

The dilemma in price adjustment for petroleum products

CHRONICLE



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BEFORE the Kansat episode could be erased from the memory of our people, the issue of imminent price increase of petroleum products is sending chilly reverberations among the public at large. Not because the international price of crude oil has unabatedly taken a mercurial upturn, the government has suddenly woken up from the deep slumber under which it allowed itself to continue with the old tariff of petroleum products. No action whatsoever was taken by the Energy Ministry for price adjustment on the plea that it could adversely affect the farmers. The case is probably more with the government than with the farmers as the authorities want to maintain cheap popularity and prefer to remain silent on price increase issue. There was no earthly reason as to why the price was not gradually increased to an acceptable stage in the past. Now that the price of crude oil has crossed \$70 per barrel, it seems that the Energy Advisor feels that it is time to act.

As the process is set on motion, there has been talk in different forums on the justification for raising the prices of different petroleum products. The Finance Minister took the trouble of inviting leading economists of the country to rescue him out of the problem. The suggested measures by the economists to raise the price of petrol and octane

to a maximum and enhancing the price of diesel and kerosene to a minimum level reportedly angered the Energy Advisor who opined that the economists have no knowledge about petroleum operations in the country. According to him, octane and petrol share only ten percent of the total products while diesel and kerosene fill the rest.

It is incomprehensible as to why the government chooses to take all the trouble of keeping the petroleum business within its authority. May be it has remained a milking cow for the government since long without caring for the hidden danger of the mountain of debt that have been accumulating with its nonchalant callous pricing policy Bangladesh Petroleum Corporation (BPC), the official crude importer, has an outstanding loan of Tk. 12,000 crore with interest of below 5 percent. Without paying this loan, BPC is again borrowing a huge sum of money at an interest of 14 percent reportedly from some foreign banks. With these, BPC has incurred a cumulative loss of Tk. 5,804 crore till date. On the other hand the corporation has deposited to the government exchequer Tk. 34,833 crore during the same period. So who runs the show anyway?

Now that the internal transfer of debt-liability is no more feasible, the bosses are shaken and loudly talking about the abnormal crude price in the international market as if

it started from yesterday.

According to the energy experts, the share of petroleum products in the national energy sector is only around 20 percent. Now with such a share if the situation has turned so bad then think of a situation when the natural gas will not be available either due to its normal depletion or accelerated drying up of the gas reservoirs due to suicidal decisions like direct or indirect export or giving the gas at a throw away price to a prospective investor who might lure the government that with such a gas based Direct Foreign Investment to Bangladesh, milk and honey will start flowing here.

To make the long story short, it may be pointed out that the energy sector in Bangladesh is in a very bad shape. It is the cheap domestic gas (price set arbitrarily by the government) that has made the policy makers blindfolded about the consequences that will happen on its non-availability. The economy has failed to take advantage of the benefit of natural gas to make the economy strong enough to stand on its own feet and to face the situation even without natural gas in future.

Under the present circumstances it will not be too much to comment that Bangladesh economy will face serious consequences with the exhaustion of the gas reserves in the country. Sooner it is understood, the better.

A ray of hope is however visible

with the discovery and prospective production of high grade bituminous coal in the north-western part of the country. Unhappily, it is again attacked by the virus of foreign investment syndrome. One may argue that foreign investments would be needed for development of the coal fields and this needs to be of high magnitude to justify higher rate of production. This argument might have prompted the young energetic Advisor to become instrumental in framing the draft coal policy-2006 incorporating the provisions of export of coal together with the open pit mining concept making way for higher rate of production.

But when one's own domestic requirement of energy has not been clearly identified, which will definitely be much more than what we are witnessing as of now, on what ground will it allow export of the same? No sane person can agree to sell its family silver today when the same will be required at a later date. Even the gas and coal reserves as known today in Bangladesh, will not fully meet the requirement of energy need of the country if we consider the electricity for all by 2020 policy in all seriousness.

