Reining in the soaring prices of essentials

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In recent years, Bangladesh has been caught in a tumultuous surge in the prices of essential goods, causing widespread distress among its citizens. The costs of commodities such as rice, lentils, cooking oil, eggs, fish, meats, vegetables, and even medicinal supplies have escalated dramatically, imposing a significant burden on most households. In a nation where poverty remains a pressing issue, this relentless inflationary trend has thrust countless families to the precipice of financial instability. As the situation shows little sign of amelioration, it is imperative to dissect the underlying causes of this crisis and contemplate the potential ramifications for Bangladesh's future.

The ongoing crisis of soaring prices in Bangladesh is a multifaceted issue arising from a confluence of both internal and external factors. While some of these drivers are deeply entrenched and structural, others have emerged more recently, shaped by the evolving political and economic landscape of the country.

Among the foremost contributors to the inflation of essential goods is the insidious market manipulation orchestrated by powerful business syndicates. These cartels, comprising influential traders, wholesalers, and importers, have long exercised dominion over the supply of vital commodities. By engaging in practices such as hoarding and artificially constricting supply, they foster a false sense of scarcity, thereby facilitating the inflation of prices.

This manipulation is particularly pronounced in the markets for staple items such as rice, cooking oil, and other fundamental food products, where these syndicates wield near-monopolistic control. Their capacity to dictate supply and pricing stems from well-entrenched connections with political elites and government officials, which allow them to operate with impunity. Consequently, regulatory oversight remains weak, and even when governmental intervention is attempted, such measures often prove ephemeral and ineffectual.

In the absence of effective competition and robust regulatory frameworks, these syndicates continue to reap exorbitant profits at the expense of the average citizen, pushing prices to unsustainable levels. The current price surge is, in large part, a reflection of the unchecked power of these groups and the government's failure to rein in their influence.

Besides the syndicates, political instability and inadequate governance have further exacerbated the price crisis in Bangladesh. Over the past decade, the nation has been mired in a cycle of political turmoil, with escalating tensions between the ruling government and opposition factions frequently spilling over into public protests and civil unrest.

Recent student protests have epitomised the growing discontent with the current administration, signalling a broader dissatisfaction with governance. Such unrest not only distracts from urgent economic issues but also creates an environment of uncertainty, which can stifle investment and hinder economic growth. In this context, the lack of a stable political framework becomes a significant impediment to effective governance and price regulation.

Moreover, bureaucratic inefficiencies and corruption have further complicated the situation. The intertwining of business interests and political agendas has resulted in a governance crisis, where policies that should prioritise public welfare are often subverted to serve the interests of a select few. This systemic failure to enforce laws and regulations perpetuates the conditions that allow for rampant price inflation.

In addition to domestic factors, external influences also play a critical role in the escalating prices of essential goods. Global market dynamics, including fluctuations in oil prices, changes in international trade policies, and disruptions in supply chains due to geopolitical tensions, have significant repercussions on the Bangladeshi economy.

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FILE PHOTO: STAR

For instance, the global rise in oil prices not only affects transportation costs but also directly impacts the prices of goods across the board, as higher fuel costs translate to increased production and distribution expenses. Additionally, the pandemic has had lasting effects on global supply chains, causing delays and shortages that further drive up prices.

As Bangladesh continues to integrate into the global economy, it becomes increasingly vulnerable to these external shocks, making it imperative for policymakers to develop strategies to mitigate the impact of global fluctuations on local markets.

Lastly, natural disasters also contribute to the volatility of essential goods prices, particularly in Bangladesh which is prone to flooding and other climate-related phenomena. The recent floods in northern and northeastern regions have wreaked havoc on agricultural production, leading to significant crop losses and food shortages.

Such environmental challenges exacerbate existing vulnerabilities within the food supply chain, resulting in diminished availability and inflated prices. As climate change continues to pose an existential threat, its impact on agriculture and food security must be factored into any comprehensive strategy aimed at stabilising prices.

What's next for Bangladesh?

As Bangladesh confronts this multifaceted crisis of soaring prices, several potential pathways emerge for addressing the root causes and mitigating the adverse effects on the populace.

