

Why must the prices keep on rising?



Md. ASADULLAH KHAN

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If there is anything that disturbs and unnerves people as much as political violence, it is unbridled price hike of essentials, especially food items. And if there is anything challenging to the administration, it is controlling it. The country now faces a daunting list of problems that is a legacy of the past alliance government. Corruption has eaten away at the basic processes of administration.

Taking for granted that the vagaries of Bangladeshi weather, or natural calamities like drought and flooding, might have played havoc with the crops, the weather or rains were not the only reasons for the shortfall. As culpable, perhaps, was a sleeping bureaucracy, which failed to anticipate the shortfall for whatever reason.

In a bid to bring down the prices, the caretaker government has taken some measures like cutting import duties and launching OMS of essential items by BDR in different parts of the city, but still the rise in prices of most foodstuff, including fish and vegetable, tends to defy prognosis.

Other issues that the present administration faces pale into insignificance against the inflation that accompanies the price spiral. Family budgets in urban homes have seen expenditure on food and groceries going up by as much as 60 percent. While the vocal urban consumers, mostly fixed income groups, have raised their voices of anger and frustration, it is the rural folk, who spend almost 80 percent of their income on food, who are the worst hit.

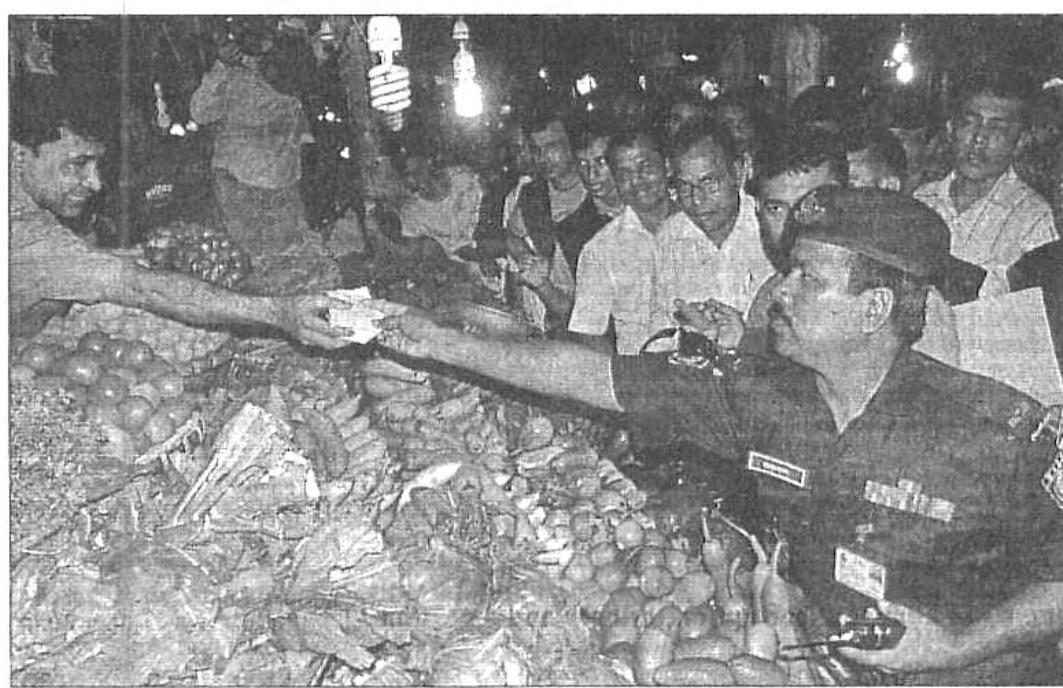


PHOTO: STAR

Expectedly, with the new caretaker government taking over the reins of administration in the most turbulent period of the nation's history, instituting some bold measures, and ushering in various reforms within a very short time after its take over, the people were bubbling with hope for a resurgence of national spirit, and reconstruction and development in all sectors of public life. But, with prices of essential items soaring every day, the citizens are afraid that their hopes might be shattered again. As for containing the price spiral, two policy measures or suggestions seem pertinent: containing inflation and improving the supply situation. Inflation, as one might understand, is defined as too much money chasing too few goods. With remittance flow from expatriate Bangladeshi and export earning increasing every year, the capacity to absorb this money flow in industrial or agricultural

sector expansion is gradually shrinking or losing direction, and it is not surprising that inflation has touched 8.5 percent and may even cross the double digit figure. Presumably, there is a growing feeling in government circles that the economy is growing because of the increasing remittance flow and increased export earnings, mainly from garments and shrimp export. It means that income has increased and put money in people's hands to pay more for goods and services that are in short supply.

