately of some level of success (was) that the people who fought you decided not to fight you any-

more," says General Allen. "We're not naive," says Colonel Charlton. "Some police could've been insur-

gents at this time last year. But the sheiks have changed their fundamental understanding of who the threat is -- and the threat is Al Qaeda."

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## The feast of Pentecost



We should internalize the inalienable significance of the Holy Spirit. Otherwise, there is no authentic faith and trust in a God who revealed himself, redeemed mankind from the bondage of sin and also regenerated creation in the power of his holy spirit. Today, much of religion anywhere is mere ritual without reality, lip-service without life, and celebration without commitment. The ideal is missed and lost. May

MARTIN ADHIKARY

MAY 27 was Pentecost Sunday. Christians commemorate this day as the day on which the Holy Spirit came upon the early followers of Christ, giving them the unique experience of transformation of their entire lives. Originally Pentecost was the Old

Testament Harvest festival (vide Leviticus 23 and Numbers 28), which started seven weeks before and culminated on the fifth day.

As the first Christians were Jews, they were gathered together in Jerusalem while celebrating this old religious festival with praise and prayers. At that time the Holy Spirit came upon them, as a result of which they experienced a seminal transformation in their lives. They became a

new kind of community of people. That is how the Church came into being, and the disciples spread around with the Gospel and preached the same boldly, with the power of the same spirit. The spirit changed the life-style of the Apostolic community altogether, into a community of sharing with and caring for others.

The Holy Spirit is God's inherent power, and it is God himself in the unfathomable mystery of the Holy Trinity: the one God revealing himself in three persons meaningfully relating to man. God recreates, renews and sustains his creation, which suffers under the bondage of evil since the fall, in the power of his spirit.

According to Christian teaching, the Holy Spirit is a person, not only a power. The Holy Spirit heals and reconciles, and renews our lives All his revelations, his work, are

done in his spirit. The miraculous birth of Jesus, and all his miracles, were carried with and through the power of the spirit. God is spirit -- so testified John, the writer of the fourth Gospel.

The Church, as a sign of the kingdom of God, which was initiated at the coming of Jesus into this world, and the work that he did was to be carried on by it by the power of the holy spirit. On the temporal plane this work is transformation of relationships manifested by peace and harmony, and right relationship with one another and, above all, with God.

But if we look at the history of Christianity down through the ages there have been great people who did great works with the power of the Holy Spirit. When there has been wrong, it has been because of the lack of willingness to depend on the guidance of the Holy Spirit.

I must add here that leading a

spiritual life does not mean that we should stop all our material businesses. What we need to do is to live a life that is true, just and peace-loving, a life which is lived in right relationship with God and all his creations. This is not easy in our world.

We pray that God, the Holy Spirit, will grant us the power and quickening of the healing and renewal in our personal lives and also in the lives of others, for the cause of peace and progress of mankind.

Like any other festival, Pentecost comes with the challenge of renewal in our lives and attitudes, and our commitment to love God and all Godly values, serve others and work for peace.

We should internalize the inalienable significance of the Holy Spirit. Otherwise, there is no authentic faith and trust in a God who revealed himself, redeemed mankind from the bondage of sin and also regenerated creation in the power of his holy spirit.

Today, much of religion anywhere is mere ritual without reality, lip-service without life, and celebration without commitment. The ideal is missed and lost. May the blessings of Pentecost encourage and empower us all to make a difference.

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