The Daily Star
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What goes up, never comes down

How are consumers to deal with the continuous rise of edible oil prices?

WE are deeply concerned with yet another hike in the prices of edible oil, which will add to the ever-increasing woes of consumers already struggling to make ends meet on their limited incomes. The government has fixed the price of a litre of bottled soybean oil by 23.65 percent—the biggest such increase in Bangladesh's history—reportedly to address an unprecedented crunch of the essential cooking item. Prior to Eid, when demand for it was at its peak, cooking oil all but disappeared from the market, following a ban by Indonesia on palm oil exports. It was the nail in the coffin of an already unstable market, which has had to confront rising production costs amid higher raw material prices in the international markets and rising shipping costs, supply disruptions and pent-up demand.

In addition to the external shocks, we have observed—with increasing alarm—how unscrupulous businessmen have created artificial crises in the domestic market in an effort to drive up prices over multiple occasions in the past year. In fact, we have penned many editorials urging authorities to take steps to reign in the price manipulations at each of the four stages of the value chain within the country, involving refiners, dealers or supply order traders, wholesale traders and retailers. Unfortunately, we are yet to see decisive action by the government against these actors despite detailed reports of such manipulations.

Over the past year, the price of edible oil has gone up eight times. While we have little control over the external shocks, the government can and must do more to ensure that it—and not the unscrupulous traders—is calling the shots in the domestic market and that it is representing the best interests of the consumers, not that of the traders. Meanwhile, given that the supply crunch in the international market will not ease anytime soon, the government must urgently find alternative sourcing destinations, alternative edible oils and take trade-related measures to maintain a smooth supply of edible oil in the local markets at affordable prices.

The commerce ministry is reportedly going to recommend that the National Board of Revenue (NBR) reduce the import duty on canola, sunflower and olive oil to 10 percent from the existing 32 percent. Given the current constraints, this would no doubt be a welcome move, but we can't help but wonder if the benefits would actually trickle down to the consumers. We have observed how the government waiver of 15 percent value-added tax at the production stage and 5 percent at the retail level, and another 10 percent VAT cut at the import stage, had little effect in stabilising prices of edible oil. Will the government ensure that history doesn't repeat itself? We urge them to open their eyes to the unending sufferings of the middle and working classes as they formulate policies to tackle the crisis.

Brickfields ruining farmlands

Farmers must not suffer for brickfield owners' business practices

IT'S a distressing reality that the country's farmers are faced with an ever-spiraling problem of losing their lands and crops to the burgeoning brickfields, such as in Dinajpur's Biral upazila. We are worried to learn that over a hundred acres of agricultural land are being devoured by brickfield owners, and that black fumes from the kiln are scorching the semi-ripe crops in the farmlands near them. Reportedly, this damage to farmers is being done for many seasons, but no permanent actions have been taken by the administration to drive off unscrupulous brickfield owners.

Besides destroying crops with their noxious fumes, brick kilns and brickfields also destroy the physical structure and fertility of the lands on which these are built. Not to mention the adverse effects they have on the health of the nearby population. Even if the brick kilns in farming areas are removed now, it will be many years before they regain their past fertility. A look around the outskirts of the cities and towns reveals that brickfield owners are unstoppable in expanding their reach, usually by greasing the palms of corrupt officials, who help them carry on with their business. It is indeed surprising that thousands of brickfields are operating throughout the country either with no permission from the Department of Environment (DoE) or with permission that expired long ago. Except for some occasional raids and closure of one or two brickfields, we do not hear of any sustained campaigns by the relevant ministries against these polluters. It is understandable that, with rapid urbanisation and industrialisation, demand for the traditionally built bricks is rising every year but it does not give the owners the right to operate without following government instructions. The laws of the land must be enforced to stop illegal brickfield owners from subjecting our already vulnerable environment to long-lasting damage.

According to the Food Planning and Monitoring Unit (FPMU) under the Ministry of Food, land used for agriculture declined at 0.26 per cent annually between 1976 and 2010—and faster after 2000 at 0.45 per cent. Other sources report that croplands have declined by one million hectares since 1976. Brickfields are one reason for such loss of agricultural land.

