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FOUNDER EDITOR: LATE S. M. ALI

Save Khuniya Palong reserved forest

Govt must reverse decision to build a football facility there

WE'RE alarmed to know that the government is allowing Bangladesh Football Federation (BFF) to build a residential training facility in a reserved forest – Jungle Khuniya Palong – in Ramu, Cox's Bazar. According to our report, 20 acres of land on which the centre will be built were already handed over to BFF, after quietly de-reserving it in early June. Justifying the decision, the minister of environment, forest and climate change has claimed that "there was no alternative to it", and that "we'll make sure the harm to forestland is kept at a minimum level." We find both the justification and the assurance quite unconvincing.

While the practice of ravaging forests is nothing new in Bangladesh, this marks a new low in government-sanctioned deforestation with football thrown into the mix. Forests are critical to our existence. Football is anything but, especially in a country with dangerously low forest coverage. "Football for forest" is thus not only a bad bargain, it also flies in the face of common sense, established conservation practices, our constitution and international commitments, a High Court order... the list goes on. According to an estimate, about 30,000 trees will have to be felled for the planned construction. We cannot help but ask: What's so important about a football facility that a forest will have to be scarred for it? Why are forests, reserved ones no less, always such easy prey?

One may recall a similar incident last year when the public administration ministry sought to build a civil service academy on 700 acres of protected forestland in Cox's Bazar. The land allotment order was met with opposition from activists and even a parliamentary standing committee, and it was eventually stayed for three months by High Court. The court, previously, had directed the government not to hand over any more forestland of Cox's Bazar to any individual or organisation. The latest move shows how little effect that ruling has had on relevant authorities, who continue to defy the highest court of the country.

This is a disturbing development in itself, but more so for forests in Cox's Bazar which are particularly at risk, having suffered largescale clearance after the arrival of Rohingya refugees. The problem was compounded by the continuation of encroachment, de-reservation, deforestation and leasing out of land – a cocktail of crimes against nature in which both locals and officials are equally complicit. We have nothing against building training facilities for anyone, but it must be done responsibly, on plain land. When the government itself breaks law, it sets a bad precedent. We, therefore, urge the higher authorities to quickly intervene to save Khuniya Palong forest. It should re-reserve the land allotted and take the project elsewhere.

No Austerity for Chattogram Wasa

CWasa officials must answer for ignoring instructions on foreign trips

WE are surprised to learn about foreign trips made by officials of the Chattogram Water Supply and Sewerage Authority (CWasa) in the last few months, despite strict government instructions to suspend any such tours for the time being. Currently, a number of high officials of the institution, including its managing director, are in the US, as part of a project called Bhandal Jhuri Water Supply Project.

Although CWasa claims that the 14-day trip is for training and inspection of factories before making purchases under the project, the timing is suspicious as it comes after over 80 percent physical work of the project has already been done. The question is, what is the point of making this trip at this point? How urgent was it? This is just one example of unnecessary trips usually made by government officials wasting huge amounts of public money. Over the last few months, CWasa officials alone made quite a few trips to different foreign countries including Turkey.

The government recently issued a circular suspending foreign trips of officials of all government, statutory, state-owned, autonomous and semi-autonomous organisations as well as state-run companies and financial institutions. So, how could the CWasa officials ignore this directive? One engineer who returned from a trip recently has said that they did not go abroad on government funds, and that the cost was borne by the project contractor. Even if this is the case, it still violates the government directive. Also, no contractor would arrange such costly trips out of the goodness of their heart. The money, in one way or another, will be taken from the pockets of the public.

At a time when the government has been urging all its institutions and even citizens to maintain austerity – and giving specific directives to local administrations across the country to reduce their budget spending – such wastage of money by CWasa is unacceptable.

The fact that such trips were made despite a clear directive also raises the question: What mechanism is there, if at all, to check whether the directive is being followed by all public offices? Clearly, only giving instructions to maintain austerity is not enough. There needs to be a proper policy and system in place to ensure compliance and success. We have various parliamentary committees to oversee the work of various ministries. The austerity drive also needs to be centrally monitored by a high-powered committee, guided by a legal framework, to ensure that everyone is on the same page. Only then can we expect to get some positive results.

BUYING VS SELLING DOLLARS

What should we do?

Dr S Nazrul Islam
is a visiting professor at the Asian Growth Research Institute (AGI) in Japan.

S NAZRUL ISLAM

THE US dollar has now surpassed the Tk 100 mark, and Bangladesh Bank is making contradictory moves to deal with the situation. Earlier, it sold USD 7.62 billion from the reserves to protect the value of the taka. More recently, the government has been seeking USD 4.5 billion from the International Monetary Fund (IMF) and USD 1 billion from the World Bank to replenish the foreign currency reserves. Similarly, after failing to shore up the taka even by selling dollars from the reserves, the central bank apparently decided to let the dollar rate be settled by the market. However, according to press reports, it again tried to stop the devaluation of the taka by fixing the rate at which banks can buy or sell dollars.

