

Bumper boro crop: But what next?

Bangladesh is certainly moving toward self-sufficiency in food grain and even towards becoming an exporter. If our farm productivity increases from the current low level and we adopt a more balanced diet, we can soon become a major rice exporter. The focus should be on maintaining the incentive structure and strengthening the quality of agricultural extension services. We already produce more than Vietnam and Thailand, and if the process is managed well, we should soon be in their league as a major rice exporter.

AHSAN MANSUR

BANGLADESH is at the threshold of a massive bumper boro crop. Reports from all across the country point to a potential boro output well above the ambitious government target of 17.5 million tons. This is certainly the best news for the country and the government besieged by the surge in rice price all across the globe and the danger of food shortage.

The excellent outlook for boro also comes on the heels of bumper wheat and potato crops. This outlook also poses important policy opportunities and challenges for the government to reestablish our agriculture policy on a sustainable footing, consistent with the objectives of making Bangladesh self-sufficient in food, alleviating social and political tensions arising from the high food prices, and at the same time eliminating emerging fiscal imbalances.

This forthcoming record rice output is the result of farmers' whole-hearted response to the terms-of-trade (TOT) shock in

favour of rice producers and the strengthened support provided by various government agencies. The favorable TOT shift is the most that the farmers have experienced anytime in recent history.

The price increase of Tk 12-15 per kg of rice observed in local markets should create additional income of Tk 21,000-26,250 crores (\$3-3.75 billion) for the farmers based on the official target for boro. Since both acres brought under boro production and the yield per acre are projected to be higher than their targets, the actual amount of the increase in income from boro should be significantly higher. If we add to his boro crop an average level of production of aman and aus, Bangladesh should expect to achieve self-sufficiency in food grain. With total output exceeding 30 million tons, the amount of potential total additional income for the farmers would range between Tk. 36,000-45,000 crores (\$5.1-6.4 billion) or 8-10 percent of GDP in a full year.

High food prices and the resulting supply response from the farmers, while helping Bangladesh

achieve food self-sufficiency, have complicated the task of economic management and created social tensions. The TOT gain for the farmers corresponds to an equivalent TOT loss for the people engaged in the non-farm sector. The massive amount of transfers to the farm sector, as noted above, is causing hardships for the poor and middle-income families engaged in the non-farm sector. Supportive government policies through large subsidies, amounting to Tk 15,000 crores on account of fuel price and fertilisers, have also led to large fiscal imbalances.

This mixed background, characterised by farmers' optimism but severe economic stress for the non-farm households, need to be managed effectively and speedily so that all segments of the economy reach their sustainable equilibrium positions on a sustainable basis. The macroeconomic tensions created by the loss of real income through the rice price shock need to be alleviated with government interventions in order to avoid social instability in the urban areas. The strategy should

also be framed within the constraints set by high world prices for major food grains and the outlook for these prices to remain firm over the medium term.

The government's first significant policy intervention at the inception of the boro harvest was to fix the procurement price for rice at Tk 28 per kg and procure 1.2 million tons of rice. This decision and the expression of willingness to procure even larger amounts at this price should establish a floor on rice price and help stabilise the market volatility in the event of flood or other natural calamities. Certainly these prices are consistent with the global constraints and provide right signals for the farmers to ensure food security for Bangladesh in the coming aus and aman seasons.

The procurement price would certainly enhance rice market stability, but the high floor price also means that price of coarse rice will not come below Tk 30 per kg in urban areas. The poor and low-income urban residents would continue to pay high prices for rice. While open market sales of rice at reduced prices are temporary solutions, ultimately real income of the affected groups need to go back to the pre-shock level to avoid social unrest. Not surprisingly, some signs of industrial unrest are already visible.

Against this background, government strategy would need to be formulated to achieve a number of objectives: capitalise on the farm-

ers' response to high prices to ensure food self-sufficiency on a sustainable basis; restore non-farm real income close to its previous level; reduce the ballooning fiscal subsidy to a manageable level; and improve input delivery for the farmers.

