The Daily Star
FOUNDER EDITOR: LATE S. M. ALI

A long-overdue call for Gaza ceasefire

UNSC must find a way to urgently enforce it

It is a real travesty that it took the UN Security Council more than five months to find a unified voice on the need for ending Israel's unjust war in Gaza, after the United States, its closest ally, abstained from vetoing a resolution calling for an immediate ceasefire, in a shift from its previous position of blindly supporting Israel's unrelenting assault on Palestinians. But now that a resolution has finally been passed, it is extremely important that it is implemented without any delay. The number of Palestinians killed by Israel has already exceeded 32,000, with the majority of them being women and children. Gaza is already the "most intense starvation catastrophe of recent decades", with human rights organisations warning of an impending famine unless Israel's aggression stops and aid is immediately allowed to enter the strip.

Israel, of course, has maintained a below-starvation-level food policy for Gaza for years now, allowing below-bare-minimum necessities to enter the Palestinian territory. Moreover, in recent times, it has approved some of the biggest settlement projects—forcibly removing Palestinians from the small sliver of lands they have left, demolishing their homes, and building new ones for Jewish settlers—in violation of UN resolutions. On the same day that the UNSC passed the ceasefire resolution, a report by a UN special rapporteur was leaked to the public revealing that Israeli actions in Gaza "qualify" as genocide on at least three grounds. A case against Israel's genocide is already underway at the International Court of Justice.

But despite calls from all over the world for a ceasefire and an end to such horrific atrocities, Israel has remained adamant in its position, emboldened by the unconditional support—diplomatic, financial and military—it has been receiving from Western countries. Given these realities, the UNSC ceasefire resolution is quite significant for the Palestinians. The fact that it has happened highlights a slight change of position from the one country that has most protected Israel from any consequence so far. However, given Israel's attitude, it might be too early to be hopeful about a true ceasefire.

Another issue of concern is that the ceasefire that has been called for is a temporary one. It is high time the UNSC and all its members recognised the gravity of the atrocities being inflicted against the Palestinians. They must take steps to enforce a permanent ceasefire as well as withdrawal of all Israeli forces from all Palestinian lands.

Senior citizens deserve better care

Latest BBS report shows increase in elderly population

Bangladesh stands at a pivotal juncture where the demographic landscape is undergoing a significant transformation. The recent spike in the elderly population, as highlighted by data from the Bangladesh Bureau of Statistics (BBS), serves as a stark reminder of the need to recalibrate our societal priorities accordingly. As the proportion of individuals aged 65 and above continues to rise, we must recognise the profound implications this demographic shift holds for our future.

The increase in elderly population—from 5.67 percent in 2022 to 6.14 percent in 2023—brings forth multifaceted implications that extend beyond economic concerns. While it signifies advancements in healthcare and longevity, it also underscores the need for comprehensive policies to ensure the well-being of senior citizens. The increase also suggests that our demographic window is beginning to shrink, highlighting the urgency of utilising the demographic dividend while it lasts. Bangladesh is slated to become an "ageing society" by 2029 and an "aged society" by 2047. By 2050, people aged 60 and above will number 3.6 crore and constitute 22 percent of the total population, according to the United Nations Population Fund.

Against this backdrop, it is worrying that there is not enough institutional support for senior citizens in the country. The monthly Tk 600 allowance for the elderly is totally insufficient given the rising cost of food, housing and medical services. Moreover, the absence of a universal healthcare scheme means that those from poor backgrounds are being disproportionately affected. In 2013, the government framed a national policy on older persons and enacted a law making it mandatory for children to provide upkeep for their parents. But there has been little progress in their implementation, as per experts. These issues need to addressed if the quality of elderly individuals' life is to be improved.

We, therefore, urge the government to prioritise the implementation of robust social safety nets and support systems to cater to the evolving needs of our aging population. The government must allocate sufficient resources and enact policies that reflect our commitment to ensuring a dignified life for all citizens irrespective of age.

LETTERS TO THE EDITOR

letters@thedailystar.net

End the plastic menace

Wherever I go, whatever location it may be in Bangladesh, I witness plastic littering. This was not the case even 10 years ago, but now I think that the overpopulation issue and the plastic disposal issue might be inextricably linked. People don't feel the need to dispose of wastes properly anymore and this is genuinely concerning because now we can even find microplastics in human bloodstreams which can be potentially hazardous for our health. I urge the authorities to enforce stricter measures to curb plastic pollution specifically and teach individuals the harms of the overconsumption of plastic.

Badrul Islam
Rampura, Dhaka

How can Bangladesh manage its external debt?

MACRO MIRROR

Dr Fahmida Khatun
is executive director at the Centre for Policy Dialogue (CPD) and non-resident senior fellow of the Atlantic Council. Views expressed in this article are the author's own.