The sudden appreciation of the dollar can certainly be unnerving. However, much of its cause is rooted in past failures to adjust the exchange value of the taka in a timely manner. For a long time, Bangladesh allowed the taka to be overvalued. The average annual rate of inflation in the US and Bangladesh during the decade of 2012-2021 was 1.88 percent and 6.05 percent, respectively, implying a difference of 4.17 percentage points. Yet the dollar exchange rate increased from Tk 79.1 in 2012 to only Tk 84.8 in 2021, suggesting an average annual increase of less than 0.7 percent. Though the relative movements of the prices of tradable goods and services could provide a more accurate anchor, it is clear that the adjustment of taka's value fell far short of what was required. It may be noted that neighbouring India devalued its currency several times during the last decade. The robust growth of remittances and exports during these years helped Bangladesh to ignore the necessity of this adjustment. However, a combination of a sharp rise in the import bill and a fall in remittances have now brought to the fore the accumulated unwelcome consequences of an overvalued taka.

There is a perception that devaluation of a country's currency reflects deterioration of its economy. This is not necessarily the case. The exchange rate depends mostly on the inflation rates in the economies in question, and a country can do well even if it has a relatively higher inflation rate. Also, the absolute value of the currency does not reflect the strength of a country's economy. For example, as of July 12, 2022, one dollar was equivalent to 137 Japanese yen and 1,934 Italian lira. This does not mean that Japanese and Italian economies are worse than that of Bangladesh. What is important is to ensure that the exchange rate reflects the price levels in the countries in question.

At a general level, the overvalued taka was expected to dampen export and promote import. The intriguing political-economic question is, why there wasn't enough pressure from exporters for correcting the overvaluation. The government's policy of offering cash incentives to exporters could be one answer. RMG exporters still account for about 80 percent of Bangladesh's total exports, and they have been receiving cash incentives ever since their emergence. They also enjoy lower corporate tax rates. Given this generous support, RMG exporters probably did not have much to gripe about the overvalued currency. In the successful East Asian countries, the privileges given to export-oriented industries were always time-bound and generally expired after a decade. By contrast, the privileges enjoyed by the RMG sector in Bangladesh have become a permanent fixture of the landscape.

The sudden appreciation of the dollar can certainly be unnerving, but necessary.

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The other social group that was hurt by the overvalued taka were remittance senders. Unlike RMG exporters, they form a diffuse group, with relatively small per capita gain from the correction of overvaluation, and hence they were unable to mount any collective action. However, they expressed their displeasure by sending more money through informal channels. The government tried to offset this trend, again, with a cash incentive policy, this time directed at the remittance senders.

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However, targeted policies of cash incentives are generally inefficient compared to the universal policy of correct currency valuation. Targeted policies often create distortions and lead to unwarranted behaviour. For example, it is widely believed that the cash incentives given for remittances led to recycling of dollars (sent out through hundi, only to be brought back through official channel) to reap the cash incentives. Similarly, the cash incentives on exports seem to have given rise to a perpetual dependence on government largesse, rent-seeking, and the inability to advocate for a more rational exchange rate policy.

The policy of targeted cash incentives is harmful for at least three other reasons. First, it is discriminatory, because not all exporters receive cash incentive schemes, and overvalued currency makes it harder for potential new exporters to sprout. Second, cash incentive schemes create additional burden on the budget. Third, the overvalued currency creates unreasonable pressure for import.

Of course, the forced and somewhat sudden correction of taka's overvaluation, as happening now, is creating the problem of imported inflation. However, artificially trying to protect the high value of the taka is not the solution. The earlier sale of USD 7.62 billion from the reserves was a misguided move and proved to be futile. Similarly, the idea of borrowing from the IMF and World Bank to replenish the reserves is also not warranted. Taking on additional loans is not the solution.

In the short run, the first task is to let a correction of the overvaluation happen. This correction has to be sustained, instead of being a one-shot affair. Second, it is necessary to recognise the potential benefits of the forced devaluation. It can boost exports and remittances and dampen import – which are needed now. Instead of cash incentives that create budgetary burden and can be misused, other creative measures should be devised to encourage remittance flow through official channels. The government has already taken some administrative measures to contain import. These need to be effectively implemented. Third, it is necessary to consider removing or relaxing the cap on the interest rate to curb import demand. Fourth, taxes and duties on imports need to be reviewed to maintain the import of critical inputs. Fifth, subsidies need to be provided to offset imported inflation of particular commodities and for deserving sections of the population.