The real story is that a combination of supply side bottleneck, resulting from low productivity, and arbitrary increase in transportation costs due to fuel price hike has fuelled a sustained rise in prices of primary goods -- food grains, vegetables and pulses. Unhappily, the rise in prices of food items and vegetables that are carried by trucks from the remotest places in the country has not been

consistent and proportionate with the fuel price hike. Some say it is the truck owner's syndicate's arbitrary decision that rules the day.

In such a context, as capacities are created and supply situation improves, competition will drive inflationary pressure down and prices will even out.

One might accept inflationary trend in a growing industrial economy, but this is not so with Bangladeshi economy. The most important factor causing a rise of around 30 to 40 percent in prices of primary goods like food grain and vegetables may be market manipulation by interested groups, mostly middlemen and vested quarters in the business circle. Now the effort of the joint forces in monitoring the market situation has had the salutary effect of curbing the influence of these middlemen, or dalals, as evidenced by the decreasing trend in the price spiral of vegetables over the last few days.

Apart from market manipulation, there is another factor contributing to such price spiral almost every year, the advent of the holy month of Ramadan. Undeniably true, consumption of certain food items increases during the month of Ramadan. But really speaking, we do not produce enough for the population that is growing everyday.

For over two decades now there has been little focus on agriculture, and the country's production of rice, wheat, onion and pulses has been stagnant; this when per capita income is growing and population pressure continues to mount up. With fish and meat going out of reach of the common man, the consumption of pulses has grown steadily, but the production level has remained static.

At the same time, imports are limited as few countries produce pulses. In such a perspective, we need to increase pulse cultivation or invest in technology that would deliver higher yields.

As reports reveal, there has been no breakthrough in output efficiency, even though the population has swelled from 750 million in 1971 to 140 million in 2007. Neither is there any attempt to move farmers away from crops that add to water stress towards produce that we necessarily import. We must devise mechanisms to combat the price hike of essential items like edible oil that we have to import perforce.

The crisis is compounded by the fact that in the south western region of the country vast chunks of agricultural land are being used as shrimp farms. Shrimp farming might be a source of export earning, but such earnings remain confined to only a few hands, and the benefit does not circulate among the burgeoning poor population who have no access to land holdings.

On the other hand, even in places where agriculture practices are intensively followed, over a third of the vegetable and fruit harvest gets wasted in the fields or

storage sites due to lack of modern storage facilities, or in the process of transportation from the production field to the city markets because of delayed or slow movement. In that perspective, a long term plan is necessary to avert such periodic crises year in and year out.

There is an urgent need for restructuring agriculture with investments, new technology and new direction. Simply put, if production goes up, there will be competition, which, in turn, will drive prices down. Precisely speaking, it is not so much a "grow more" issue as it is a "grow right" issue. Even though agriculture delivers a substantial amount of GDP, investment in this sector has been abysmally low.

And, this is in a sector that employs two-thirds of the people in the country. To boost agricultural production, one of the major factors is the availability of land. But farmers in the country are realising with growing despair that it is a finite resource.

In the last one decade, there has been a major diversion of land meant for agriculture to commercial purposes. Rapid urbanisation, road and bridge construction, and river erosion caused by frequent flooding have swallowed up vast chunks of arable land. Speaking about Satkhira, the place I visit at least once a year, I can see vast chunks of agricultural land being turned into bustling townships and housing complexes on one side and shrimp farms on the coastal zones on the other.

If the previous governments had either failed or ignored the most vital aspect of increasing agricultural productivity, this government, having no political goal or agenda and imbued with the spirit of stemming the rot accumulated over the years, can make a beginning by framing new policies like investment in irrigation, new technology and quality seeds to enable the farmers to go for multiple crops and higher yields.

Sadly true, only about 10 percent of the farmers have access to bank funds. Farmers these days, because of the vagaries of nature like drought and frequent flooding, also need advice and even orientation to enhance productivity and combat the crisis situation. In a bid to boost agricultural production, the caretaker government may ensure, among other things, a big assistance plan to rural farmers.

The price rise of perishables like fruits and vegetables may be attributed, as said earlier, to lack of effective storage facilities and efficient delivery systems. Thanks to the absence of distribution links and processing, several thousand tons of vegetables and fruits are wasted, which obviously adds to losses and prices. The answer lies in the fact that the traditional distribution chain, from field to fork, is too long and cumbersome.

