

# Hard Covers

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## Tracking inflation in South Asia

**Managing Food Price Inflation in South Asia.** Edited by Sadiq Ahmed and Hans GP Jansen.

UPL Dhaka; 290 pages; Tk 730

STAR BUSINESS REPORT

**N**O book engages the mind more than one on food inflation when rising commodity prices are stoking fears of political instability in parts of the world. In the preface of *Managing Food Price Inflation in South Asia*, Sadiq Ahmed, vice chairman of the Policy Research Institute, and Hans GP Jansen, senior agriculture economist for the World Bank's South Asia, say the immediate concern of political economy in the region has been to 'stabilise domestic food prices and lower inflation'. This concern is easy to see when one looks at the adverse consequences for poverty reduction. Here is more on the book that compiles articles from 12 contributors.

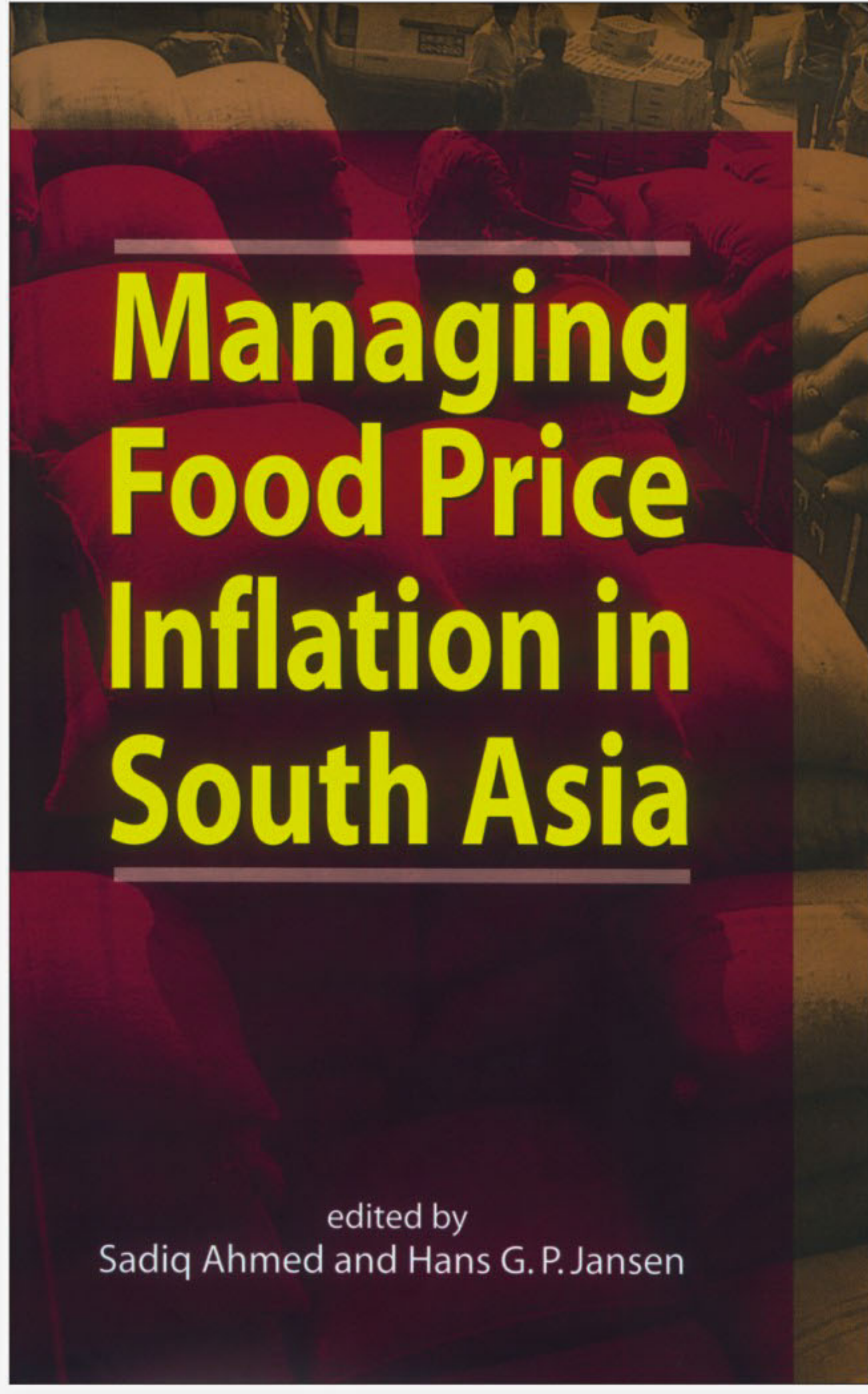
The surge in global commodity prices during 2004-08 presented a tremendous development challenge to South Asian countries. On a net basis, South Asia is estimated to have suffered a cumulative income loss equivalent to some 9.6 percent of GDP between January 2003 and April 2008. Although much of the income loss resulted from the hike in energy prices, the surge in food prices created a tremendous adverse social impact in South Asia, although India was largely able to limit this increase through a combination of timely interventions using stock management and public food distribution. Net food importing countries like Afghanistan, Sri Lanka and Bangladesh suffered the most from the food price crisis.