In the medium term, sectoral management has to be improved. This is particularly the case with the energy sector, which has become a main claimant of foreign currency and subsidies, so much so that it is now threatening our balance of payments and macroeconomic stability. Similarly, with the overvaluation corrected, it should be possible to phase out cash incentives to the RMG sector and lessen the burden on the budget. Thus, with some creativity, the current crisis can also be used to better balance the economy.

Unpacking northeast India's potential

Dr Abantika Kumari
is an assistant professor at the History Department of Allahabad College in Uttar Pradesh, India. She is also a researcher particularly focused on South Asia. She can be contacted at abanthikakumari@gmail.com

ABANTHIKA KUMARI

BANGLADESH and India share a 4,096km international border, 1,880km of which is with India's northeastern region (NER). India's NER is strategically positioned and might serve as the country's gateway to Southeast Asia. Bangladesh shares borders with Assam, Meghalaya, Tripura and Mizoram in the NER. With the exception of Meghalaya, all states have land and river borders with Bangladesh. The longest land and river-based boundaries with Bangladesh are in Tripura and Mizoram. Closer economic integration and connection with Bangladesh would diminish these states' economic isolation, while simultaneously strengthening their linkages with India's heartland.

The nexus between Bangladesh and the NER determines the current pattern of commerce between the two countries. Some important minerals are found in the NER which are in high demand in Bangladesh. Resources such as coal, limestone, stone chips, and bamboo are important NER exports to Bangladesh, while finished goods such as cement, plastic, goods, ready-made clothing, processed food, and soft beverages are key imports. This makes a compelling case for increased trade between the two regions.

Agartala is 1,650km from Kolkata and 2,637km from New Delhi through Shillong and Guwahati. The journey between Agartala and Kolkata via Bangladesh, on the other hand, is only about 550km. Furthermore, the average distance between Bangladesh's major cities and northeast India is 20km to 300km. As a result, Bangladesh is always considered crucial for NER's connectivity with mainland India by rail, road and river routes. Because of its strategic location, there are several opportunities for trade, transportation, commerce, and connection between Bangladesh and the NER. As a result, it is critical to map out some of the most important sectoral prospects.

> **Given the enormous number of state-of-the-art hospitals and educational institutions on this side of the border, Bangladesh can also draw a large number of NER population for medical and educational tourism.**

The northeastern region is a source of around 63,000MW of hydropower energy. Bangladesh can benefit from the extra or underutilised power generated in the NER by bolstering its power supply. As a result, cooperation in this industry can benefit both regions. Connectivity with northeast India, namely the Seven Sisters, might be extremely beneficial to both parties. This aim could be served by establishing government-to-government (G2G) economic cooperation. Establishing G2G economic zones between Assam and Sylhet could help achieve this goal.

The first step towards increasing tourism between Bangladesh and the Seven Sisters will be to reopen all of the blocked border checkpoints to visitors. There are now only three border checkpoints along the states of Tripura and Meghalaya. Both must look into the possibility of adding more border checkpoints and developing infrastructure, including communication lines. Furthermore, the international airport in Sylhet can act as a link between the secluded people of the northeast and the rest of the globe. Given the enormous number of state-of-the-art hospitals and educational institutions on this side of the border, Bangladesh can also draw a large number of NER population for medical and educational tourism.

It is clear that both the administrations are committed to revive inland navigation between Bangladesh and the NER. However, there are obstacles to making efficient use of the waterways: heavy siltation, shifting channels, lack of needed water depth during the lean season, night navigation limits, and the absence of appropriate navigation, for example. These issues must be addressed for the mutual benefit of Bangladesh and India's NER.

To give access to subregional main cities and ports, the Bangladesh, Bhutan, India and Nepal Motor Vehicle Agreement (BBIN MVA) would substantially help the chances for cooperation. Under the BBIN MVA, Bangladesh and India should work collaboratively to increase cross-border trade with the NER.

During a meeting between Bangladesh Prime Minister Sheikh Hasina and India's External Affairs Minister S Jaishankar in Dhaka in April this year, the Bangladeshi premier offered India the use of Chattogram port when discussing the necessity for greater connectivity between the two neighbouring countries for mutual benefits. This presents a lot of exciting prospects for the two countries to collaborate closely. Bangladesh has the potential to be a major partner of India's efforts to increase trade in the region as the globe "pivots to Asia" and the Indian Look East policy changes into the Act East policy.

Both Dhaka and New Delhi would benefit from a larger role for northeast India. Because of its proximity to Southeast Asia and Bangladesh, the region has the possibility to serve as a bridge for India while also benefiting economically and entrepreneurially.