

Galloping price of essentials

Is anybody in charge?

THE skyrocketing price of essential commodities has caused living to turn into a nightmarish experience for the citizens. For the last one year, price of daily necessities have been rising erratically because of the supposed evil machination of a syndicate of unscrupulous traders with the blessings of people close to power. To say the least, the plight of the people, especially of those within the limited income brackets, has long crossed the line of tolerance, and yet we notice no effective step taken by the government to bring sanity back to the markets.

At this point we recall the statements given by responsible ministers in the recent past to the effect that prices would "come down from June". The month of June has just passed, but we see no reflection of that statement in the markets. And our desolation only doubles when we are told point blank by none other than the commerce minister that it is not his responsibility to see whether prices of essential commodities have come down or not. If he has no responsibility then please tell us who is actually responsible for price control in this government. To be honest, this is beginning to sound more like a pillow passing game in a picnic party.

Common sense tells us that no country can progress along the development path if the government cannot keep the prices of essential commodities under control with an iron fist. Such markets affect the lives of the people on a daily basis, and affordable price indexes are the primary indicators of good governance. Erratic market behaviour only establishes the fact that there is no one in control, and understandably that sends damaging signals all around. In a free market economy, there must be freedom to do business, but that must not be mistaken for a free-for-all licence.

We have a feeling that the present government is saddled with some vicious syndicates that it cannot shake off its back. The failure of more than one ministry in controlling market price of essential commodities substantiates this feeling.

Becoming a haven for drug traffickers?

Government must gear up actions to save society

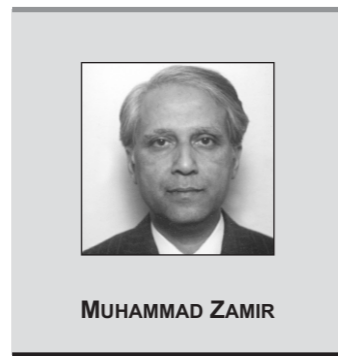
WE are aware of the rising incidences of drug trafficking in the country. Only the other day a woman was sentenced to death on account of smuggling in drugs. In the meantime mystery shrouds surrounding the investigation into the case of biggest ever drug trafficking involving one of the country's largest food industries. Alongside terrorism drug dealing and trafficking has become another most vicious instrument of destroying the social fabric of society anywhere in the world, more so in poor countries like Bangladesh. Often poverty and drug abuse go hand in hand affecting the society from the roots. We therefore feel highly concerned.

What is alarming is that in most of the cases of big drug haul and trafficking we were provided due intelligence information yet unable to round up the suspects. Clearly there is reluctance on the part of our intelligence and administration to deal with the matter with any degree of seriousness. It is not understandable as to why every time there is an emerging incident we are provided advanced intelligence information by foreign agencies but to little use. Why no visible action has yet been taken against any perpetrator? It is our conviction that our intelligence is as good as they come from outside but what is lacking is the will and commitment.

Today the entire society is burdened with extreme hopelessness and uncertainties, particularly the younger section of the population and hence more susceptible to drug abuse. Let us also remember that with drugs abuse come heinous crimes involving big money and rise in immoral acts. It is often closely linked with illegal dealing and purchase of firearms by criminal gangs.

We therefore urge the government and its relevant agencies responsible for control and eradication of drug trafficking and abuse to gear up their actions and protect the people and the society from its serious consequences.

Russia reasserts its role in international geopolitics



MUHAMMAD ZAMIR

In today's unstable world, being self-sufficient in energy makes a great difference. It provides a state with clout. Oil and gas, two important components in the energy sector, are beginning to cast their shadow over geopolitics and relations between Russia and the West. In more ways than one, hints are emerging that Russia does not appreciate interference in its own sphere of influence -- be it in Eastern Europe, Far East or in the Middle East.

This has been reflected in the recent past by Russia's statements delivered during the Shanghai Cooperation Organisation Summit on June 15, in their interventions during the just concluded meeting of the G-8 Finance Ministers held in Saint Petersburg and in the latest meeting between Russian President Putin and Finnish President Halonen.

