

Rice price, domestic politics, and policy response

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THE sudden surge in rice price in Bangladesh has created tremendous uproar all over the country. It certainly has made it difficult for low-income urban families to make ends meet, and given an opportunity for many politicians to capitalise on this issue and blame the government for its failure in maintaining rice prices at pre-9/11 levels.

Almost all segments of our society give the impression that this situation is catastrophic for the country, and in many ways they are pressing the government to bring down prices one way or another.

However, we do not hear all the views of our silent farmers and participants in the agriculture sector who are the greatest beneficiaries of the positive terms-of-trade gains in their favour. They also represent the agriculture sector, where most of our workforce is employed.

The ongoing debate on rice price needs to be cast more objectively, taking into account the macroeconomic as well as income distributional impacts arising from the massive shift in the price of rice.

Who are the gainers and losers of the rice price increase if it is not reversed?

Bangladeshi farmers produce about 28 million tons of food grains, which meet about 95 per cent of our domestic demand in a normal year. With rice prices rising by Tk. 10 per kilogram, or Tk 300 per maund of paddy, farmers are likely to generate Tk 23,000-28,000 crores (equivalent to 3.5-4 billion dollars) in additional income from the same level of production.

Although the farm families



themselves would consume a significant part of the increased value addition, non-farm households would be paying a significant part of this to the farmers through higher rice prices. There is no question that the farm sector in Bangladesh has never seen such a boost through a massive income transfer of this magnitude in such a short period.

What would be the response of the farmers?

Food grain prices increased by about 50-60 percent in Bangladesh, and globally, in 2007. Farmers have never experienced a positive price shock of this magnitude in many decades, and with access to credit and knowledge about improved seeds and fertiliser, they are likely to respond strongly to this price signal. I am sure about the elasticity of food output to prices in Bangladesh. But even if we very conservatively assume that the supply response is very inelastic, and as low as 0.2-0.3, the supply response should be in the range

of 10-12 percent. In a normal year, such an output expansion would be sufficient for Bangladesh to achieve food self-sufficiency.

Why had Bangladesh failed to achieve self-sufficiency in food in the past?

In seeking our answer to this issue, we should probably look at the incentive structure, particularly the decline in the real price of rice over the last several decades and the increase in input prices, which further eroded the profit margins for the farmers. Real food prices were 4 times higher in 1975 at their historic peak (no wonder Bangladesh had a famine around that time) compared with the historic lows it reached during 1996-2001.