The adverse effect of the rise in global commodity prices on macro-economic balances has been substantial. South Asian countries have seen a sharp increase in fiscal deficits and a worsening in the balance of payments. The rate of inflation surged and for the

first time in South Asia's history all countries simultaneously experienced double digit inflation rates, with 20 plus rates in Afghanistan, Pakistan and Sri Lanka. In all countries, the immediate political economy concern was to stabilise domestic food prices and lower inflation in order to limit poverty increases. The share of food consumption in total consumption is extremely high in South Asia, averaging nearly 50 percent as compared to 17 percent in USA. It is even higher for the poor who are also mostly net food buyers and as a result have been hurt most by the increase in food prices.

While much of the immediate policy focus has been on food price stabilisation, especially for wheat and rice, the implications of the various policies used for short-term price stabilisation for longer-term supply response, growth, economic efficiency and fiscal sustainability have not always been analysed or thought through. South Asian countries have also intervened to put in place various safety net programmes to protect the poor. The efficiency and effectiveness of these schemes in terms of outcomes and consistency with fiscal sustainability in an environment of external shocks and tight fiscal space vary significantly across individual countries.

To understand the implications of the food crisis for South Asia a conference was organised in November 2008 in Dhaka. The main objective of the conference was to provide a forum for exchanging experiences and analysis to help policymakers to position themselves on how to respond effectively to be global price crises over the longer term. Representatives from six South Asian countries -- Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka -- participated in the conference on November 15-16, 2008. Bangladesh as the host country participated with full strength including high level policymakers, political representatives, academics, business, media and the donor community. In



edited by  
Sadiq Ahmed and Hans G. P. Jansen

addition, experts from the World Bank and International Food Policy Research Institute participated in the conference as resource persons. The conference was jointly sponsored by the World Bank Institute, the South Asia Region of the World Bank and the Bangladesh Power and Participation

Research Centre (PPRC). The latter served as the local host for the conference.

The papers included in the book reflect what was presented at the conference by the authors from the region. The book is divided into two parts. Part I provides the regional

context of the key issues in managing food prices in South Asia. The first chapter by Sadiq Ahmed provides the macroeconomic context of the food price inflation challenge and implications for policy reforms. The second chapter by Tara Vishwanath and Umar Serajuddin discusses the poverty impact of rising food prices. Chapter 3, written by Mansoor Rashid and Celine Ferre, lays out the issues in designing sound safety net programs in South Asian countries based on experiences within the region and elsewhere. Chapters 4-9 contain six country studies prepared by local scholars. Part 2 also provides an epilogue that cautions against the unrealistic optimism that a decline in food prices implies an end to the global food management problems and the related policy agenda.

Besides the book, the World Bank performed additional analyses of what was happening during the food crisis and potential solutions. The resulting sector report includes an analysis of the potential of regional cooperation to mitigate price increases; and a simulation of the extent to which reactions of consumers and producers to price increases may dampen the negative poverty impact. Important conclusions are that regional cooperation will need to go beyond SAFTA to impact food prices, and that continuing public investments are needed to enable producers to benefit from higher food prices.

