

Capitalising on fall of black gold

SHARJIL M. HAQUE

WITH oil prices in international markets tumbling to the bottom, a lot of commentary has pointed out that this is a "shot in the arm" for the global economy. According to Olivier Blanchard, chief economist at the IMF, world economy stands to gain by 0.3% to 0.7% in 2015 compared to a scenario without the drop in oil prices. The reasons behind the fall are widely known. Europe's prolonged crisis coupled with China's recent slowdown has sapped demand; the Shale-oil boom, along with rising production in Libya, has created the glut. The major beneficiaries from the fall in prices are net oil importers such as the United States, China, Japan, India etc.

Similar to these countries, Bangladesh stands to gain since we import around 5.7 million tons of oil annually -- comprising the largest share of 11% in our import basket. Yet, domestic prices have not been adjusted to international markets. The primary factor has been attributed to Bangladesh Petroleum Corporation's (BPC) cash crisis and obligation to meet targets set by the National Board of Revenue (NBR). However, the benefits from maintaining current price for the sake of BPC is not greater than the multi-faceted gains Bangladesh can get by adjusting prices to global markets.

Before reforms aimed at capitalising on the decline in oil

price can be considered, policy-makers need to identify whether the crash is transient or if we will see a lower and new "normal" in oil prices for some time. Recently, the International Energy Agency (IEA) stated that demand for oil in 2015 will be significantly less than previous forecasts as global economies remain weak, and that prices may continue to slide unless Opec counters the supply surge. Another school of thought hypothesises that prices might bottom-out soon but will be significantly lower than the lofty \$100-plus levels seen before. Furthermore, with rising geopolitical tensions between Opec and non-Opec oil producers, the consensus is that prices might settle between \$60-\$80 a barrel. Whichever of these predictions comes to being, it seems clear that lower prices is the new norm for 2015.

Our government can benefit from this "new norm" by completely eliminating fuel subsidy for this and the next budget. Subsidies, by design, are double-edged swords. The main benefits end up going mostly to the richest citizens and crowd out more productive government spending and reduce energy efficiency. The funds saved should be reallocated to more fruitful development expenditures like infrastructure, health and education. One major argument against price adjustment is BPC's obligation to meet targets set by NBR. With the opportunity of removing distortionary subsidies at hand, the government needs to collaborate with NBR on reducing revenue targets to ease BPC's obligations.

Another concern with price adjustment is BPC's massive cumulative loss. By selling at old prices, BPC can return to profit after 13 years. But

this is a highly suboptimal arrangement for the economy as a whole. Lower oil price is a significant opportunity to improve profitability of the entire manufacturing sector -- and suddenly BPC's interest has shifted to generating its own profitability!

As many local experts have pointed out, the general population should not be the scapegoat and BPC's financial crisis should be addressed through longer-term plans with energy-sector specialists and business veterans to guide the enterprise at the management level. Moreover, if profitability of the manufacturing sector improves, the government stands to gain from higher corporate tax collection, which should offset, at least partially, the loss of revenue from reducing BPC's obligations to NBR.