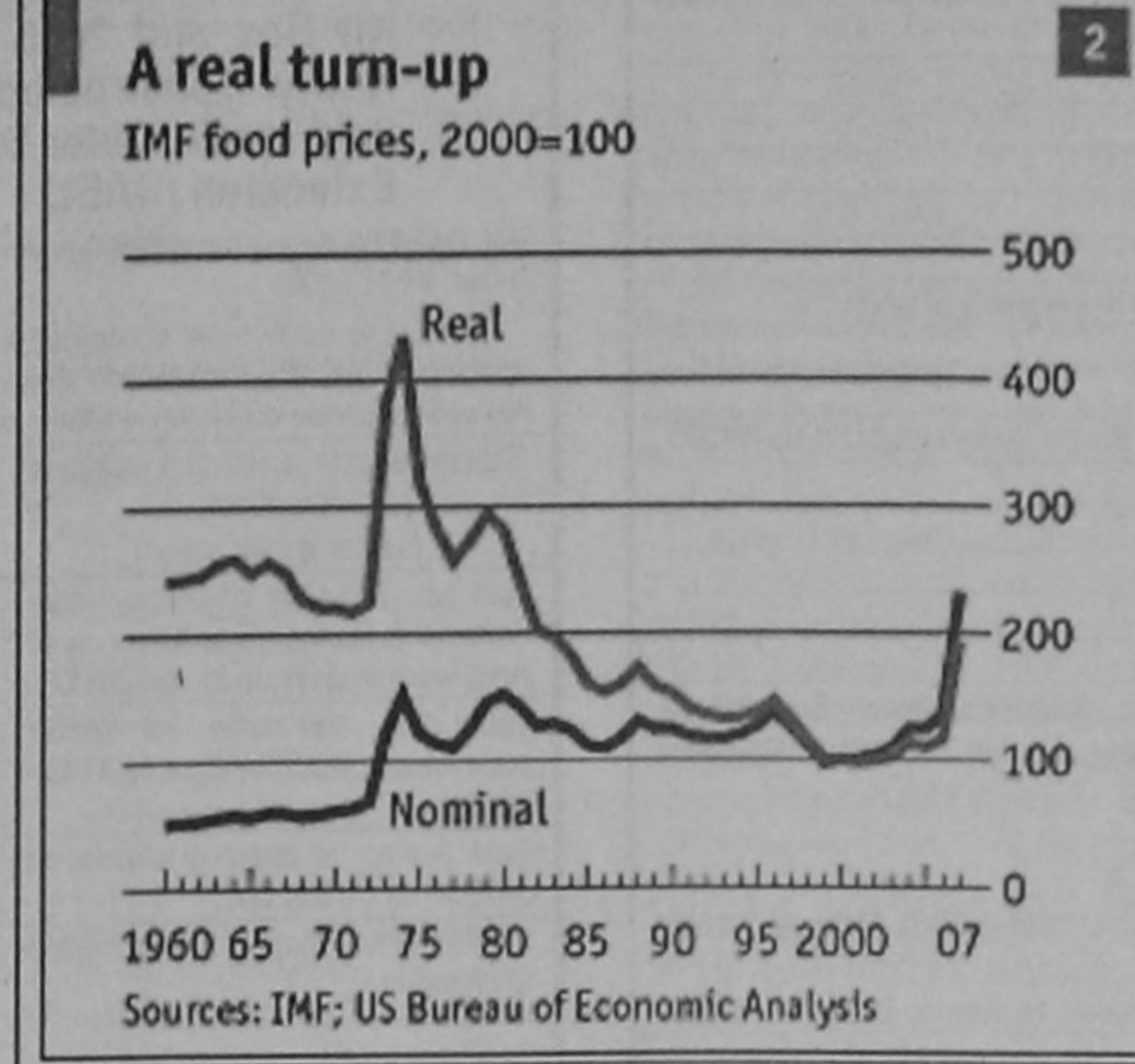
The fact that Bangladesh farmers could meet the growing domestic consumption needs, and limit the import requirements at around 5 percent over several decades despite such a

steady decline in the real food price and a steady decline in arable land, are remarkable achievements. This was possible due to productivity gains through expansion of irrigation, adoption of HYV rice and increased use of fertilisers at subsidised prices.

Bangladesh could have become a rice surplus country if successive governments did not allow real rice prices to fall by such an extent in order to keep food prices cheap for the urban masses. Bangladesh is certainly not alone in this respect.

Many developing countries in the world, for political reasons, have sheltered their people from food-price rises by encouraging a steady decline in real food prices, at the expense of farmers who are not politically well organised.

While farmers are gainers under the current circumstances, the urban poor are hard hit by the price surge, and the government has to alleviate their pains to prevent adverse political reactions. In particular, for the large number of urban poor, the gov-



ernment has to find ways to provide rice at a cheaper price or through increased dearness allowance for the public sector employees. Use of VGF cards and food for work programs on a much broader scale will help the landless and other vulnerable groups.

If the positive price shock for the farmers persists, one way to finance these additional budgetary costs would be to reduce or eliminate agricultural subsidies and use the resources saved for the purpose of financing government intervention programs.

Since the value of increased farm income amounts to something more than Tk. 20,000 crore eliminating subsidies worth Tk. 1,200-1,500 crore would not have an adverse impact on farmers' incentive. It is worth noting that even the European Union has already suspended some of its incentives under its common agricultural policy, and many other governments are likely to follow.