During the last 30 years, prices of basic food have been declining steadily in real terms to the detriment of the farmers. Real price per unit for food declined by almost two-thirds over the last thirty years globally, and governments generally liked this trend since urban masses are politically more vocal. The eventual outcome was slower growth in global farm production, leading to the recent massive shock in food prices, shattering the prevailing cozy arrangement. The erosion of farmers' income has reversed in a very short time, and the consequent balance sheet realignment through a sizable loss of income for the non-farm families is inevitably causing social tensions.

- The high level of procurement price announced by the government is a right step to ensure national food security and market stability. However, the government needs to take further steps to realise the other objectives stated above.
- Launch initiatives to increase the income level for the non-farm families engaged in the public and private sectors. In this regard, public sector wages should be increased in the next

budget.

- Introduce policies aimed at increasing private non-farm real wage. In an environment of booming knitwear and garment sector exports in recent months and increased competitiveness of the Bangladesh, such an increase would not be detrimental to future expansion of these sectors. The rapid increase in wages in China, India, and Vietnam together with a rapid appreciation of their currencies should have created significant competitive edge for Bangladeshi entrepreneurs to compensate their workers for the higher inflation. The government should also help in improving industrial productivity (better power supply, port facilities, improved port and customs clearance, etc.)

- Broaden the social safety net for the poor families engaged in non-farm activities. Open market sales of rice, food, and money for work, and vulnerable group feeding programs need to be expanded expeditiously so that nobody is left hungry and Bangladesh does not miss its Millennium Development Goals.

- Reduce the huge agricultural subsidies and use the resources for the interventions noted above. Certainly the government can reduce fertiliser and fuel subsidies. Even if agricultural subsidies are completely



eliminated, because of high rice prices farmers would be getting more than twice the amount of subsidies they were receiving.

- Intensify education campaigns to help alleviate the burden on household budget. Certainly, Bangladeshi families can enhance their nutritional requirements, create healthy and more balanced diets, and realize savings in their family budget by increasing the proportions of vegetables and potatoes in their diet. There is absolutely no reason to have a "silent famine" while potatoes and vegetables are rotting in the field. We should make every effort to change our food habit before facing prospects of calorie shortage.

- A rationalisation of fertiliser prices will also contribute to better and more balanced use of

fertilisers and prevent situations like the recent outbreak of dried-leaf disease due to overuse of urea and underuse of potash- and phosphate-based fertilisers. Proper pricing would also prevent smuggling and allow market-based distribution of agriculture inputs.

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Energy security for Bangladesh

The grim energy scarcity situation in Bangladesh makes it imperative for us not to waste a moment in exploiting all possible means to increase energy supplies. A great deal of precious time was wasted on mulling over the environmental impact of utilising the vast coal resources. The drag and the dithering have proved to be suicidal.

MAMUN RASHID

BANGLADESH seems to be already in the middle of a severe energy crunch. Business leaders and newspapers have voiced serious concerns about the power and energy shortages and the possible adverse impact on the country's manufacturing and business sector.

Therefore the issues of medium and longer term energy security are no more a distant reality. Poor planning, lack of planning, or no planning in the past has brought about this state of affairs. Not only human sufferings from not having power for the bare minimum of decent consumption in households, the worsening energy crunch is putting on hold the entire economy's growth prospects. In fact, the crisis of energy supplies is now posing a threat of reversal in economic growth in the near

future, if measures are not taken to increase power supply immediately.

The grim energy scarcity situation in Bangladesh makes it imperative for us not to waste a moment in exploiting all possible means to increase energy supplies. A great deal of precious time was wasted on mulling over the environmental impact of utilising the vast coal resources. The drag and the dithering have proved to be suicidal. Natural gas reserves have dwindled down to a perilous level due to rising demand (may be due to very low price) while alternatives such as coal remained untapped. With proper policies and their implementation, Bangladesh should have been a major coal extracting country in the region, generating power from coal and easing pressures on its otherwise limited gas resources. Even in the gas sector, reserve position of the country is

not known with a degree of certainty. The way renewable energy sources are being used and developed in various parts of the world, the non-renewable ones such as coal and gas could slip out of priorities or feasibility in energy production in the distant future.