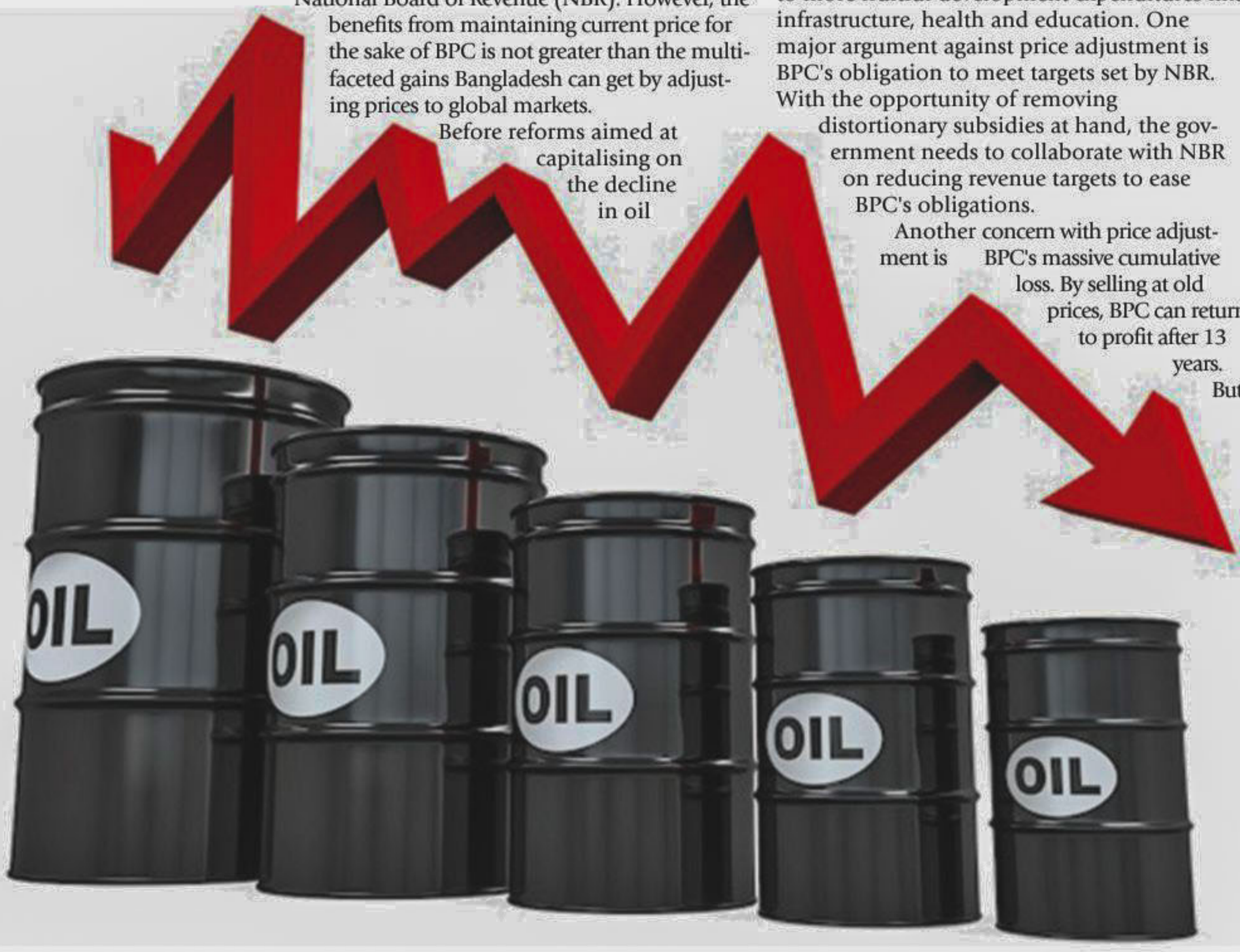
Another argument standing in the way of price adjustment is inadequate storage facilities. One strategy can be to allow the private sector to import oil. Recently, the government has allowed some fuel oil-run private companies to feed their own factories and power plants. This practice should be encouraged and the government should allow more private sector companies to import oil -- but only after careful screening of company fundamentals and management efficiency and integrity. This policy, apart from increasing storage capacity, would also bring quality service in the energy sector and create benefits at the retail level.

On a slightly different note, by lowering prices, the government gives the manufacturing sector some cushion to fully implement higher minimum wage for labour. Reports as recent as December 2014 state that nearly 20% of RMG factories have not implemented the minimum wage structure even a year after the pay hike was made official. Another 40% has done so only partially. Lower oil prices would significantly reduce overhead and operating expenses and allow manufacturing units to reallocate some of these savings to salaries and wages.

Finally, letting international prices feed into the retail level will lower inflation. This translates into higher disposable income and potential for greater investments. For Bangladesh, it can also hedge against rising inflationary expectations due to the recommended pay hike of civil servants from the next fiscal year.

The gains from reducing domestic oil prices far outweigh the benefits of maintaining higher prices. We may be looking at greater manufacturing sector profitability, more fiscal efficiency and higher disposable income. This is not just about greater real GDP growth, but also higher inclusive growth. Adjusting prices is, therefore, a logical and promising decision which the government should not delay much longer.