The analyses of the book and the sector report are now again becoming increasingly relevant. Global food and commodity prices are on the upswing once more. Food price inflation has surged in all South Asian economies and poses similar challenges for poverty reduction and human welfare as earlier. The relapse of food price increases suggest that the unfinished policy agenda needs to be carefully reviewed and actions taken on a more sustainable basis than simply to try to ward off the immediate political risks associated with rising food prices.

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## Fault lines that reshape China

**China Inside Out.** By Bill Dodson.

John Wiley & Sons (Asia); 256 pages

For a clear-eyed look at the internal forces driving China into the future, Bill Dodson's *China Inside Out* is a pivotal read: His book explores the unexpected impact modernization is having on China's development as a civil society, international trade partner and up-and-coming world power.

Each chapter in this book discusses an irreversible trend and its implications for neighbors near and far, and for international businesses invested in China. Presenting the stories of average Chinese workers along with interviews with topical experts and interlaced with his own experiences, Dodson provides a balanced, ground-level analysis of China's social and economic fault lines and stress points. The end

result is an insider's view into the dramatic forces reshaping China, its identity and the truths anyone connecting with China needs to know.

"If there is anything I hope readers take away from this odyssey, it's that China is now at the leading edge of history," said Dodson. "How the society negotiates the inevitable shocks of trends that come into confluence, and how, most importantly, it manages the eventual wind-down of those powerful social and economic forces in the next 10 to 15 years, will have major repercussions for its citizenry, its neighbors, international businesses invested in the country, and for Western civilisation."

The book neatly lays out the major trends coursing through China and the world:

CHAPTER 1: China's Generation W(eb) -- How far will government censors be able to go before a cyber-subculture of hundreds of millions of Chinese rebel en masse?

CHAPTER 2: Keeping Up with the Zhongs -- Chinese are on average becoming richer, less healthy and more anxious as they eat more, drive more, smoke more, work more with few government assurances their assets and their futures are secure;

CHAPTER 3: A Tale of Two Countries -- China needs its migrant workers from the countryside to build its cities, and, increasingly, to live in them, with ever-increasing stresses between the have's and the wanna-have's;

CHAPTER 4: "Not in My Backyard!" -- As more Chinese embrace the ideal if not the practice of an American-style middle class lifestyle, it is beating records as the world's largest polluter of land, water and air resources;

CHAPTER 5: With the Appetite of a Dragon -- China has been on a buying spree abroad as modernisation leaves it with less arable land, food, crude oil and other mineral resources.

CHAPTER 6: China 24/7 -- Manufacturing and infrastructure development is moving to China's hinterlands, where 800 million Chinese literally work day and night to get rich and show it off;

CHAPTER 7: China, At Your Services -- The hallmarks of China's nascent services sector are a lack of civility, little sense of customer care and arcane bureaucracies

CHAPTER 8: The Global Sugar Daddy -- The international marketplace will increasingly resist opaque Chinese business practices and inadequate quality and governance controls even as China becomes richer;

CHAPTER 9: Hot Pot Nation -- Population pressures lanced by the One Child Policy and a rapidly aging population with a below-par replacement rate are becoming national and global liabilities.

CHAPTER 10: In the Shadow of the Emperors -- Chinese nationalism and militarisation are increasingly filling the vacuum left by the lack of a civil society and the dearth of reflection on the country's modern history, making its neighbours near and far anxious about how aggressively it will fulfill its role as a rising superpower. -- **Star Business**