Coming back to petroleum products, the methodology of over-coming the crisis of pricing of petroleum products has been on the forefront of discussions in different forums. While the Energy Advisor

has dismissed the idea of increasing the price of octane and petrol to compensate the price increase need of diesel and kerosene suggested by economists as nonsense, a reputed banker of the country has in an article in The Daily Star, suggested that it is the rich people using petrol and octane should foot the bill of the price discrimination and not the government subsidy on diesel and kerosene should do the trick. The theory is very interesting and if his assumptions are correct, it will be a very good idea to set the octane price at say, Tk 100 per litre and that of Petrol at Tk 99 per liter so that there is adequate contribution by the car owners and poor people are relieved of enhanced price as a result of \$70+ per barrel of crude. This will also have another positive impact, that no smuggling of these products will take place.

Energy pricing is not as easy as some people may think. We are not even aware that so long in pricing of primary fuel, we have never considered the intrinsic value of gas or coal. With the blessings of administered price, it has so far gone scot free with any pricing having little or no consideration for the value of the resource itself. One of the reputed economists in the country in a recent article in the press has opined that economists know price of all things but they seldom understand the value of a thing. Energy is probably one of these items.

The growth of petroleum consumption in Bangladesh has been somewhat contained with uses of natural gas. Introduction of CNG in the transport sector has reduced the consumption of petrol and octane to a great extent. However, the use of diesel has been rising, as CNG could not yet be successfully introduced in diesel engines. Since petroleum sector is import oriented, except the marginal production of NGL derived LPG and petrol derivatives from condensate obtained along with gas stream in some eastern gas fields, it will be appropriate to frame the energy policy in a way that will lead to minimum use of imported petroleum fuels. This will call for appropriate policy for the transport sector which uses the bulk of petroleum products.

Time perhaps has come to consider if the transport system should be restructured with modernised railways with electrical traction having electrical grid connections to the railway system. Electricity generated from natural gas will be cheaper and secured system of energy for railways which can have greater frequency of shunting between the stations than reliance on diesel operated traction. This approach will also do away with huge maintenance cost for the diesel engines. The tracks must be overhauled to suit high speed electrical locomotives.

In the recent past there was a plan to set up a pipeline network to carry petroleum products to different parts of the country instead of using river and road tankers which not only consume huge diesel and petrol itself but also expose the petroleum distribution system to vagaries of manipulation and corruption adding to the cost of petroleum products to the ultimate consumers. But such attempt was successfully nipped in the bud by the vested interested groups. Petroleum pipeline is an age old

concept in oil transportation, both normal and strategic. The riverine transport system should expeditiously be converted to CNG to reduce consumption of diesel in the ferry, launch and steamers.

Our energy policy should have lesser dependence on imported fuel so that it would call for lesser amount of foreign exchange allocation for import of fuel making the nation less exposed to the vagaries of volatile international politics dominated crude oil market.

Petroleum sector, if opened to private sector with strong regulatory measures, will pay more dividends to both the operators and the consumers. With the need of lesser volume of diesel and petroleum products, the importers could take advantage of spot market prices instead of being tied to long term contracts.

Bangladesh is in the take off stage in private sector participation in the energy sector. Issues related to energy are so diverse and technicality connected that unless these are addressed by professionals with adequate experience and having updated information of the global energy trend and international energy events, one is likely to be taken aback with the sudden turn of events. It is appropriate that private sector institutions are encouraged to have regular studies, research and compilation of data base, dissemination of knowledge through holding national and international seminars, talks and workshops for guidance of the energy sector investors and those who are associated with the energy activities in Bangladesh.