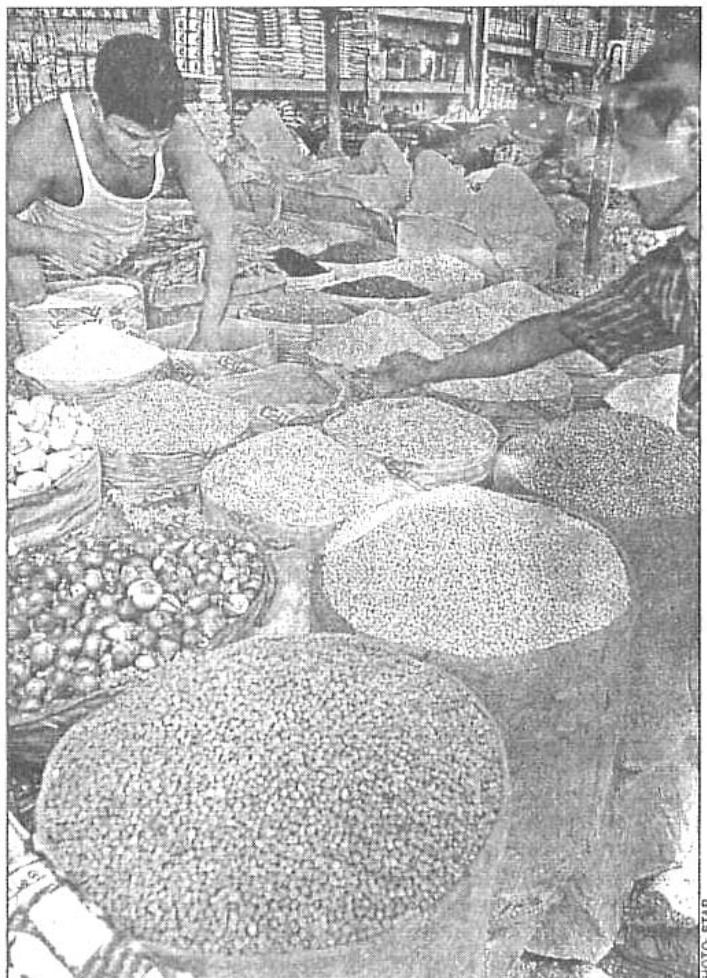


PHOTO: STAR

It involves too many middlemen, forcing consumers to pay as much as four times what the farmer gets paid for his produce.

Every crisis in the country brings about a spate of reforms proposal that are laid down on paper and seldom implemented. The problem with the policy making body in the country is that there is endless debate as long as the crisis lasts. Ironically the authorities go back to "business as usual" mode as problems even out.

Precisely true, food security is not an issue that a nation of 140 million people, mostly dependent on agriculture, can take lightly. What is needed is a long-term view on needs, and engineering of solutions that survive the test of price cycles.

Md. Asadullah Khan is a former teacher of physics and Controller of Examinations, BUET.

Plain speaking

Until recently, Iraq's Anbar province was the heartland of the insurgency and a safe haven for Al Qaeda. But now the American military has formed alliances with local tribes to fight insurgents and terror cells. Proponents of the US war effort cite Anbar as a model for future success. Critics worry that the American military, by arming local tribes, is sowing the seeds of further fragmentation. Iraq's ambassador to the United States, Samir Sumaidaie, has family in Anbar. US Marines killed a cousin of his there in 2005. The family says the young man, Mohammed Sumaidaie, was killed in cold blood, but a military investigation was inconclusive. Ambassador Sumaidaie recently returned from a visit to Anbar. He spoke to Newsweek's Jeffrey Bartholet about his cousin's death, the new American strategy, and the frustrations in Washington with the slow pace of his government's reconciliation.

JEFFREY BARTHOLET

Newsweek: The last time we met we were speaking about the death of your cousin, who was killed by US Marines in his home (in 2005). You were in touch with Gen. (David) Petraeus, and you had been assured there would be a transparent, speedy investigation. Was there?

Sumaidaie: Unfortunately, it was neither transparent nor speedy. The wheels of bureaucracy turned very slowly, and sometimes in a very opaque manner. It went on and on. I asked for copies of investigation reports; I got them with all of the names blacked out. Then I spoke to Gen. Petraeus when he took over, and I told him we were not getting anywhere. Eventually we agreed on ... a gesture of compensation to the family. But (also), the military in the area said they would look into a project, a local clinic or something, that would be named after Mohammed and benefit the community.

Did they build the clinic?

No, no. We are still talking about it ... This is the best we can do. I didn't want this issue to divert my attention from what I am doing for the whole of Iraq. I'm not here representing a family. I'm representing a country. There are a lot of victims, a lot of casualties of war. On that topic, what was your view of the recent shooting incident

involving Blackwater security? According to some accounts, at least 11 Iraqi civilians were killed. It is clear there was significant loss of life, and a lot of wounded. Obviously, I cannot comment on exactly what happened, because that is being investigated. But I know for sure that the Iraqi government has taken this very seriously.

At first the Iraqi government said it would expel and ban Blackwater from the country. Then it seemingly reversed itself. What happened?

What has been agreed is that a transparent and independent investigation will be launched. Secretary of State Condoleezza Rice spoke to our prime minister on the telephone, expressed regret, and promised that the United States would work with the Iraqi government to get to the bottom of what happened.

Who will conduct the investigation?