The reversal in the fortune of our farmers through higher prices for their products will help

reduce rural urban inequality gap to some extent, create more employment in the agriculture sector for the rural landless poor, reduce pressures for migration to the cities, and help achieve food self-sufficiency. The enthusiasm with which the farmers are planting boro crop is a testimony to this effect.

While there is strong welfare arguments for helping those who stand to lose, it should be done through income transfer programs (as described above), rather than artificially depressing food prices. Suppressing food prices and thus hurting the farmers is not a good policy.

Let the farmers earn what they deserve, and financially empower them to buy fertilisers in the open market at market prices, independent of the inefficient government distribution network. Farmers will be working more in their fields, instead of demonstrating for fertiliser in front of the UNO offices or by blocking the highways.

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Idyllic Bangladesh

MOHAMMAD SHAHIDUL ISLAM

AS a destination for eco-tourism, Bangladesh is truly hard to beat. For a small country in South Asia, that is only 144,470 square kilometers, there is definitely a lot to see, enjoy and do here. Bangladesh means "country of Bonga (ancient name of Bangladesh)" in English, whose language and independence had been gained after enormous bloodshed in 1952 and 1971. Located between India to the north and the west and Myanmar to a small part of the southeast, Bangladesh is one of the most beautiful countries in South Asia, with tremendous economic potentials. Its tropical beach resorts on the Bay of Bengal should be paradise for the sun vacationers. But the main attraction of Bangladesh should be its opportunities for eco-tourism, with its variety of animals, birds, forests, hills and hillocks and aquatic life.

The splendour of its six seasons presents a diverse ecosystem. The world's longest natural beach at Cox's Bazaar, the nearby jungles and forests with their rich variety of flora and fauna, the Chittagong Hill Tracts' cloud forests, so named because the moisture of the mist lingers on the tree leaves, fascinating tourists. A cable car network to be set up at Bandarban would enable tourists to observe the plant and animal life from treetop level. For the more adventurous, there are places built for the tourists to get the experience of moving from tree to tree using a network of rope attachments. Dry forests in some parts of Chittagong, seasons' variation every two months, and an abundance of canals and rivers can be attractions for tourists.

In addition to the many different birds that can be sighted, there is a wide number of other

exotic wildlife, including Royal Bengal tigers, monkeys, jaguars, bats, deer and reptiles, that can be seen during one of the many available nature tours in Sundarbans, the world largest mangrove forest and a World Heritage Site. Every year, there are sea turtles and oysters that come to certain beaches to nest, and this event attracts many nature lovers. The wildlife in Bangladesh is not only rich on the land or in the air but also in the Bay of Bengal and in the mighty rivers. For scuba divers, Saint Martin may offer excellent diving opportunities, and they would be quite different from the waters in the Caribbean.

Tea and mangoes are two of the main exports for Bangladesh. For tea lovers, this is the place to sample some of the best in the world. The foreign visitors are invited to taste tea that is a bit strong. Tours in the valleys of Sylhet will often go into numerous tea plantations. Rajshahi is a paradise for mango orchards. Tourists would definitely hesitate to leave a place with millions of the sweetest mangoes.

The historic capital city of Dhaka is known for its nice ancient architecture. It is also known as a city of mosques. A tourist can go for trips to the various hill stations, historic places and beaches using Dhaka as the base. Chittagong, the port city, is known for its low hills full of greenery. It is closer to the resorts like Cox's Bazar. The roads of Bangladesh are more or less good.

There is so much to see and do in Bangladesh that many visitors return to see the green parts of the country that they missed before. The country is easily the most popular eco-destination to visit in South Asia.

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Reform in the services of the Republic

DHIRAJ KUMAR NATH

A Public Services Act to bring about a substantial reformation in the public services is under preparation. This act is meant to make the public services responsive, action oriented, accountable and free from political influence.

Obviously, changes in the existing rules require far-sightedness, experience and wisdom, in the absence of which there could be some major complications in execution and enforcement. Any reformation, therefore, must have the mandate of the stakeholders and citizens prior to its finalisation.