One small advice to the Energy Advisor to the present government is that energy is a subject which cannot be taken lightly and brushed aside through big talk. By talking irrelevant and airing wishful thinking, enough damage has already been done to the government and to

the people, as have been done by some others, notwithstanding that some of them having been duly removed. When the government is passing through a bumpy road in the energy sector there should be a cautious approach and talks by those who are at the helm of affairs in their respective fields. By ridiculing the few available energy experts or ignoring the advices of the renowned economists of the country through press statements, the Advisor has only continued to demean himself in the eyes of the general people who are already tried of the energy crisis. The Advisor has willingly or unwittingly added salt to the injury. Energy is a national issue and it should not be taken on at a personal level.

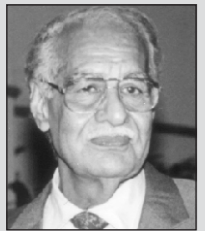
We humbly submit that the government will take note of the situation. Though it is not expected to make any meaningful remedy to the problems in the energy sector within the short time available before the election; yet, no time should be lost to make amends and to steer the energy issues in right direction in the country.

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Lengthening caste shadow

BETWEEN THE LINES

A better way to deal with the problem would be to transfer the responsibility of reservation to the states. The south has managed it so well, even with the reservation of more than 50 per cent. With New Delhi, reservation becomes an all-India problem because the vote bank comes into the picture. The states, when the responsibility falls on them, do not have to enact a law which arouses attention and protest. It can be done through an executive order.



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writes from New Delhi

I HAVE tried my best to find out what made Human Resource Development Minister Arjun Singh issue a circular to the cabinet secretariat to provide reservation for the 'Other Backward Classes' (OBC) in central institutions, including the Indian Institute of Technology, the Indian Institute of Management and in advanced medical colleges. The 93rd constitutional amendment, earlier in the year, had provided reservations without evoking much attention. When the circular was issued, there was no pressing demand for implementation which bought medical and business students on the streets. Then why did Arjun Singh issue the circular? My reading is that he had an eye on the OBC vote, roughly 52 per cent, to influence the state elections in Assam, Kerala, Tamil Nadu West Bengal and the tiny Pondicherry.

Reports are that Prime Minister Manmohan Singh was not in the picture. It is difficult to believe this because it makes the matters worse. Did he consult only Congress president Sonia Gandhi? Science and Technology Minister Kapil Sibal would not have attached reservation if Sonia was even remotely connected with the circular. If nothing else, it speaks volumes about the disarray in the government, not the Congress as Arjun Singh has alleged. The right hand does not know what the left does. And there are examples where ministers are speaking at each other, not to each other.

A government saddled with numerous problems of security of Indians in and outside the country should choose to kick the sleeping dogs in a worst example of governance. When the constitutional amendment has been passed, there should have been no hurry to follow it up with a circular. Some 1100 seats for the dalits (Harijans) and tribals remain vacant every year in Delhi University alone. The question before the government should have been the steps it should take fill the vacancies, not to create more vacancies. Those for whom reservations

are provided still lack the minimum standard, however watered down. They are also economically deficient to enter the portals of universities. Could some attention be paid to these aspects?

Thankfully, Arjun Singh has deferred the circular's implementation to some time after the state elections. The cabinet was not consulted before the circular was issued. Even the Commission for Scheduled Castes (dalits) and Scheduled Tribes has complained that it knew nothing about the circular, although it is obligatory for the government to seek its advice under the constitution.

It is true that the centuries old stratification of the Hindu society has resulted in the worst type of discrimination and neglect against the dalits, tribals and OBCs. But it is equally true that reservations initially provided for 10 years for dalits and tribals are going on and on and there is no prospect of their lessening, much less stopping. It looks as if reservation has assumed the shape of vested interests. It provides the grist for the propaganda mills of political parties. Therefore, they will never allow reservations to go.

Students from the general category are understandably irritated. Earlier, their qualifying marks for admission to higher education were 85 per cent; now the minimum may be 90 per cent. Girls are more upset than boys because the latter had led the agitation which followed reservation for OBCs in 1990 under Prime Minister V.P. Singh. The girls constitute a bulk of protesters because they have taken to progressions in a big way for economic independence in the last 15 years. You cannot justify the burden on them that they have to pay for the sins of their forefathers who treated the low castes badly.