It is of no economic benefit to Bangladesh to keep coal or other conventional non-renewable energy unused under the earth for an indefinite period of time. The best option would be to extract coal and use it while its production is still prevailing as a source of energy in the global market. It is unfortunate that we have failed to do it in a major way in the past.

But even now, crash programs can be implemented to start up large scale coal extraction and use coal for power generation. Issues such as methods of mining, ownership of the coal mines e.g. public

sector or joint ventures by foreign private investors, endless bureaucratic tangles as well as reviews and controversies over these aspects need to be reduced to minimum. It is imperative that we focus on extraction of a non-renewable resource like coal at the earliest by decisively ending unproductive or rather counter-productive debates and bring the same on-stream for power production.

If the non-partisan caretaker government can't decide on this type of strategic issue (which I, of course, don't agree with, especially when the present government is bringing in major shake ups in the governance model, like separation of judiciary, independence of election commission, disciplining public service commission, anti corruption commission and etc.), then they should expedite the election for the greater interest of the nation and its economy.

Similar urgency is on the cards about gas exploration and production. The exploration process must not get bogged down by time-consuming decisions over who should explore, whether it is the country's own exploration and

production company, Bapex, or foreign companies should be allowed a greater role both for onshore and offshore exploration and production of gas.

The present interim government has taken some remarkable steps (including approval of an expenditure plan of BDT 32 billion over a period of next 7 years) to revitalise Bapex. However, considering the present bench strength of civil bureaucracy in Bangladesh, ability to drive reforms and re-engineering at Bapex or Petrobangla and the time required to bring Bapex up the curve as well as the sophisticated technology required for cost-effective operations, the more sensible course would be to allow foreign companies to play their part with enthusiasm.

Foreign companies are operating in most countries of the world and it should not matter to us under the present grave conditions of energy insufficiency if they take the lead in energy production in Bangladesh as they can quickly add energy supplies to the national grid. Bapex can always play their role, once ready or side by side.

However, the process of bidding must be transparent in order to award the concession to the most deserving bidders while preserving the country's best interests. Again taking a lead from corridor discussions at home and abroad, I would urge upon reviewing the existing gas pricing model, to attract the respectable operators in this field.

Given the dire power crisis and the utmost urgency to move fast, it makes sense to attract qualified foreign companies to the power generation process. Even if there are some disadvantages to this process, it is perhaps a better choice than conceding to a reversal of economic growth and stoppage of the wheels of the economy. We need to exploit our full potential in entrepreneurship and development imperatives. Under no circumstances we want to remain trapped in the vicious circle of poverty. We want to move forward, remove the bottleneck towards wealth creation and ensure equitable distribution through better governance and a knowledge-based society.

The writer is a columnist.



Wanted: Stories not about lawyers and leggy blondes

YOUR Humble Narrator has just been to Australia for five minutes. Yes, that's right, five minutes. And no, it wasn't a brief touchdown in transit. It was an entire journey from Asia to Australia and back again for the purposes of an extremely short meeting.

Of course, in the event, it wasn't actually five minutes long. It lasted four minutes. Now I know what you are thinking. You are thinking: Why am I reading this boring column, anyway?

Well, I have no answer to that. So you could actually stop here.

Those of you who choose to continue to read are demonstrating that you are either: (a) highly discriminating, intelligent people or (b) sad folk with nothing better to do. Obviously, the answer is (a). So you will have deduced that it could only be worth my flying thousands of kilometres for a very, very, short meeting, if (a) I was an idiot or (b) because the meeting was important.

Obviously, the answer in this case is (b). (I can hear you say: "Obvious to who?" but I choose to ignore the comment.)

Anyway, here's the tale. Some wise people in Australia noticed that people were enjoying stories more and more, in the shape of books, movies based on books, television series based on books, and so on. But while the vast majority of the world's people live on the eastern side of the planet, all the big awards for story writers were on the western side.