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New Year resolutions! Confessions of a serial breaker

SUNDAY POUCH



ASHFAQUR RAHMAN

OVER the past 50 years, I have been making New Year resolutions. On the first day of January I have been saying to myself that this year it will be different. I vow that I will stick by what I resolved to do. But by January 10 my firm commitments seem to dissolve. The end of the first week sees me going back to my comfort zone before December 25 of last year. If 50 years could not change anything, I think it is time to confess my failure.

To begin with, each New Year I fall into the same trap. I am never realistic. Like an inflated balloon, I set big goals in my resolutions. Sometimes I resolve that this year I would be a millionaire. But how could this be? I have no means to earn new money. It is too overwhelming to think of new ideas that would propel me to find sources of new finance. I had, therefore, failed to set smart goals. None of what I set out to do was achievable. My mistake is that I am always too ambitious.

So what should I do? Maybe I should make a resolution that is practicable. How about eating well and being physically active? But I always eat the wrong kind of food and strain myself by exercising. In seven days after taking the resolution, I seem to have started on the wrong foot. I was not very specific. I had not resolved how many kilograms I should weigh in a year's time. I, therefore, had no target. My resolution was too general and I thereby failed in implementing it.

Then there was the matter of being a perfectionist. I was determined to be consistent in my efforts. But by the end of the first week of January I knew that I could not continue much longer since I did not do things perfectly. To me being 100% correct in pursuing my resolution was the only way to succeed. But I forgot that I was only human. I should make some concessions in order to succeed.

There is a tendency in me that says that unless I am able to see quick results, I am prone to give up that activity. So I am quite flimsy in my attitude and easily irritated. That is the point when I give up. This is true not only for me but for many others who show similar aptitude. Take the matter of saving money for the future. If suddenly there is a need for money, I am willing to part with it easily. I give up being parsimonious too soon. I know that saving is a function of habit. But this can happen only over time. Everything that is to be achieved has to be made habitual. I did not make savings a routine matter with me. Obviously I failed in implementing my resolution.

Then there is the question of believing in myself. Unless you are convinced that the New Year resolution you took was really good for you, it is unlikely that you will keep it. Look, I had taken a resolution once that I would be a voracious reader of books. But soon I lost my belief in what I had intended. I had no belief in myself. Of course, a few days later, I took another resolution, this time to be polite. But I forgot why I took the resolution in the first place. The raison d'etre behind being polite to all was to prove, after all, that I am a gentleman. However, since I was not clear as to why I should behave like a gentleman, old habits played out. I started behaving rough. It did not occur to me why I had taken a New Year resolution to be polite at all.

As I confess to my mistakes in making New Year resolutions and failing to keep them, I am again determined to do something different to achieve this year's (2015) resolutions. This time I am not going to spend too much money to reach any single goal. Like what I did in the previous years, I will not run to a book store to buy books on nutrition or on life style, or to be conversant with my goals to be a slim and active person and determined to be a gentleman. I have, therefore, decided I should not invest my money on a magical tool or book or a personal trainer that can make my resolution a reality. I have decided that I should invest in time and not money. The best would be if I learn how to be my own personal trainer. Here I should set my personal goals. I can then buy a book on lifestyle as a reward for any of my accomplishments.

This year I will build a belief in my ability to achieve and to succeed. This I will try to do by being specific in my goals. I will also devise a measure for my goals. I should see that the goals are attainable and are relevant to me.

Those, my friends, are my New Year resolutions this year (2015). How about you?

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Year of the Ram: What might lie ahead for Japan?

MONZURUL HUQ

THE Chinese zodiac calendar designated 2015 as the Year of the Ram. The 12-year rotating cycle of life that oriental astrology depicts in animal signs has long been a part of Chinese and some other East Asian cultures. The animals not only portray virtues and vices that we tend to associate with beastly existence; they also give hints of what the future might hold in the year that each of the chosen animals represents.