One thing that has come to the fore after 55 years of reservation is that benefits have not gone to the lowest among the dalits or the OBCs. Despite the Supreme Court's clear instructions, the creamy layer among them have cornered most of reservations. However, a small portion of them, which have trickled down below have benefited the lowest. A deputy commissioner from among them has the Brahmins from the highest caste queuing up before him for favour. Some members of high castes have married their daughter to the IAS from dalits or the OBCs. This has demolished social barriers to some extent. What the government has to reflect upon is whether reservation in higher education institutions would tell upon the ultimate product. Sibal is right when he says that "excellence was not against reservation."

New Delhi must keep in mind another point: those outside reservations are like a smouldering fire which flared up in 1990 and might do so at any time. Then it took some years to douse the fire. How much time would it take now if the circular is implemented is difficult to guess. The government would do well to keep the circular in abeyance until the whole question has been debated threadbare. The effort should be to reach a consensus, possibly by offering 12.5 per cent of reservation to the lowest OBCs.

While distributing reservations, there is a case for allotting a quota to those communities who have not had representation in the state. This is what Dr B.R. Ambedkar assured the nation in the constituent assembly and this is still awaiting implementation 56 years later. This may mean the scaling down of concessions for the upper strata of dalits and OBCs. But then they are the vocal lot and attract the media attention.

A better way to deal with the problem would be to transfer the responsibility of reservation to the states. The south has managed it so well, even with the reservation of more than 50 per cent. With New Delhi, reservation becomes an all-India problem because the vote bank comes into the picture. The states, when the responsibility falls on them, do not have to enact a law which arouses attention and protest. It can be done through an executive order. The Supreme Court has upheld the legality of such an order: "The government could direct the reservation by executive orders. The administrative orders cannot be issued in contravention of the statutory rules but it could be issued to supplement the statutory rules." The Supreme Court said this in its judgment in the case of Comptroller and Auditor General vs Mohanlal Mehrotra.

And it is time that we start thinking of doing away altogether with reservations on the basis of caste. Jawaharlal Nehru had once deleted the caste column from admission forms. The process can start by lessening reservation by two per cent every year. In 50 years, we would have admissions and jobs on the basis of merit. What is important is to instill in the minds of people that India aims at a casteless society, the ethos of independence movement.

None in the government could provide the exact number of our people working abroad as some fake manpower recruiting agencies and a section of unscrupulous travel agencies are engaged in sending people abroad using forged travel

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The economy and voting

ANAM A CHOUDHURY

A political party in a representative democracy competes in elections in order to win governmental power so that it can make public policies and take control of larger state machine. How a government performs in managing the economy and how individuals are prospering within the economy are generally seen as the basis on which voters assess governmental popularity and pass their judgments at polls. Voters are seen as prepared to re-elect a government if they feel that the economy is performing well and they themselves have done well and so are optimistic about their future well-being. In contrast, they swing against a government, if the economy is performing badly and individuals are pessimistic about their own economic prospects.

I think most voters are under no illusion about the state of the economy of Bangladesh at this point of time. Rampant consumer price inflation has aggravated the sufferings and miseries of already miserably poor people of this country. The BNP-led government maintains that skyrocketing oil prices and state of the world economy is primarily responsible for higher commodity prices, but most people reckon that manipulation by unscrupulous businessmen and bureaucratic corruption are the main culprits. Nation-wide power cuts not only disrupt trade, commerce and industries but also damage the country's reputation as a low-cost, efficient

industrial producer. Majority of voters think that the economic situation in the country has worsened along with their personal economic circumstances.