Previously, on different occasions, policies relating to promotion and recruitment in the public services were changed and twisted, making them adjustable to the wishes of the party in power.

The allocation of district-wise quota system as an Interim Recruitment Policy was introduced, for the first time, by an executive order of the Establishment Division on September 5, 1972 for filling vacancies in government, autonomous, semi-autonomous and nationalised enterprises. The spirit of the order was based on the political commitment of the government to ensure just and equitable representation of the people of all districts.

This quota system in the recruitment process was modified several times, on the basis of population and other priorities, to respond to the voices of women, freedom fighters, and the indigenous population in the country. The Public Service Commission has now taken steps to rationalise the quota system with the changed situation in the country, and to create more opportunities for the

meritorious candidates. This has recently generated discussion and debate among the students and civil society organisations to make the system more pragmatic and consistent with the demand of the days.

In retrospect, most of the Acts, Rules and Ordinances were framed and promulgated to accommodate the demand of the situation. Some of the Acts were precise and fundamental, and generated subsequent Rules and Ordinances governing the entire public administration.

The Services (Reorganisation and Conditions) Act, 1975, provided for the reorganisation of the services of the Republic and of public bodies and nationalised enterprises, and prescribed uniform grades and scales of pay and other terms and conditions of services for persons employed in such services. In fact, this is one of the mother laws under which the services of the Republic are governed and administered by the government.

In fact, the government exercises its power in appointment in the services of the Republic, and regulates its administration on the basis of authority entrusted under Article 133 of the Constitution, in consultation with the Public Service Commission under Article 140 of the Constitution. The role of the Public Service Commission is important due to its constitutional mandate over the whole bureaucracy, from recruitment down to removal from service, and also because it protects a public servant from the wrath of political personalities, or from any irregular attempt to dismiss an incumbent.

The Public Servants (Retirement) Act, 1974, defines public servant any person who is, for the time being, in the service of

the Republic or of any corporation, nationalised enterprise or local authority, or who, on the basis of having at any time been in the service of Pakistan, purports to claim a right to employment in the service of the Republic.

It does not include any person who is a member of any defense service, a teacher or an employee of any university, or anyone employed in or under a commission, committee or board set up for specified purposes. The retirement age of a public servant has been fixed as 57 years under the Act.

The Bangla Vasha Prachalan Ain, 1987 (Bangla Language Introduction Act of 1987) is also a fundamental law, under which Rules were framed to uphold the spirit and execute the provisions of this Act. Besides, The Government Servants (Conduct) Rules, 1979, The Government Servants (Discipline and Appeal) Rules of 1985, Bangladesh Civil Service Recruitment Rules 1981, Prescribed Leave Rules, 1959, and subsequent amendments, are regulating the way of dealings among the public servants in general.

The popular public opinion at present is for making certain institutional reformations, with major changes in the process of recruitment, promotion, retirement, and awarding of contracts in services, and enhancement of remuneration packages. The Public Service Commission was established in the year 1977 under an ordinance to exercise its functions under Article 140 of the Constitution.

The chairman of the PSC has been changed and the members have been replaced to bring dynamism in its functioning. There could be certain basic changes in Articles 138 and 139 of the constitution regarding the system of appointment and

of removal from office. Changes have also taken place in the Election Commission through the appointment of CEC and ECs, but not in the system of the appointment as indicated in Article 118 of the Constitution.

Similarly, there could be some changes in the system of recruitment at the level of senior management. Bangladesh Bank has created one instance by inviting open competition in the appointment of deputy governor. Similarly, there could be some changes in the recruitment of chairman and members of these constitutional bodies.

This will encourage the private sector and non-resident Bangladeshis having wide experience and reputed integrity to join and contribute to the nation by infusing new blood and modern methods of management. Major institutional reformations are necessary to cope with the needs and demands of the present century, attain the objectives of MDGs or PRSP, and emerge as a middle-income nation by 2030.

Some political visionaries and members of civil society organisations are seriously in favour of reformation of the service rules to protect the bureaucracy from the whims and caprices of politicians.

