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Where's the end to Dhaka's terrible traffic?

Authorities need to stop being apathetic to common people's sufferings

AFTER nearly two years of hiatus, almost all offices, businesses, schools and colleges have started to resume their normal functions. As a result, Dhaka's traffic has returned to its nightmarish worst. What is most shocking in this regard is how completely unprepared the authorities were for the reopening of educational institutions, and how apathetic they remain to the most distressing issue concerning the capital city's residents.

Dhaka's horrendous traffic is nothing new. Given that it is one of the most densely populated cities in the world and lacks the road space required for the current volume of traffic to move smoothly, traffic congestion has remained a perennial problem for the city residents. On top of that, a large percentage of the roads that we do have are either always undergoing repair work or are in desperate need of repair because they were poorly constructed in the first place. Then there is the fact that Dhaka has one of the worst public transport systems in the world.

However, given the day-to-day suffering this causes people, as well as the economic and social costs, why is it that we have just given up and learnt to live with it? Why haven't the authorities come up with a comprehensive and effective plan to improve Dhaka's traffic? How long will we remain satisfied with their empty promises?

The two years of empty streets that the pandemic forced upon us provided the perfect opportunity to the authorities to improve our roads. Yet, we barely saw them being bothered to do so. Is it because most of our government high-ups—the VIPS—can shut down entire roads and travel quickly without facing such congestion—while causing inconvenience to others—that they have remained so apathetic to this problem that ordinary people are forced to endure day in, day out?

There are, of course, other factors that exasperate our traffic problems, such as people ignoring traffic rules (which are barely enforced), traffic police looking the other way for rule violations (in exchange for bribes), etc. But many of them also have administrative roots. All these problems could be solved if the authorities were sincere in their pursuit to address them.

With Dhaka becoming more and more "unliveable" by the minute, there is no excuse for the failure of the authorities to address the city's traffic problems—and even less so, for their apathy towards how badly it is affecting the quality of people's lives.

Spare the Tetulia playground

For the sake of children, at least

AS it is, Dhaka city's unbridled and unplanned growth has divested it of the open spaces needed for its residents' recreation and outdoor activities. For anyone who has lived through the times when Dhaka was only a budding city, with every colony, housing area or locality having its own playground, park and recreation facilities, the current transformation is painful and unbearable. Now, only a few open spaces and playgrounds are available in Dhaka, and parks—which every locality should have—are few and far between. Whatever open space is available is being pounced upon, either by the administration or private realtors. Admittedly, the population pressure on the capital makes that inevitable, but the situation is worsened by the wanton disregard for the national building code. Reportedly, 25 out of the 75 wards under Dhaka South City Corporation and 10 out of the 55 wards under Dhaka North City Corporation don't have a single park or playground.

Added to the list of playgrounds that have made way for construction of buildings is the playground in Tetulia. On January 31, 2022, the Deputy Commissioner's Office in Dhaka handed over the playground to Dhaka Metropolitan Police, reportedly to house a police station there. Needless to say, unless there is an intervention, the people of the area would be deprived of a free and open space where they can take a deep breath and where children can play. The field had multiple uses, and had been used for Eid congregations and Janaza prayers for the last 50 years.

Dhaka's transformation as a sprawling mass of concrete jungle, which has devoured playgrounds, catchment areas and floodplains, has affected children the most. With the majority of new schools and colleges lacking any facilities for outdoor activities, the only option for physical exercise are the local grounds. And that, too, are becoming very scarce, which is one of the main reasons why children these days are found glued to the computer or the TV most of the time.

We understand that there is a need for space for a new police station. One doesn't contest the fact that the land has been acquired through a due process either. But we believe there could be alternatives that can spare the piece of land that has been used for outdoor activities by the local residents for the last five decades. We urge the authorities to show some kindness to the children and the locals of the overpopulated area, and make alternative arrangements for the police station.

What the Ukraine war means for our economy

MACRO MIRROR

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FAHMIDA KHATUN

SINCE the war between Russia and Ukraine began on February 24, 2022, the global economy has entered a new terrain of uncertainty. The war-induced challenges have surfaced on various fronts. With global economic integration, a crisis of such nature, which involves a country like Russia, is bound to impact other economies.

The Russian invasion of Ukraine has happened at a time when the world just started to recover from the fallout caused by more than two years of Covid-19 pandemic. But the recovery is facing inflationary pressure due to supply shortages in the face of higher demands as countries are beginning to expand economic activities. The ongoing war has created a new shock for the world. Supply disruptions and financial sanctions pose serious economic challenges. With no signs of reconciliation between Russia and Ukraine, the global economic implications will be much more severe.

Major countries including the US, the UK, Japan and the European Union (EU) have all suspended economic ties with Russia. Sanctions have been enforced on the Russian financial institutions with the objective to disrupt transactions with the country. As Russia is the third largest oil-producing country in the world, the global economy is suffering as a result of high oil prices. Though developed countries are sourcing their requirements from other oil-producing countries, small and poor countries are finding it difficult with their limited financial abilities to meet their energy requirement. In addition, high oil prices have a knock-on effect on other prices, leading to further inflationary pressure.