Deterioration in the economy and in personal economic expectations normally lead to a decline in the share of votes. The BNP-led government should realise that rises and falls in support for them can be accounted for by factors to do with the state of the economy. Although economic policy making lies at the heart of politics, but electoral choice is also constrained by the reality of the alternatives on offer for the voters. The Awami League's noisy razzmatazz may be good enough to attract people's attention, but it may not be effective enough to swing the votes in their favour, unless they show genuine political commitment to address the real issues facing the national economy. Leaders of the Awami League should not think that voters are ill-informed, non-ideological and least interested in party politics. Now-a-days, most voters assess policies, parties and their leaders. Voters know exactly many of the parties' platforms and hold clear view on a range of political issues and accordingly endeavour to and whose style of government they can respect.

Militant extremists of the opposition alliance seem to take the view that widespread political agitation, direct action and strike after strike may easily damage the image of this government and consequently pave the way for their defeat at the forthcoming general election. The right

to engage in direct action and civil disobedience is often justified by the argument that people have an absolute obligation to disobey the unjust laws of the state... Here again, this involves people setting themselves above the law.

Direct action challenging the rule of law may encourage more general lawlessness in the country. Voters may consider such action as a quite illegitimate challenge to an elected government. Conventional wisdom holds that most people are ignorant about the specific laws and they do not know which law is unjust and when such unjust law demands disobedience. Strangely enough, feuding leaders seem less sensitive to human tragedy and suffering they inflict on innocent people. The greatest irony is that ordinary people of this country are paying a terrible price for a conflict not of their making. Politics is the art of compromise. Both the major parties cannot carry on their ruinous feud indefinitely. Most voters expect that the feuding leaders reopen dialogue and find a possible way out of this quagmire. Negotiations will have a little chance of success if both the parties maintain such an intransigent position. I think it is the responsibility of the incumbent government to give some kind of leeway to resolve this trivial issue.

Unlike neighbouring India, Bangladesh is coming nearest to two-party system. Smaller parties will never be able to form a government given the dominating presence of the two major parties within the first-past-the-post electoral

system. Voters those who do not take a partisan line are in a difficult situation where there are two equally unacceptable choices. To take vengeance on BNP led coalition, they might be tempted to vote the Awami League, not because of their past economic records, but to punish the BNP for their intransigence and failure to cure the disease of widespread corruption, maladministration and high-inflation. Incumbency often becomes electoral liability when things go horribly wrong and are exploited by the opposition in ways that resonate with voters.

Typically, Bangladeshi voters are keen on punishing a bad performance than convince on rewarding a good one. The Awami League led alliance needs to emphasise the importance of the way they appeal to voters. They have to the voters that they are the natural governing alternative and they are fit to govern and can ensure security and prosperity of the people of this country. In a two-party contest, a winning party has to advance policies near to the centre because that is where votes lie thickest. Mr Anthony Downs, a British political scientist, observed that political party leaders are entrepreneurs who are in the business of maximising votes in order to win elections and secure the fruits of office.

Fundamentalist image of some political parties once regarded as an asset by some sections has now become a clear political liability. Our educated middle-class and more prosperous section of the people

may not wish to see an Iranian style clerical regime gradually take hold in this country. Alliance between the BNP and fundamentalist party is no longer a marriage of convenience. Social trends have inevitable political consequences and general view is that most people want to see Bangladesh as a moderate Muslim state. As the BNP leadership appears to have leaned heavily on fundamentalist parties they may not be able to extend their policy appeal to the moderate and progressive minded voters.

In Bangladesh there is a wide gap between democratic ideals and the corrupt realities of politics. We cannot behave democratically without democratic structures. Voters expect that political leaders should try to create a more perfect democracy. The harsh reality is that widespread practice of "money politics" and the political campaign in an intimidating manner by political thugs may tilt the political balance in favour of economically powerful party.

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Expatriate workers need greater attention

NURUL HUDA

BANGLADESH has become one of the major manpower exporting countries in recent years and the size of its people working abroad will be about 4.2 million officially while it would perhaps be about 5 million according to unofficial estimates.