The changes in the attitude of political activists must be supported by the party manifesto. They must refrain from influencing the local officials, uphold the rule of law, and maintain the spirit of democracy with utmost honesty. Party discipline should be such that any delinquent should be punished by the party itself, and not always by the law-enforcing agencies.

This article might help in building an independent and capable bureaucracy in the country.

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Nation vs. state

HUSAIN HAQQANI

THE recent reminders by the Pakistani authorities that the media should stay "within limits" reflect the mindset of an authoritarian regime. As the legitimacy of the regime erodes further in the eyes of Pakistanis and the international community, the more its henchmen are likely to question the patriotism of those criticising it.

In case of General (retired) Pervez Musharraf, the tendency to equate national interest with his opinions or interests is not new. Soon after the 1999 coup that brought him to power, Musharraf addressed newspaper editors in Islamabad and urged them to promote the national interest. He could not understand the question when an editor asked: "But what if you and I have different ideas about what constitutes national interest?"

In a constitutional democracy, national interest is defined by the elected representatives of the people, who debate every domestic and foreign policy issue. Out of different views of national interest, emerges the view of the majority.

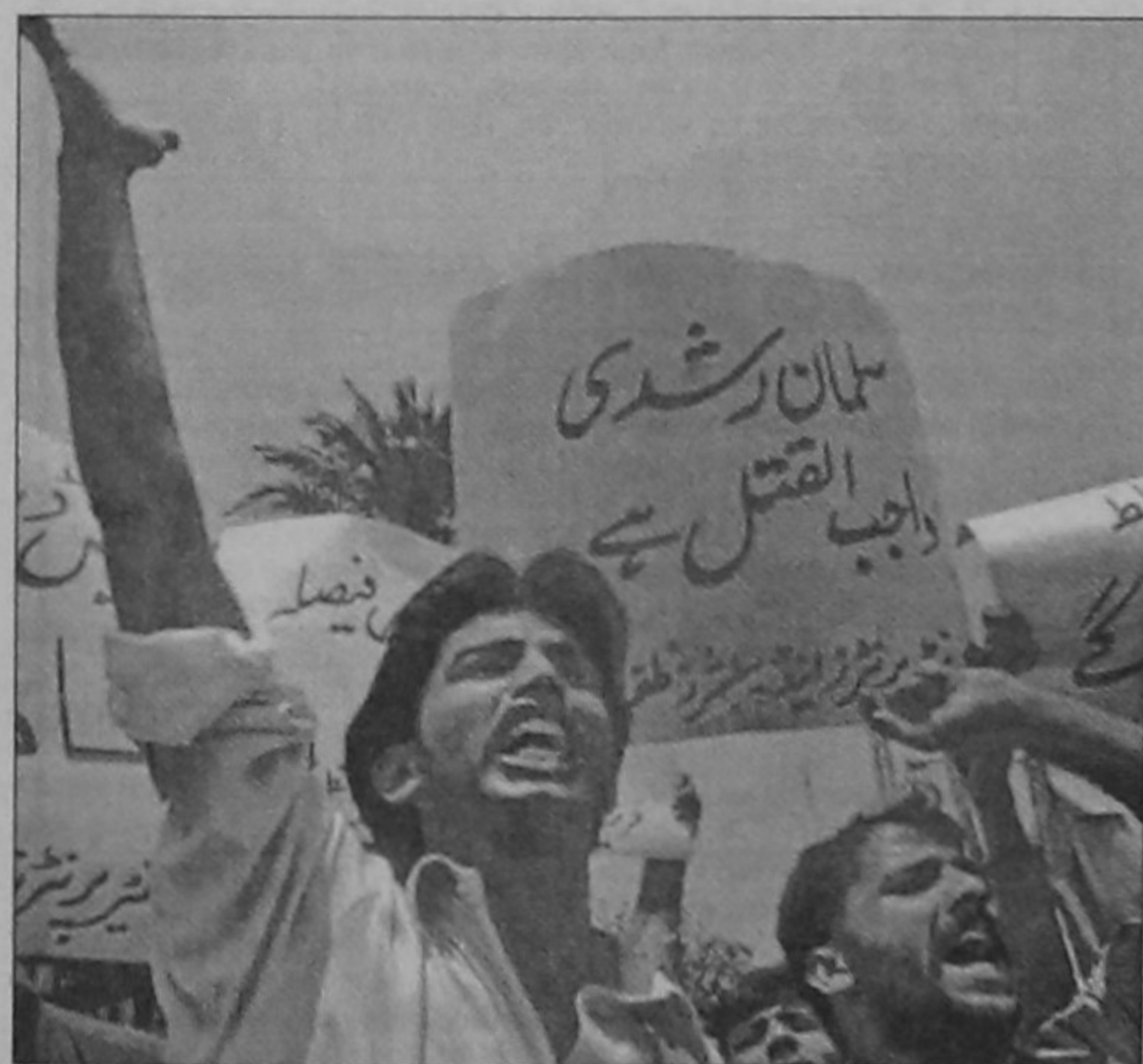
Take the debate that has raged in the United States and Europe for several years over the war in Iraq. President Bush and former British Prime Minister Tony Blair went into the war with reasonable levels of public support within their respective countries.