Second, ever since the rise of John Grisham, international law has decreed that all books are about young, male, American lawyers. In most thrillers, a handsome guy surmounts huge odds, battles villains, and wins a leggy

blonde. But while that may be the plot of 90 per cent of modern fiction, it doesn't reflect everyday life for the bulk of the world's population (present columnist excluded).

Third, it was noticed that people were spending a lot of time staring at mobile phones and iPods.

Put all these facts together, and the answer became clear. We needed to organise the mass importation of leggy blondes to Asia. No, what I meant was: we needed to organise a huge writing award for stories set in the Asia-Pacific region.

The smart guy behind this plan was one Alan Carpenter, premier of Western Australia, and he chose your humble narrator to work on the judging side -- which is why I had to fly Down Under to talk for four minutes in front of television cameras and press reporters.

So we're launching a new story prize. It's called the Western Australian Premier's Australia-Asia Literary Award, or AALA for short, and is worth A\$110,000 (US\$102,000) for a single, good tale. That makes it the same as the famous Man Booker Prize of London, and is a sum of cash known technically in the financial world as Big Bucks. The AALA is open to some electronic books as well, so you may wish to start writing a story on the web or on your mobile phone.

Now some people will criticise me for flying 12,000 kilometres for a four-minute meeting. But in truth, I had some other adventures while I was there. To find out the juicy details, read my next book, soon to appear on your mobile phone screen. Okay, you can stop reading now.

Visit our columnist at www.vittachi.com for a link to one of the world's biggest story prizes.

Time for Plan C?

The reality is that the financial markets never fix recurrent failures. The market did not fix apartheid, fascism, or World War II. Politics did. Governance did. The yield of good politics is another kind of ROI, the Return on Insight. We own the necessary insight into the acute and massive ecosystems crises but not yet the responsible politics needed. Let's invent them.

BO EKMAN

TO all intents and purposes, the Kyoto Protocol is dead, and unless urgent action is taken its successor, the Copenhagen process, may turn out to be dead on arrival or comatose. Kyoto never delivered reductions of CO2 emissions, but still binds 174 nations until 2012. Meanwhile, global greenhouse gas emissions have steadily increased since the reference year of 1990.

New negotiations for "Kyoto 2" must produce nothing less than the Perfect Agreement, to be followed by Perfect Implementation. The clear and present danger is that the Copenhagen process will deliver a compromise between nations that will fall far short of this ambition.

Repeatedly events have shown failure of collective governance in dealing with political adventurism sheltered by the principle of sovereignty. The war in Iraq, the occupation of the West Bank or repression in Tibet, the horrific tragedy of Darfur or painful madness of Zimbabwe, the concentration camp at Guantanamo Bay, not to mention the global arsenal of 27,000 nuclear warheads, show that the international vehicles of today are no stron-

ger nor more dependable than any time in the past. Trust levels are low within international systems; paranoia and citizen surveillance and nationalism are at a high. Thus the Copenhagen process takes place in an atmosphere of institutional distrust and competition. No nation wants to emerge as loser before their national audiences.

The loser will be nature; the biosphere with which none of us can strike a deal. Nature is represented at the negotiating table only through the analyses of the IPCC reports of 2007. No new reports are due until 2010, but science does not wait. However, while James Hansen of NASA now convincingly shows that humanity must reverse the atmospheric content of CO2 from today's 385 parts per million (ppm) to 350 ppm -- itself a Herculean task -- nations and negotiators aim for targets of 450 to 500 ppm and the illusionary governance ability to limit the increase of temperature to a maximum of 2 degrees centigrade. This will prove as unfeasible as the stamping out of humans cheating one another.