The annual remittance from the expatriate workers is around US \$ 4.2 billion, which is considered as the country's second largest export earning. The number of Bangladeshis getting employment abroad annually is about 2.6 lakh while unofficially it would be higher as some people often conceal the purpose of foreign travels in their statements.

Despite occasional steps taken by the government, a good number of expatriate workers continue to send their money through unofficial channel. If the administration can ensure the entire remittances of the expatriate workers through official channels, the total amount of remittance is sure to increase substantially.

None in the government could provide the exact number of our people working abroad as some fake manpower recruiting agencies and a section of unscrupulous travel agencies are engaged in sending people abroad using forged travel

documents. In the process there are frequent reports of Bangladeshis facing troubles for travelling without valid documents.

A good number of our people were cheated in the name providing jobs in Europe and elsewhere. Some among them had met even starvation deaths. Some of those behind such racketeering were taken into custody following media campaigns.

There are occasional reports against fake manpower recruiting agencies but little is heard about their punishment. They establish contacts with powerful quarters so that they can continue their illegal business of cheating the job seekers to make quick money.

The number of people falling in their traps has been on increase despite assurances from the administration of action against such elements. The reasons can be attributed to lapses and lacuna in our judicial system and corruption by a section of people in relevant departments.

The other day Shafiqul Islam Firoz, Vice President, Bangladesh Association of International Recruiting Agency (BAIRA) was arrested on his way to a foreign country from the ZIA international airport for his reported involvement in miscreants' attack on another

manpower office. It is indeed a demonstration of the extent of their involvement in criminal acts.

Isolated reports of expatriate workers' involvement in criminal activities, is indeed a matter of concern for us as in the process some of the fortune seekers find their places in jails. There are even reports of deportation of our men caught in foreign lands for journey without proper travel documents. But for such offences instead of blaming the job seekers the administration should take tough action against those behind illegal export of manpower.

Some of our unemployed young people seeking jobs in foreign countries, at times become traceless, meaning their unnatural deaths. The Ministry of Expatriate Welfare and Overseas Employment expressed the government's limitations in effectively checking illegal recruitment.

With the growing unemployment problem at home there has been increasing interests for employment abroad. A small percentage of the fortune seekers also choose their life partners while working abroad for long. What is disturbing is any case of cheating foreign nationals in the name of marriage.

Malaysia has recently updated

its law with provisions of severe punishment of foreign nationals (including Bangladeshis) to bar them from entering into wedlock with their girls. Some isolated instances of cheating Malaysian girls by our boys, has tarnished our country's image.

Expatriate Welfare and Overseas Employment Ministry failed to provide the exact number of our people facing criminal charges abroad. But the number of Bangladeshis languishing in foreign jails will be about 5,000, many of whom for travelling without valid documents.

Recently a Saudi Arabian woman who was married to a Bangladeshi, got a space in a Bengali daily. The woman named Fatema, who is in her mid 30s had fallen in love with Salauddin when he was working in her country. She was brought here with her four minor children with pledge for conjugal life in Bangladesh.

Fatema's husband took her to a city hotel on reaching Dhaka. Later, she was abandoned by her husband in the hotel. She was almost forcibly driven away from there for her failure to pay the bills.

She has however, found shelter in a rehabilitation centre, run by a charity foundation of a private bank having spent some weeks in

shanties. As the news of her distress caught the attention of a top boss of the bank, she was taken to the rehabilitation centre.

"We have taken up the case and will proceed for legal fight for her redress," advocate Alina Khan said. Her case is under investigation of Human Rights Enforcement Organisation (Manabadikhar Bastabayan Sangstha).

Fatema has filed a case against her husband's elder brother with Motijheel police as she believes that her husband's elder brother was behind theft of her gold ornaments and a good amount of Saudi money.

The case of Fatema needs serious attention as the country's image should not suffer for isolated incidents of offences. The Ministry of Expatriate Welfare and Overseas Employment has already taken up the matter but it needs some one to file a prayer on her behalf so that it could act promptly, a senior official of the Ministry said.

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