The ramifications of these challenges are seen through higher commodity and oil prices. Food prices have skyrocketed. Petroleum prices have been on the rise for quite some time. The war has pushed it upwards. In March 2021, petroleum price was USD 65.2 per barrel, which has reached USD 95.8 per barrel.

Depending on the duration of the war, its impact at country level will depend on the economic links with Russia and Ukraine, and their exposure to the global economy.

Bangladesh is already feeling the heat of the Russia-Ukraine war in many ways. If the war continues for a longer period, the impact will intensify. We are feeling the impact through reduction in exports and rise in import bills. Being an oil-importing country, Bangladesh is already feeling the pressure through high import payments. It was reported earlier by the Bangladesh Petroleum Corporation (BPC) that it was losing about Tk 19 crore per day. With high oil prices, the chain effect is felt through sanctions. At the end of January of FY2021-22, the current account deficit reached USD 10 billion as there was an increase in import payments and reduction in remittances. If high current account deficit persists for a longer period, the exchange rate will also fall under pressure.

It should be kept in mind that the impact of the war will continue for some

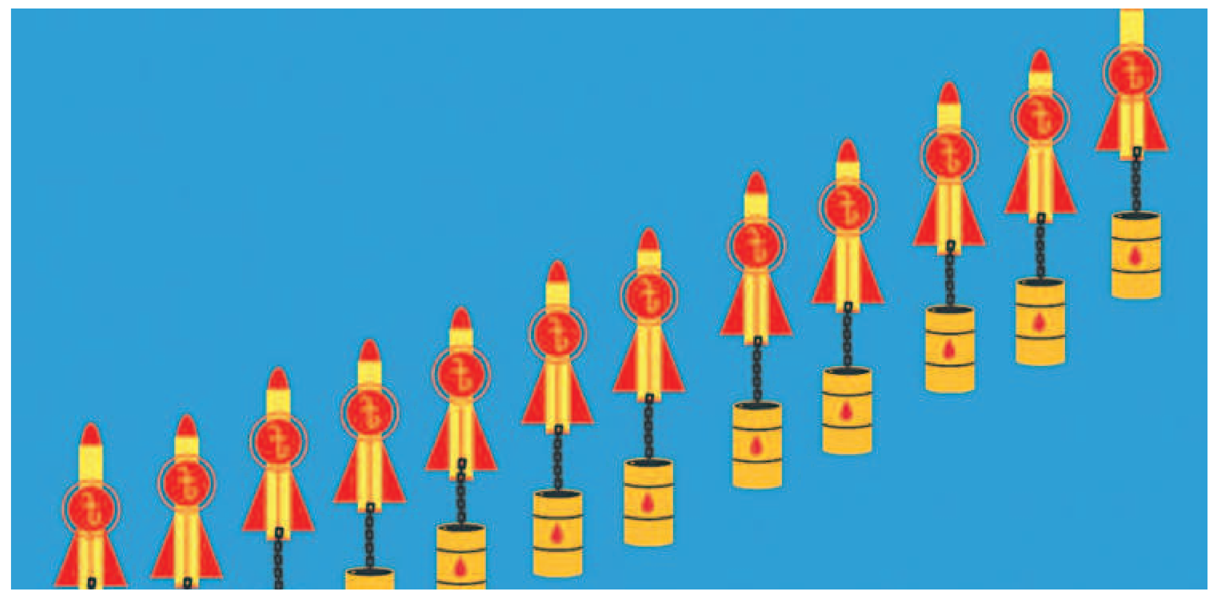

ILLUSTRATION: STAR

In addition to fuel prices, costs of other imported products have also gone up significantly. This will push the production costs up, resulting in higher prices for the consumers.

a hike in the prices of gas, fertiliser, and other essentials. The government raised diesel prices in November 2021 by about 23 percent, which has already been reflected in the market through the high transport costs and prices of other essential items.

In addition to fuel prices, costs of other imported products have also gone up significantly. This will push the production costs up, resulting in higher prices for the consumers. Global sanctions on Russia implies that Bangladesh's trade with Russia is going to be affected. Russia is a market for Bangladesh's ready-made garment (RMG) products. In FY2021, Bangladesh's export to Russia was to the tune of USD 550 million, and import from Russia was USD 480 million. Bangladesh imports wheat and maize from Russia. Sanctions mean Bangladesh will have to import these items from somewhere else.

Russia is also implementing several projects in Bangladesh. The Rooppur Nuclear Power Plant (RNPP) is a large project being implemented by Russia that involves USD 12.65 billion and is scheduled to be completed by 2025. The ongoing war and economic sanctions against Russia could delay this expensive project, which means cost escalation in Bangladesh. This implies higher loans and burden on the country.