We urge the government to take necessary steps to reverse the situation. Experts mention cement blocks as the possible alternative to clay-made bricks, as used in many other countries. In addition, relevant authorities must ensure that brickfields are being operated legally and using the most environmentally-friendly methods possible. Farmers have enough to deal with in terms of unexpected financial hardship (such as the pandemic) and sudden weather disasters (flash floods and droughts). They cannot also be repressed by the misdoings of brickfield owners.

Here's what the 2022-23 budget must address

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SELIM RAIHAN

THE national budget for the next fiscal year will be the third since the start of the Covid-19 crisis in March 2020. Can we expect it to address the current realities, contexts and challenges of Bangladesh?

The economy is on the path to recovery from the unprecedented economic and social crises induced by Covid-19. Several international and domestic factors, however, constrain the recovery process. People's livelihoods were severely affected during Covid, and are yet to get back on track. Also, rising inflationary pressure in recent months is adding to people's woes.

To help marginalised people, the government should prioritise economic recovery, job creation and inflation control in the next fiscal year's budget. The ongoing Russia-Ukraine war and the persistent economic stress of Covid have disrupted global supply chains and driven up commodity prices.

The pressure of the current price hike is beyond the endurance level of the low-income people. Some are even curtailing their necessities, especially food. Though, as per government estimation, the food inflation rate is around six percent, according to recent estimates by SANEM, marginalised people have been facing double this rate while buying foodstuff. The official estimates of the food inflation rate depend on the food basket specified in the 2005 survey, but the food habits of people both in cities and villages have changed a lot in the last 17 years. These changes in food habits and poor people's typical consumption baskets are not considered in the official estimates. This suggests that the actual situation is worse than what is officially stated.

In recent times, the prices of products in the international market have increased; so have shipping fares. However, the question is whether prices are rising at a higher rate in Bangladesh than in the international market. There is a lack of surveillance in this regard. Reliable data on the local production and the amount of import necessary is vital for maintaining the balance between supply and demand. Lack of information and supply-demand mismatch push up prices of goods. Some traders also take advantage of asymmetric information to bid for higher prices. Regular market supervision is needed to avoid such a situation.

The unpredictability of the geopolitical environment does not help the country's recovery process, either. In such a situation, we must keep a year-round eye on the international market. To monitor the international market, a permanent system must be established. This would aid in the formulation of better and more effective policies.

During the pandemic, severe flaws in social safety net programmes surfaced. There are concerns that an important portion of the support allocated to the SSN does not reach the poor due to identification problems. As a result, targeted groups continue to suffer. While local government authorities and officials compile beneficiary lists, there is no system in place to ensure accountability and transparency throughout the process. Therefore, substantial coordination between ministries is required. In addition, all safety net programmes must be consolidated onto a single platform. While the allocation for SSN programmes should be raised substantially, there is also a need to ensure coordination, accountability, and transparency in the overall process of allocation, distribution, and management of the programmes.

VISUAL:
TEENI AND TUNI

In recent times, the prices of products in the international market have increased; so have shipping fares. However, the question is whether prices are rising at a higher rate in Bangladesh than in the international market.

The government's initiative to sell products at a lower cost by providing TCB "family cards" to 10 million families is commendable. However, the coverage must be expanded, as many low- and middle-income families, in addition to poorer families, are still unable to take advantage of this benefit. Along with TCB trucks, sales centres for beneficiaries could be set up across the country.

Most micro and small firms, which play an important part in the economy's supply chain, are still struggling. The resulting supply chain disruption will continue to obstruct economic recovery at the intended pace. As the informal sector employs more than 85 percent of the workforce, a substantial portion of which is made up of micro and small companies, if these businesses fail to recover, the overall economy will not revive, leaving many people to keep struggling in the labour market. Micro and small enterprises have benefited the least from the government's stimulus packages.

Because the private sector accounts for over 80 percent of total investment in the country, boosting private sector investment is crucial for economic recovery. The indicators for private sector investment are still not encouraging. One of the main goals of the budget for 2022-23 should be to illustrate how to break the cycle of stagnant private sector investment, which has persisted over the past decade.

Bangladesh's tax effort also continues to fall short of its potential. The tax-GDP ratio is less than nine percent and is one of the lowest in the world. The necessity for a prudent fiscal framework has become much more obvious than in the past. There are also expectations that the government will demonstrate some strong political will in implementing long-awaited vital reforms in the financial sector, the business environment, and in social sectors like health and education.