One of the most pressing needs is the establishment of robust regulatory frameworks that can effectively monitor and control market activities. This involves empowering regulatory bodies such as the Directorate of National Consumer Rights Protection (DNCRP) and the Trading Corporation of Bangladesh (TCB) to enforce regulations and hold business syndicates accountable.

Increased transparency in market operations and greater accountability for those who manipulate prices are essential to restoring trust and ensuring fair pricing for essential goods. Furthermore, establishing a whistleblower protection mechanism could encourage reporting of corrupt practices and price manipulation.

Moreover, it is imperative to foster a stable political environment conducive to effective governance, and comprehensive political and institutional reforms. This includes addressing the entrenched corruption within bureaucracy and ensuring that policies are designed with the interests of the public in mind, rather than those of a select elite.

Engaging civil society and grassroots organisations in the policymaking process can also enhance accountability and responsiveness to the needs of citizens. By empowering local communities to participate in governance, the government can create a more inclusive and equitable system that better serves the population.

Meanwhile, to mitigate the impact of external shocks on essential goods prices, Bangladesh must diversify its supply sources. This involves exploring alternative suppliers and markets to reduce dependence on a limited number of sources, particularly for crucial commodities.

Investing in domestic agricultural production and supporting local farmers through subsidies, training, and access to technology can also bolster food security. By enhancing local production capabilities, Bangladesh can reduce its vulnerability to global market fluctuations and natural disasters.

Finally, a concerted effort to address climate change and its impact on agriculture is essential. Implementing sustainable agricultural practices and investing in climate-resilient crops can help mitigate the effects of natural disasters on food production.

Moreover, enhancing infrastructure for disaster preparedness and response can minimise the impact of flooding and other climate-related events on the food supply chain. By adopting a proactive approach to climate resilience, Bangladesh can safeguard its agricultural sector and ensure a stable supply of essential goods.

The soaring prices of essential goods in Bangladesh present a formidable challenge, rooted in a complex interplay of market manipulation, political instability, external economic pressures, and environmental vulnerabilities. As the nation grapples with this crisis, policymakers must adopt a multifaceted approach that addresses the underlying causes and prioritises citizens' welfare.

By strengthening regulatory frameworks, promoting political reforms, diversifying supply sources, and addressing climate change, Bangladesh can pave the way towards a more stable and equitable economic future. The time for action is now, as the well-being of millions hangs in the balance. The question that remains is not only what's next for Bangladesh, but also how it will rise to meet the challenges ahead.

Navigating economic crisis and political unrest

Lessons Bangladesh and Sri Lanka can share

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There is much to learn from both Bangladesh and Sri Lanka, two South Asian countries, as they navigate their shifting landscapes. While political changes swept through Bangladesh a few months ago, Sri Lanka experienced a political earthquake in 2022. Both countries grapple with an economic crisis, governance challenges, and social unrest. These comparative experiences hold a number of valuable lessons about resilience, managing crises, rebuilding stability, and recovering lost public trust.

In recent years, both Bangladesh and Sri Lanka have experienced severe economic strains, albeit for different reasons.

In 2022, acute foreign exchange shortages, rampant inflation, and high climbing debt marked a boiling point in Sri Lanka. Fiscal mismanagement for years, untroubled borrowing, and inefficiencies in the structure of the economy pushed it to default on its external debt for the very first time in history. Then came the Covid pandemic, which exacerbated the situation as tourism, one of the major sources of income that kept the country afloat, collapsed, and remittances fell. When forex reserves started to dwindle, the island nation could no longer import basic goods like fuel, food and medicine. The public took to the streets in protests amid political turmoil. Though there have been some improvements over the last couple of years, the economic crisis is still not over.

Bangladesh's situation, while not as severe, has shown troubling signs in recent years. The country has been facing growing inflation, a widening trade deficit, a rapid fall in forex reserves, and increasing debt. Like Sri Lanka, Bangladesh has also suffered from rising energy prices and difficulties in securing foreign exchange. While Bangladesh has so far avoided a full-blown crisis territory, much like Sri Lanka, there is a growing concern that mismanagement and unbridled borrowing under the Hasina government, juxtaposed against external pressures, might push it in the same direction.