The balance of payment will be under pressure due to high prices and trade

time, even after it is over, since it will take time for the economy to recover from the damages. Therefore, countries will still be feeling the impact of the crisis for a longer period, and thus should be prepared for that.

The policymakers in Bangladesh will have to monitor the market closely. The country should quickly source commodities from the global market at competitive prices and distribute essential commodities at reduced prices through open market sales. Prudent macroeconomic management should be followed to create fiscal space. As the government is in the process of formulating the budget for FY2022-23, it should allocate adequate resources for social safety net programmes at a larger scale for the poor and low-income families. In this respect, subsidies for critical commodities, such as fuel, power and agriculture, need to be continued for a few months. The economic recovery will depend on the extent of public expenditure. However, waste of public resources and unnecessary public expenditures should be curtailed. Efforts should be given to expedite projects that are near completion, rather than initiate new ones. The government should carefully use its foreign currency as the import payments continue to rise in the uncertain period of war and beyond.

We must all share the pain of rising prices

RMG NOTES

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MOSTAFIZ UDDIN

A host of challenges await garment makers as 2022 progresses. The legacy impact of the Covid-19 pandemic, including ongoing logistical challenges around moving stock; the impact of Russia-Ukraine war and the subsequent reduced access to the Russian market for our products; access to raw materials and supply constraints for raw materials, such as cotton—all of these and more will make this year a difficult one, despite the relief many of us feel as the pandemic has somewhat slowed down.

My biggest concern of all, however, is inflation. Price hikes have not really been an issue in fashion and its supply chains for many years. If anything, ours has been a deflationary industry, due mainly to an excess of supply over demand, low barriers to entry into our industry, easy access to raw materials, and many other reasons.

But this picture is now changing. Through much of 2021 and now into 2022, our industry witnessed huge increases in the cost of shipping containers around the world. This is an ongoing problem, and it's only going to get worse. In some cases, the cost has risen from less than USD 2,000 to more than USD 20,000. Industry experts believe the prices could go even higher.

Those desperate to move their goods can, of course, opt for airfreight. But that brings with it extra costs. And, of course, prices for airfreight are also on the rise.

Through much of 2021 and now into 2022, our industry witnessed huge increases in the cost of shipping containers around the world. This is an ongoing problem, and it's only going to get worse.

On top of the increased shipping costs, suppliers are also seeing a spike in raw material prices. Cotton is a staple for Bangladeshi garment makers, and cotton prices continue to soar to record highs.

Garment manufacturers had just about become accustomed to rising raw materials and shipping prices. But now there is another issue adding fuel to the inflationary fire: the war in Ukraine. One consequence of this war is rising gas and fuel prices globally. Global analysts seem to have put no ceiling to the rise of fuel and energy prices as a consequence of the war. What is clear, however, is that the longer Russia's invasion of Ukraine lasts, the worse the consequences will be, given the huge strategic importance of this region as an exporter of fuel.

This is a concern for Bangladesh, which is increasingly dependent on imported energy.

Could rising fuel prices hit garment makers? Just recently, I read that fuel and energy shortages in Sri Lanka could impact the performance of the country's apparel export sector this year. On mitigating future disruptions, the country's main textile body said that unless resolved soon, extended power cuts, coupled with shortages of diesel, would have an impact on the industry's performance in 2022.

Sri Lanka's economy is different from ours, and its dynamics are unusual in that it's an island nation. But to see a rival garment hub suffering does bring these issues rather too close to home for comfort.

With all of this in mind, I believe RMG producers in Bangladesh need to begin putting mitigation measures in place and planning for a prolonged period of price inflation—if they are not doing so already.

There are several ways to protect one's business against inflation. One of the most obvious is via the use of forward contracts. A forward contract is a contract between two parties to buy or sell an asset at a specified price on a future date. It can be used for hedging against future inflation and can help give a business more certainty.

A currency forward is a binding contract in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date. These are vital for many businesses right now, given the huge fluctuations we are seeing in the prices of the dollar and other major currencies.

There are also less formal techniques that businesses can adopt to protect themselves against ongoing price rises. On a broad level, the clearest advice I would offer is for RMG factory owners to be upfront with buyers about the increase in costs they are facing. A manufacturer trying to internalise the inflationary pressures we are witnessing will not remain in business for long.

There is nothing wrong with passing some costs along in an effort to maintain a reasonable margin. Much of this comes down to negotiation skills, an area we sorely need to improve upon in Bangladesh. It is widely accepted that as garment makers, we are price takers. But there has to be some limits to this. In other words, if our costs have risen significantly, at some stage we have to increase our prices or our margins will be completely eroded.

The one final point in all this is that, just maybe, this year will see some significant increases in the end prices of clothing. I read a lot about retail prices rising in the West. At the same time, I am astonished when looking at the websites of some major fast fashion brands and seeing how cheap their clothing remains. At times, it feels like end consumers are completely buffered from the inflationary impacts. Surely, this has to change at some point. We must all share the pain of global economic shocks.