FAHMIDA KHATUN

Recently, Bangladesh's external debt situation has become a topic of discussion—and for several reasons. While Bangladesh's external debt is deemed comfortable according to the IMF's Debt Sustainability Report (November 2023), there are concerns about the significant increase in debt servicing liabilities. Due to high interest expenses, a larger share of non-concessional loans in the borrowing portfolio, and stricter loan conditions imposed by the lenders, the burden of foreign loans is increasing. The mounting debt servicing obligations also threaten to exacerbate the strain on the country's low foreign exchange reserves.

In December 2023, external debt in Bangladesh reached $100.6 billion. Of this, the share of public sector debt was 79.2 percent, while that of the private sector was 20.8 percent, as per the data from the Economic Relations Division (ERD). The increase in external debt from December 2022 to December 2023 is 4.3 percent.

The debt-to-GDP ratio in Bangladesh has been steadily increasing over the past few years. In June 2023, external debt constituted 15.9 percent of the GDP, compared to 13.2 percent in FY2016 (Flow of External Resources into Bangladesh, ERD, 2024).

Several other pertinent indicators paint a concerning picture of Bangladesh's external debt situation. For instance, the ratio of external-debt-to-exports surged from 56.3 percent in FY2016 to 116.6 percent in FY2023. The change in debt-to-exports highlights slower export growth compared to the increase of external loans, exacerbating the nation's debt burden. The escalating external-debt-to-exports ratio is disquieting as it implies that there may be a shortfall in resources to meet forthcoming repayments. The ratio of external debt to revenue collection has risen from 133.3 percent in FY2016 to 192.3 percent in FY2023. This underscores the pressing need for increased revenue generation. With high demand for foreign loans due to infrastructural gaps, Bangladesh faces a heightened dependency on both domestic and external borrowings. However, with the tax-to-GDP ratio remaining around eight percent, the government's constraints on development spending from domestic sources highlight the necessity for higher external borrowing.

VISUAL: SALMAN SAKIB SHAHRYAR

With high demand for foreign loans due to infrastructural gaps, Bangladesh faces a heightened dependency on both domestic and external borrowings. However, with the tax-to-GDP ratio remaining around eight percent, the government's constraints on development spending from domestic sources highlight the necessity for higher external borrowing.

Another feature of external debt is that since the amount of external borrowing is increasing, the external debt outstanding has witnessed significant increase. For example, the external debt outstanding has gone up from $26.3 billion in FY2016 to $62 billion in FY2023. This is concerning since the amount of money borrowed and the amount that needs to be repaid exceeds the amount of debt Bangladesh has serviced.

With the growth in external debt, repayment of foreign loans has also surged, escalating from approximately $3 billion in FY2013 to $4.78 billion in FY2023, marking a 59.3 percent increase over a decade. Given exchange rate fluctuations and the potential for further interest rate hikes on foreign loans, the repayment amount could increase even more.

Since Bangladesh made a transition from a low-income country to a lower-middle-income country in 2015, according to World Bank's criteria based on per capita income, the terms and conditions for borrowings from the World Bank have changed. This has also been the case for other lenders including the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), and Japan International Cooperation Agency (Jica). Indeed, the World Bank and ADB's interest rates are up from one percent to two percent, while that of Jica has gone up to 1.6 percent, which used to be lower than one percent. The proportion of non-concessional loans in the portfolio has been steadily increasing. Borrowing conditions are becoming stricter, characterised by reduced grace periods and maturity periods, as well as additional fees and service charges.

Besides, Bangladesh has obtained certain foreign loans tied to adjustable London Inter-Bank Offered Rate (LIBOR), which has now been replaced with Secured Overnight Financing Rate (SOFR). In recent years, there has been a noticeable rise in these rates. For instance, the SOFR currently stands at over five percent—a significant increase from its previous level of under one percent. Therefore, clear signs of an impending increase in the country's debt servicing liabilities in short and medium terms are visible.

Another concern arises from the existing problems of low forex reserves and a volatile exchange rate. Bangladesh may face hurdles in effectively managing its debt servicing in the forthcoming years, especially considering the ongoing decline in forex reserves. The government should therefore plan effectively when pursuing foreign borrowings. This entails reducing reliance on loans with stringent conditions, prioritising foreign-loan-funded projects, and ensuring efficient governance in implementing publicly funded projects.

Bangladesh's economic trajectory has been on a tumultuous path since the onset of the pandemic. FY2024 continued to reflect this trend. While economic resilience contributed to growth for a long time, the economy is currently going through difficulties in the form of high inflation, declining forex reserves, volatile exchange rate, insufficient revenue collection, and limited investment. The combination of high growth and low inflation enjoyed by the country for a long time is now gone. Amid these adversities, the prominence of external debt and its servicing liabilities sends us a cautionary signal.

Given the current situation, a judicious repayment strategy and structural reforms are required to effectively mitigate the pressure of foreign debt repayment. Indeed, prudent management of the overall debt situation is needed—both domestic and external—in view of Bangladesh's emerging external debt landscape. Reforms of the relevant institutions responsible for performing crucial tasks such as revenue generation, public expenditure, and project implementation are critically important.