Sri Lanka's situation also highlights the necessity of learning lessons on managing foreign debt and implementing development projects. Surely, there is the necessity for infrastructural development and mega projects. But considering their economic viability is extremely crucial. Avoiding unnecessary large-scale projects and conducting proper feasibility studies for development projects are extremely important. The projects which are already undertaken could become burdensome if the expenses eventually become exorbitantly high and it takes more time to implement them. We expect to see reflections of some strong directives in this regard in the upcoming budget.

PROJECT SYNDICATE

The International Monetary System is More Unfit than Ever

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ANDREW SHENG *and* XIAO GENG

AFTER the 2008 global financial crisis, the world seemed ready to undertake meaningful reform of the international monetary system. But the promised structural changes never happened. And the recent spring meetings of the International Monetary Fund and the World Bank indicated that the current bout of global economic upheaval will similarly fail to spur transformation.

When the 2008 crisis rocked the global financial system, policymakers took radical action to stabilise it. Beyond government bailouts of distressed banks in the United States, the epicentre of the crisis, liquidity was expanded substantially through large-scale quantitative easing and foreign-currency swaps by central banks.

The obvious next step was regulatory reform, aimed at preventing future crises. To this end, more power was delegated to the Financial Stability Board, an international body focused on identifying and promoting strong regulatory, supervisory, and other financial-sector policies.

But critical reforms were thwarted by pushback from the financial community. Similarly, in the US, the tougher regulatory regime put in place after the crisis was subsequently weakened.

Meanwhile, the massive monetary expansion that had propped up the global economy generated new risks, with prolonged ultra-low interest rates encouraging short-term speculation and fueling asset bubbles, without increasing long-term productivity. At the same time, the financial sector and ownership of wealth became far more concentrated.

Now, a new set of shocks are threatening to generate further upheaval. According to the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, the most pressing challenges include debt distress among emerging-market and developing economies (EMDEs), vaccine equity, the surge in inflation, and growing risks to financial stability.

The world was promised a neutral international monetary system, secured by a stable reserve currency issued by a global hegemon. But with the US dollar being weaponised through sanctions, it has become clear that the current system is far from neutral.

Efforts to address such urgent challenges are largely piecemeal. For example, last August, the IMF approved a general allocation of special drawing rights equivalent to USD 650 billion. This expanded the IMF's resources substantially, but the demands for funding have increased exponentially.

With the war in Ukraine generating severe increases in energy and food prices, which are hitting EMDEs particularly hard, the situation is set to deteriorate further.

More fundamentally, "urgent" and "important" are not the same thing. And there are some crucial structural-reform questions that the IMF and its most powerful stakeholders have not even begun to answer. Perhaps the most fundamental is whether the current US dollar-based system designed at the end of World War II can continue to provide global public goods.

That system has certainly worked well to foster globalisation, trade, financialisation, and overall growth during the largely peaceful post-WWII period, including the tense Cold War era. But it was not designed to deal with the complex challenges posed by climate change, pandemics, rapid technological innovation, rising inequality, long-term demographic change, and escalating geopolitical conflict. It certainly was not intended to operate within a multipolar world order.

With the US dollar being weaponised through sanctions, it has become all too clear that the current system is far from neutral.

Moreover, the US is no longer the global hegemon. The world order now seems destined to split into two blocs, each with their own security structures, supply chains, technologies, and financial systems. As Bernard Snoy et d'Oppuers points out in a forthcoming book, when any national currency functions as a global currency, at least six types of instability ensue: environmental, economic, social, financial, political, and ideological.

Building a more stable international monetary system demands a shift to a truly global currency. The SDR is the most obvious candidate, backed by the Palais-Royal Initiative in 2011. But the US, which holds the most sway at the IMF, would not agree to turn the Fund into a quasi-central bank with the power to issue a supernational currency that would erode America's "exorbitant privilege."

Even if no national currency is likely to replace the dollar any time soon, there are two other avenues for reducing the dollar's dominance as a means of payment and store of value: digital currencies and the creation and expansion of non-dollar-based payment systems.

The international monetary system is unsustainable. We can either reform it now or wait for a catastrophic crisis—an EMDE debt crisis on the scale of the Latin American and Asian financial crises in the 1980s and 1990s, a global bout of depression like that seen in the 1930s, or war among major powers—to force our hand.