Japan started the Year of the Ram with a strong political conviction that had been reflected in the outcome of December 14 general election. The ruling coalition, consisting of Liberal Democratic Party (LDP) and its junior partner Komei Party, could retain its strong hold in the lower house of the Diet with a guaranteed two-third majority. Some fear that this could pave the way for smooth passage of nationalist agenda, thus undermining liberal settings of the past. It is also no secret that Prime Minister Shinzo Abe is advocating a departure from Japan's post-World War II order, while working out an economic revitalisation plan that he hopes would help Japan come out of the economic crisis the country has been facing for more than two decades.

The post-war economic boom that eventually allowed Japan to become a formidable economic power had been attributed to the political tranquility the country enjoyed since Japan's uncondi-

tional surrender in 1945. With the end of war in the Pacific, Japan came under US occupation and the old enemy had done everything possible to make sure that the country did not return to its militarist past. A US initiated constitutional rearrangement denied Japan the right to keep a military force capable of waging war, and in exchange the US military presence in Japanese territory served as a security guarantee that Japan needed to compensate for the absence of military power of its own. The arrangement, although welcomed by many ordinary Japanese as well as business and financial lobbies, was resented from the beginning by nationalist forces that saw in it Japan's virtual subjugation. Their desire to upturn the fallout and make Japan what they call a "normal country" is nothing new. They simply failed to do so during much of post-World War II period due to unfavourable public opinion and also because of the existence of a relatively strong political opposition within the country.

Many in Japan believe that the economic miracle the country had gone through in 1960s and 1970s could not have been possible if Japan would have had to think about military matters. As long as the Japanese economy moved forward bringing dividends to citizens, such thinking continued to be a dominant factor defining Japan's security policy. But any existing status quo in the political spectrum tends to be overturned whenever the economy faces difficulty.

Examples from around the world show very clearly that narrow nationalistic trend gets a strong boost whenever the economy is in bad shape; for Japan too, a neo-nationalistic revival accompanied economic downturn triggered by the collapse of the bubble economy in early 1990s. As economic slowdown eventually turned out to be a never ending sequence for Japan, those forces are now organised enough to make their vision of making Japan a "normal country" a forceful political agenda enjoying support right up to the top of Japanese leadership. In such a scenario, the unfolding of the Year of the Ram might underline a new period of uncertainty for the country, particularly at a time when Japan's neighbours are quietly gaining ground, both economically and strategically.

The main argument that Japan's ruling block pushed forward at the election campaign was economic revival, more specifically the implementation of "Abenomics" that LDP leadership thinks would help Japan come out of the harmful cycle of deflationary trend blamed for slowing down the country's once powerful economic engine. It is still early to make a definite prediction on how this much-heralded economic policy is going to help the country in the long run. The result so far is not giving any encouraging sign of an early revival. There had been some gains at the upper-end of economic layering, with leading exporters posting net profit by reaping the benefits of a weaker

Japanese currency. However, at the mid-level and lower end, the situation continues to be dire, more because many such enterprises depend heavily on import of raw materials where they are now burdened with sharp price increase due to falling yen, the same precondition that is helping the upper layer of economy.

For ordinary citizens, the impact of weaker yen had been coupled with consumption tax increase, resulting eventually in turning life a bit more difficult. Prime Minister Shinzo Abe and his economic advisers are still upbeat that in the long run the benefits of "Abenomics" are sure to reach all segments of Japanese society, resulting in salary increase leading to higher consumption and thus helping the economy at this difficult stage. However, how long the achievement of that long-term benefit is going to need for heralding its arrival is a big question that many have already started asking. And there is also another group of sceptics who think that if economic policies start bringing dividends in the end, Abe administration will waste no time in resorting to its favourite topic of playing with the nationalistic game; thus making the strategic balance a bit more unstable and risky. So, the promises of the Year of the Ram might not be in line with what the general characterisation associated with the animal might otherwise suggest.

The writer is a Tokyo-based Bangladeshi journalist and teaches at Japanese university.