I'm not aware of the details. One problem seems to be that if the US government were to withdraw military contractors, who number in the tens of thousands, it would negate the surge. In a sense, yes. But I think the Iraqi government suggested at one point replacing one company (Blackwater) with another. We are not saying we would ban all private companies. But they have to be accountable to someone. The principle of

accountability has to be applied, and those companies that go beyond their proper limits should be removed.

They are not subject to any Iraqi laws, correct?

During the time of the Coalition Provisional Authority, (American proconsul) Paul Bremer issued an edict to put them outside Iraqi law. Our parliament has not gotten around to dealing with that. We are trying to race through so many other pieces of legislation. Sooner or later we need to have that attended to.

So if a military contractor murders an Iraqi civilian in cold blood, can he be prosecuted anywhere?

As things stand, he cannot be prosecuted in Iraq by Iraqi courts, and I am not clear on whether he can be prosecuted in this country. It seems they have been given de facto immunity from prosecution.

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passed more than 60 pieces of legislation. On the specific draft legislation listed as benchmarks, there has not been enough progress. These are complicated issues. The key points that people refer to are: setting a date for provincial elections, approval of an oil law, approval of a de-Baathification law, and a referendum on constitutional amendments. What is holding them up?

We understand that. But there are complex issues that Congress here (in the United States), working in ideal conditions, has not put to bed. Take the immigration issue, which has been going on for years. Still not settled. And nobody is threatening their lives. The Iraqi parliament is doing the best it can. Maybe there is too much emphasis placed on the promulgation of these laws.

Take de-Baathification. The process has started in reality. All members of the disbanded security services of Saddam Hussein -- the army and special branches -- were given a choice to either come back into service or to be put on pension. It was a very significant gesture. That happened a few months ago, but there was not a lot of talk about it here. On the oil law, as we speak the oil revenue is being distributed to the regions according to their populations. So we are applying the principles that matter. Sorting out the complex issues of legislation needs time.

Gen. Petraeus has suggested that the United States will be able to withdraw five combat brigades by next July. Does your government agree with that timetable? He is in the best position to make that assessment. But having just been to Iraq myself, and having visited Anbar (province) myself, I think a lot of progress has been made. Not nearly enough, but a lot of progress. Anbar was a no-go area six months ago, with hardly any police in it. Now it's one of the safest areas.

Your family is from Anbar. There is some concern that the strategy being pursued there, to arm and support tribal groups, will ultimately lead to the fragmentation of the country.

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What do you make of Democratic proposals to draw down American troops faster?

The presentation made by General Petraeus was coherent, realistic and persuasive. As far as I can see, having just been in Iraq, it relates to the situation on the ground. Other people can sit around tables and make their own statements. I would take my chances with Petraeus.

If Iraq somehow becomes a stable country.

When Iraq becomes a stable country, will there be good feelings toward America, or will there be animosity?

Look, I think the Americans have committed many mistakes. But there are two things in their favour. First, they have helped us to get rid of Saddam, and nobody will forget that. That is a huge thing they have done for us. Secondly, if they end up doing the right thing, as they are doing now ... people remember things by their endings, not by the trouble they had on the way.

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Some politicians talk about the "soft partition" of Iraq as the best solution.

This is another example of designing solutions in Washington. Iraqi society is far more integrated than many people here believe.

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Most of our tribes are mixed tribes, meaning the same tribe will have Shia and Sunnis. So in Iraq such solutions as were applied in the Balkans are not easy to apply.

When will the last American soldier leave Iraq?

I don't know, but I have the feeling it will be a long time.

Meaning what?

I believe that both Iraq and the United States have a national interest in building up long-term security relationships. If we look at it purely on a practical level, never mind the geopolitical aspects, the new Iraq has to rebuild its armed forces. It has to build up an air force, it has to build up a navy, it has to build up land forces. Our air force is embryonic. We have no fighters, we have no real capability, and that takes years to build.

Ten years?

I don't know. We heard a presentation in Baghdad by the minister of defense, and he was talking about stages. By 2012 we will reach an acceptable level of capacity, which we will then need to improve toward 2018. This is a time scale on which you can build proper, integrated armed forces that can secure the borders. These are the practicalities of the issue. Air forces don't just come out of thin air.

very critical of Iran, saying it was building up Hizbullah-style militia forces, supplying roadside bombs and armor-penetrating projectiles. What is your government's position on Iran?

Our position is very clear. We have told our Iranian neighbours repeatedly, frankly, and forcefully that they should stop interfering in Iraq. They should be helping us to make the country secure, because if Iraq falls apart, nobody in the region will be unaffected.

So you agree that the Iranians are

continuing to supply. There is evidence that some weapons are coming across the border, and some people going back and forth across that border are taking part in activities which disturb our security. Now Iranians always deny knowledge of these activities. And we continue to remind them that they should do a better job of preventing such things from happening.

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