A global state of disunion

Andrew Sheng
is a distinguished fellow of Asia Global Institute at University of Hong Kong, and chief adviser to the China Banking Regulatory Commission.

ANDREW SHENG

The state of global order is less union, but more disunion or polarisation. One indicator is the price of gold rising over $2,222 per ounce, an all-time high. A higher gold price means a weaker dollar in real terms.

At the same time, the Dow, S&P500 and Nasdaq stock market indicators also touched record highs, following hints from Fed Chairman Jerome Powell that Fed interest rates may be peaking with possible cuts later this year.

On that note, the US certainly feels it never had it so good. The total market cap of US stocks increased by $10.2 trillion in 2023. Arising from the artificial intelligence (AI) boom, Nvidia alone added $1 trillion to its investors' wealth since last year.

In the fourth quarter of 2023, the US economy grew at an above-trend pace of 3.2 percent per year. In contrast, the January 2024 World Bank forecast indicated the slowest global growth pace in the last 30 years. In other words, the biggest economy in the world is growing faster than the rest of the world, but that is being sustained by growing fiscal and trade deficits, with its net debt to the world at $18 trillion. While the US is being able to sustain growth through more debt "opium" in MAGA—Make America Great Again—the rest of the world is languishing.

Given that both US presidential candidates are likely to continue the spending and debt spree in the next four years, will the rest of the world continue to fund its largest debtor?

In the short run, there is no alternative to putting money in the US dollar.

The European economy is hobbled by the impending disaster in Ukraine, where Russian forces seem to have taken the initiative due to superiority in arms supply and manpower. Since Nato and especially the US cannot afford to lose the Ukraine proxy war, we can expect the conflict to become entrenched, until exhaustion causes one side to collapse and call for truce. Even if Trump wins and may want to negotiate a ceasefire with Russia over Ukraine, the damage between Nato and Russia is so deep that Ukraine or whatever remains will be a drag on European recovery for decades to come.

This side of the Pacific will not see any easing of tensions between the US and China. China will take at least two to three years to deal structurally with its real estate debacle. The Japanese economy will try to normalise interest rates so that real income for the ageing Japanese workers may recover after years of stagnant nominal wages and a declining yen. And if oil prices continue to remain flat at around current prices, the Middle East oil producers will not have additional export income or savings, since they need to invest in changing the job structure away from the oil and gas industries. In the medium term, expecting the US to remain the sole engine of global recovery is not realistic.

The key issue in the global rivalry for leadership is not just about military or financial power, but about the technological edge and its ability to continue to generate wealth. A recent Australian Strategic Policy Institute (ASPI) study claimed that "China's global lead extends to 37 out of 44 technologies that ASPI is now tracking, covering a range of crucial technology fields spanning defence, space, robotics, energy, the environment, biotechnology, artificial intelligence (AI), advanced materials and key quantum technology areas." But as one shrewd East Asia Forum observer noted, "While China contributed 27.5 per cent to total global R&D expenditures in 2022 against the United States' 35.6 per cent, US technology giants still dominate research and innovation in critical technologies such as artificial intelligence." Chinese tech so far has not been monetised through stock market wealth like the US tech giants.

Many Chinese businessmen concede that the US leads in high tech, whereas they are much better on mid-tech, namely the ability to convert technology into production prowess. The US has superior cutting edge technology in many fields that have military usage, but as the Ukraine war has shown, the production of basic artillery shells still matters.

The global contest, therefore, hinges on who can convert AI technology into overall productivity across the broad economic front. It is widely accepted that the US is in the lead with China a lagging number two, and the rest still struggling on how to apply AI into day-to-day consumption, production, and distribution functions. Developing and poor countries that fail to upgrade their productivity through AI and knowledge-based innovation will remain in the low-tech category.

In other words, the world is in disunion not just from wealth and income disparities, but through the widening digital and knowledge application gaps. This includes the ability to apply the best knowledge to solve climate warming threats.

The US-China technology race is part of a long march of hegemonic proportions. But as history is shaped by multiple structural forces and random events, the ultimate winner in the 21st century may be neither of the two frontrunners, but one not even in the current radar screen. In this pluriverse of many possibilities, those that work hardest to innovate with new technology may be the real survivors.

The Daily Star Reg. No. DA 781 | EDITOR & PUBLISHER: Mahfuz Anam Printed by him on behalf of Mediaworld Ltd at Transcraft Ltd, 229, Tejgaon Industrial Area, editor@thedailystar.net | EXECUTIVE EDITOR: Syed Ashfaqul Haque | Registered & Head Offices: The Daily Star Centre 64-65 Kazi Nazrul Islam Avenue, Dhaka-1215 Phone: 09610222222 | Newsroom: Fax- 58156306 reporting@thedailystar.net | Advertisement: 01711623910 advertisement@thedailystar.net GPO Box: 3257 | Subscription: 01711623906 | thedailystar.net bangla.thedailystar.net/