## Beyond denial

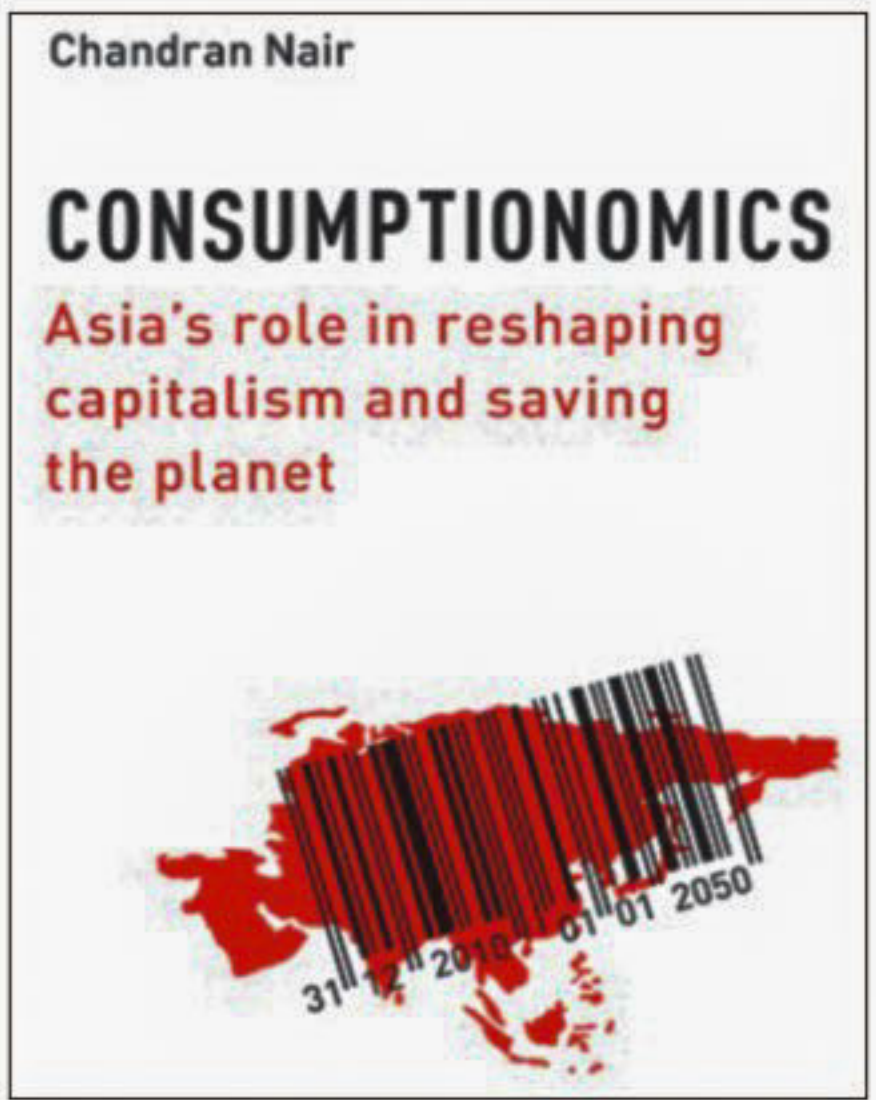
**Consumptionomics: Asia's role in reshaping capitalism and saving the planet.** By Chandran Nair.

John Wiley & Sons (Asia); 256 pages; \$27.95

*Consumptionomics*, a new book published by Wiley, tackles head-on what is certain to prove the most controversial political challenge of the next two decades: the need for Asia to challenge the conventional wisdom about markets and economic growth as promoted by the West -- for which consumption has been the fuel that drives the engine of global capitalism, much to the detriment of our natural environment.

The recent financial crisis has seen the West's leading economists and policy makers urging Asia to make a conscious effort to consume more and thereby help save the global economy. This view conveniently refuses to acknowledge both the unpleasant effects of consumption and the limits to growth. If Asians were to achieve consumption levels taken for granted in the West the results would be environmentally catastrophic across the globe. Moreover, it would have significant geopolitical impacts as nations scramble for diminishing resources.

Asian governments and leaders now find themselves at a crossroads. They may either continue on the current, unsustainable path of Western-style consumption-led capitalism, disregarding the evidence, or they may realize that they hold the unenviable responsibility of leading the world to a more sustainable path. The solutions will entail making sensitive political choices and adopting certain



forms of government to effect such a fundamental change of direction. This will all fly in the face of current ideological beliefs rooted in free market capitalism. But if Asia is willing to take on this responsibility, it will help to save the planet whilst reshaping capitalism.

"As latecomers to the model of development that puts a premium on wealth creation at any price, Asian countries will never be able to attain the ways of life taken for granted by most in the West," said author Chandran Nair. "We must accept this to move beyond denial and look for alternatives -- ones that by definition are better because they may have a chance of working."

This timely and controversial book shows what it will take to rise to this challenge and what the consequences of failing to do so would be, while offering ideas about what to do. A must-read on an indispensable debate for business leaders as is for policy makers. -- **Star Business**