As elected officials, leaders of democracies owe their jobs to voters, not to the armies or secret services they command. Having been elected, they also have the constitutional right to go ahead with unpopular policies until the next election.

Spain's Prime Minister Jose Maria Aznar and Italian Prime Minister Silvio Berlusconi lost their jobs because of their support for the Iraq war. Tony Blair stepped down amid declining popularity because his Labour Party wanted a fresh face to lead it in the next election.

President Bush's Republican Party paid a price for his unpopularity during Congressional elections in 2006, and might suffer a setback again in this year's polls.

The ability to remove unpopular rulers without bloodshed, and debating alternative visions of what is good for the country, is the beauty of constitutional democracy. Irrespective of the outcome of the debate, the real victor in each politi-



cal contest is the process that allows disagreement.

None of the western heads of governments that support the Iraq war, for example, have described anti-war demonstrators as traitors. Organisers of the demonstrations have not been jailed, nor have their leaders been detained endlessly on the excuse of corruption.

The authoritarian mindset is very different. It assumes that there is only one valid course that serves

the interest of the state, and those advocating an alternative course can only be deemed as enemies of the state. But the state and nation are two different concepts. Before independence, the state, what is today Pakistan, India and Bangladesh, was controlled by a foreign nation, Britain. Gandhi and Jinnah, who wanted to radically alter the state by expelling its British masters, articulated the aspirations of the nation.

From the point of view of the British state, leaders of the independence movements were acting against the national interest, but in the nation's opinion they were the only true voices of the nation's interest.

In case of Pakistan, the permanent employees of the state machinery eliminated representative political leaders from the process of post-independence governance. But the first generation of Pakistan's generals, civil servants and intelligence officials had joined the service of the British-run state and, therefore, could not be legitimate defenders of the interests of an independent Pakistani nation.

In the eyes of the British generation of Pakistan's civil and military leaders, the state's interests were no different after independence than they were before. Representatives of the people, reflecting different visions of Pakistan, saw national interest very differently from the narrow definitions offered by those who had been on the wrong side of the independence struggle.

As the state inherited from the British insisted on shaping the Pakistani nation, rather than the Pakistani nation being allowed to mould the Pakistani state, a battle between state and nation began that continues to this day.

But Pakistan would be better off if constitutional and political mechanisms are allowed to run their course. To make that possible, an absolutely free and fair election and reversing of arbitrary amendments to the constitution are necessary.

Imposition of a narrowly defined view of national interest by permanent employees of the state has done incalculable harm to Pakistan's evolution as a nation.

It is a positive sign that serving and retired military officers are now recognising the value of political processes and respecting the right of dissent.

Given that Musharraf's claim to power rested on his command of the military, perhaps that institution also has a responsibility to help the harm done by his -- and earlier authoritarian rulers' -- mindset.

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