VISUAL: SALMAN SAKIB SHAHRYAR

Both Bangladesh and Sri Lanka have suffered from crony capitalism in recent years, where political favouritism and close ties between business elites and government officials have led to inefficient resource allocation, corruption, and exacerbated economic vulnerabilities.

Both countries' economic troubles have been linked, at least in part, to political instability. Since 2022, Sri Lanka's political turmoil intensified due to an economic collapse, widespread protests, and the resignation of President Gotabaya Rajapaksa. The presidential election last month became a critical moment, focusing on economic recovery, governance reforms, and addressing the citizens' demands for stability and accountability.

In July 2024, Bangladesh experienced a major political crisis sparked by student-led protests against a controversial job quota system. These protests boiled over into a nationwide unrest, demanding the resignation of the head of government, Prime Minister Sheikh Hasina. The violent government crackdown, which saw many deaths, further catalysed this movement. Hasina thus resigned and fled the country, leaving a power vacuum. In this respect, an interim government headed by Nobel Laureate Prof Muhammad Yunus, is trying to bring things to normal. The crisis represents a dramatic turn in the topography of Bangladesh's politics.

There are key lessons that Bangladesh can learn from Sri Lanka's economic and political crisis and reform initiatives.

First, debt management is required. Too much borrowing by Sri Lanka in unproductive infrastructure projects drained its financial resources, and Bangladesh similarly needs to diversify into more value addition within other sectors in order to avoid such a risk.

Second, avoiding populist economic policies is essential. Sri Lanka's tax cuts and subsidies worsened its fiscal deficit; Bangladesh must prioritise sound fiscal management over short-term political gains.

Third, agricultural reforms must be gradual and well-planned. Sri Lanka's rushed organic farming transition decreased productivity, worsening food shortages. Bangladesh must support farmers and ensure that sustainable policies are scientifically sound.

Fourth, Bangladesh can also learn from Sri Lanka's recent economic reform process by prioritising fiscal discipline, improving debt management, and fostering transparency in governance to avoid the pitfalls of unsustainable borrowing and ensure long-term economic stability.

Similarly, Sri Lanka can learn key lessons from Bangladesh's economic and political landscapes.

First, there is a need for an inclusive economic policy. Dissatisfaction with job quotas was one of the precipitating factors in the July-August uprising; thus, inclusive policy matters in seeking the amelioration of economic inequalities. Sri Lanka needs to provide equal opportunities, especially in offering jobs to its youth.

Second, it is about democratic governance too. Bangladesh's gradual drift into authoritarianism and manipulation of elections built up reasons for unrest. In Sri Lanka's case, protecting democratic processes and ensuring that governance is transparent are pivotal for sustaining political stability.

Third, there should be a check on corruption or mismanagement. Economic mismanagement in Bangladesh instigated animosity among the public. Sri Lanka should make effective efforts to reduce corruption, ensure fiscal responsibility, and thereby initiate sustainable development in a way that will help it avoid economic mismanagement.

At the same time, both Bangladesh and Sri Lanka face broader regional and global challenges that complicate their recovery efforts. These are pressing issues of rising global inflation, energy crises and the impacts of climate change, for which both nations will have to adopt quite pragmatic policies. Regional cooperation could provide opportunities in areas such as trade, infrastructure development and climate resilience for both countries. However, in the absence of any effective regional cooperation mechanisms, these two countries should aim for extended bilateral trade and investment ties.

Besides, the issue of governance improvement, reduction in corruption, and enhancement of the rule of law are areas to which both countries need to pay extra attention. A stable political environment is needed for the successful implementation of economic reforms. Institution-building, anti-corruption measures, and gaining public trust in governance are areas where much priority needs to be accorded by both Bangladesh and Sri Lanka if the economies of these countries are to recover on a sustainable basis.

Bangladesh and Sri Lanka also have salient lessons for each other regarding the ways to manoeuvre through the now-intractable nexus of economic crisis and political instability. Sri Lanka represents a cautionary tale of debt fuelled downfall, whereas Bangladesh has managed to attain a manufacturing export-driven growth model that Sri Lanka can emulate in order to diversify its economy. Fiscal prudence, strengthening democratic institutions, and social safety nets are areas where both countries need to concentrate their efforts to ensure that this does not happen again. The lessons to be learnt from one another are by far the best means for them to create more resilient and prosperous futures for their citizens.