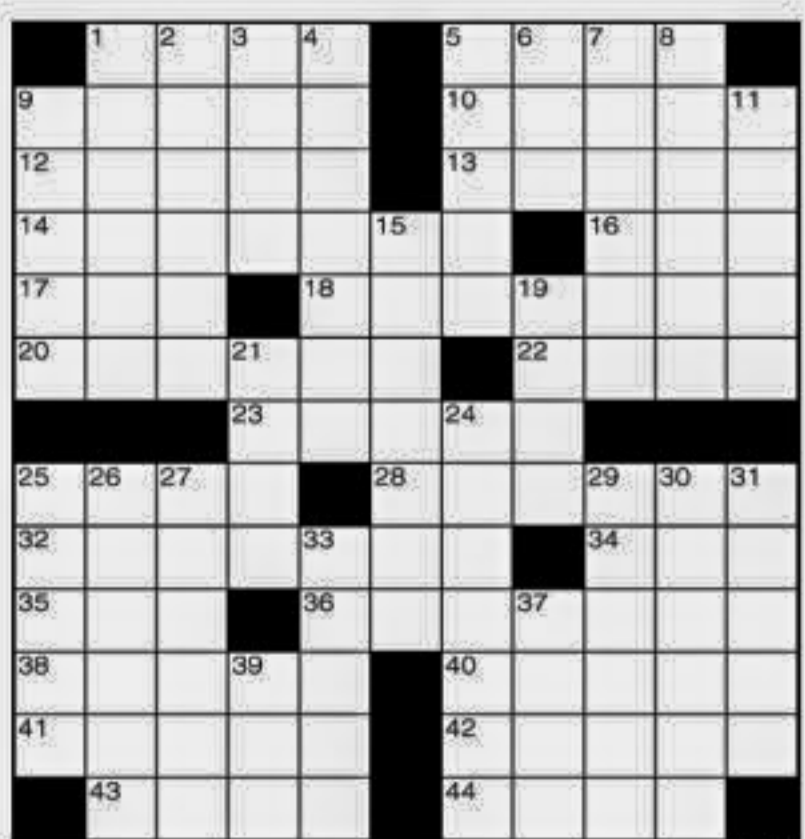
QUOTABLE Quote

We are what we pretend to be, so we must be careful about what we pretend to be.

Kurt Vonnegut

CROSSWORD by Thomas Joseph

- CROSS
1 Passing crazes
5 Band boosters
9 Maximum amount
10 Societal norms
12 Playing marble
13 Higher than
14 Gun barrel ends
16 Signing need
17 "You - Here"
18 Sheens
20 Cardinal's symbol
22 Different
23 Sports venue
25 Boot attachment
28 Mating a Sandra Bullock film, for short
32 Battering orders
34 Pitcher's stat
35 Office-holders
36 Overall profit
38 Ready to play
40 Derby prize
41 Outpouring
42 Marie Curie's daughter
43 Riggling support
44 For fear that
- DOWN
1 Calculate
2 Dumb-struck
3 Scatter-brained sort
4 Outstanding
5 Accumulate
6 Unruly crowd
7 Drive
8 Cuts off
9 Truman's birthplace
11 Good judgment
15 Muse of music
19 Jazz, e.g.
21 Hound's quarry
24 Hole in the head
25 Narrow cuts
26 Locker art
27 Open, in a way
29 Stops
30 Set straight
31 Parson's house
33 Lower than
37 Candidate of 2000
39 Greek vowel



Yesterday's answer

WILD ACHE
ABOUT SHILL
NEWER SIGMA
ERA ONESHOT
DINEOUT ARK
ADAPT KNEE
ORS MUD
SPUN DORMS
POT DIRTTIED
AUSSIES GNU
TRIED ETHAN
SEDAN LATTE
DENT BYES

CRYPTOQUOTE

VA NRC'KB MRVHM JR QR ORPBJGVHM JRHVMGJ JGLJ NRC'FF TB ORKKN ARK JRPRKKRU PRKHVHM, OFBZ FLJB.

-GBHNN NRCHMPLH

Yesterday's Cryptoquote: THE TASK OF THE MODERN EDUCATOR IS NOT TO CUT DOWN JUNGLES, BUT TO IRRIGATE DESERTS. -C.S. LEWIS

BEETLE BAILEY

by Mort Walker



HENRY

by Don Trachte



A XYDLBAAXR IS LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.