Targets are defined according to what is judged as politically possible in the short term and economically desirable, rather than what is

required to guarantee a stable ecosystem in the long-term. Current scientific knowledge starkly presents "350 ppm" as a boundary condition in Nature that mankind should not have transgressed. It marks the point beyond which we can no longer be sure to maintain the stability and predictability of nature. This stability was the most important prerequisite for the evolution of human civilisation over the last 10,000 years. There are several more boundary conditions that we should avoid transgressing: limits to fresh water use, fishing, deforestation, toxic waste, land use and misuse of other biodiverse ecosystems such as wetlands. These limits must be defined, never to be surpassed.

Safely keeping human activity within nature's boundary conditions does not necessarily mean limits to growth -- humans have always been a flexible and creative species. But surpassing those boundaries will, with absolute certainty, result in economic and social decline. The biosphere is a complex, adaptive system evolving to support life.

Civilisation is a human-designed system whose purpose is to create secure economic, social and cul-

tural value. This system is built upon the combination of technology, energy and ecosystem "services," i.e. outputs of water, biomass, food, minerals and breathable air. These two systems -- biosphere and civilisation -- are no longer synchronised at the global scale. They are, in fact, colliding.

Humankind is overextending earth's annual biocapacity by 125 percent. Short-term consequences will increase prices for energy, food, water and resources for the ever-growing global population. Long-term consequences could be devastating to all forms of life on the planet. This is why we can accept nothing less than the Perfect Agreement from the Copenhagen process. We can only bind our future to an agreement that secures, with prudent margins for time eternal, the intricate internal balances and interactions of nature's systems.

The world has extremely complex systems problems but we have no matching forms of governance to correct them. We need to move from soft to hard global governance, from "Global Compact" to "Global Contract." The Copenhagen process could provide such an opportunity.

It must therefore be redefined, redesigned, and rescheduled. Above all its targets must be stated with clarity and leaders of nations must morally and operationally rise to this occasion. The declarations on climate change spoken in the General Assembly on September 24, 2007, by hundreds of heads of states were badly matched by the discour-

aging performance at Bali.

The expected compromise of Copenhagen we call Plan A. Each nation's fallback plan prioritising its own interests is a Plan B. If there's no credible Plan A, the world will descend into eco-protectionism, where struggles over food, water, fuels, and biomass overshadow any principle of solidarity.

The Tällberg Foundation has taken the initiative to develop a Plan C, a shadow plan for Kyoto 2. We will suggest an idealised design of the Perfect Agreement, with mechanisms for Perfect Implementation. It will be based on the definition of those natural boundary conditions we must not transgress, and will guide the moral imperatives of a leadership acting in the interests of the whole.

Nature is neither a political nor an economic system. Nature is neither ideological nor religious. Nature is simply nature and Homo sapiens is a product of Nature. Brian Arthur, the brilliant Irish economist, observes in his forthcoming book on the theory of technology that technology brings hope but that trust can only be achieved through our conscious relationship with nature. Trust and hope must be fundamental ingredients in our vision of the future and the redesign of the Kyoto agreement.

The easy way out for many is the elusive promise of new technology, with the wisdom of market forces like cap-and-trade systems. We may remember that it was earlier generations of technologies and market mechanisms that created the cur-

rent problems.

Modern society put its hope in technology rather than trust in nature, fixated by the idea that if only new technologies yield a competitive financial Return on Investment (ROI) the market will fix the environmental mess.

The reality is that the financial markets never fix recurrent failures. The market did not fix apartheid, fascism, or World War II. Politics did. Governance did. The yield of good politics is another kind of ROI, the Return on Insight. We own the necessary insight into the acute and massive ecosystems crises but not yet the responsible politics needed. Let's invent them.

We need a new global deal that combines trust with hope. The patrolling and defense of nature's boundary conditions is a political assignment. Its implementation will demand law-enforcement regimes that, by design, infringe on the sovereignty of nations and their monopolies of military and police force, and of natural resources. Political insight will not, however, be applied without a thundering tsunami of global, enlightened public opinion demanding solutions to the question: "How on earth can we live together -- we the humans, we with nature?"

Bo Ekman is chairman of Tällberg Advisors and founder and chairman of the Tällberg Foundation, an organization dedicated to sustainable globalization and the creation of a secure relationship between man and nature.

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