Over the past year, Russia has been slowly emerging as a power, with a mind of its own. Russia at times, contrary to its role in international affairs, during the latter part of the nineties and the beginning of this decade, is quite often disagreeing with proposals put forward or suggested by the EU or United States. In a manner of speaking, it is asserting its independence. To many, this is reflection of the strength that it has discovered in its



Many polite expressions of cooperation and concern regarding energy are coming out of Brussels and Moscow, but the situation continues to be complex. Several European analysts support the 'energy charter' drawn up to integrate Russia and eastern European countries' energy into European and world markets, but argue that a bilateral EU-Russian relationship is also necessary, specially to cope with emergencies and interruptions of supply.

vast oil and gas deposits. Energy availability and a fast growing foreign exchange reserve are creating this inner might.

Russia, not long ago a land of rationing, being kept afloat by IMF, is now not only accelerating its debt repayments but also taking a lead in canceling 700 million US dollars in debt owed to Russia by poor countries, particularly from Africa.

An analysis of the recent history of the Russian energy industry will indicate the reasons. After a decline at the end of the 1980s, this sector has been reorganised and production has risen from an 8 percent share of the world market in the 1990s to more than 14 percent in 2005. This "revival" has helped to balance world oil supply by compensating for the decline in non-OPEC sources. This, by itself, has brought additional national prestige.

Russia's profile as a global supplier of energy has also been enhanced because of short-and medium-term disruption of oil supplies and consequent triggering of a rise in prices. Hot spots like Nigeria, Venezuela, Iraq, Iran, sub-Saharan Africa and the Caspian Basin have also raised its importance in the EU and in the USA as a potential and steady supplier of energy.

Russia realises the significance of this scenario and is taking special care to build on this current opportunity. To do so, astutely, it is addressing itself in removing some of the existing mid-term challenges, particularly in its oil industry. For the first time, Russia understands that financial shortfalls, coupled with legal and relative political insecurity, will make it difficult for her to open up new oil reservoirs. Consequently, President Putin is himself taking active interest in reforms on the ground. The president's personal involvement has raised the stakes.

The EU over the past year has been watching the evolving Russian scene with great care. For them, Russia continues to be a large potential energy source near at hand, despite latent difficulties. They know that Russia is taking steps to modernise, but they also know that more attention is being paid to the oil industry than gas. This is making them slightly nervous, as both components are critical for Europe.

It is true that Russia's gas industry, unlike its oil sector, is not showing any sign of major reorganisation. This market is still dominated by the Russian company Gazprom. The Russians do not appear to be very bothered with this sector because there is high domestic demand and almost all of Russia's current exports are guaranteed in terms of the EU. They also know that, over time, this EU dependence will only

grow. They are also aware that in the coming years, Russia is bound to play a bigger role in the world market when 'stranded' gas resources in the Barents Sea and eastern Siberia come on stream. This factor is generating its own confidence level.

Strategists within the EU, particularly Brussels and the European Commission, for obvious reasons, are not really feeling very comfortable about this growing vulnerability and dependence on Russian oil and gas. Some have been suggested that the Union should diversify its energy sources and suppliers.

This perception of vulnerability has gained momentum over the past few months with the emergence of a more independent Russia, not always willing to agree with Western interests. Russia's role in ensuring Western energy security is now coming under discussion.

It has led to an open debate in the EU on this issue. However, questions are also being asked whether diversity will solve all problems. They have argued that this measure will not guarantee energy security (as different EU member states already get their supplies from diverse sources), but will only alienate Russia. They have also pointed out that diversification could also prove expensive where it

involves constructing new transit lines. This lobby has instead suggested that a better solution for the EU would be to emphasise "domestic energy security," with greater energy efficiency and reduced consumption.

In my opinion, Russia does not alone hold all the cards. The consumer versus producer definition appears to be superficial. It also tends to overlook the mutual interdependence of both parties.

The EU and the USA in their own way are also crucial for the Russians, who know that the EU, unless handled with care, might be tempted to look for other suppliers instead of investing in modernising the ageing energy infrastructure within the Russian energy industry. They also understand that this vast western market could end up using the energy dialogue to press for changes within Russia. This is something, which Russia naturally wants to avoid.

The EU-Russian energy dialogue launched in 2002, has taken a three-pronged approach. In this context, the dialogue partners are trying to work towards greater domestic efficiency, common policy strategies for transit states, and bringing the EU-Russian energy relationship within the ambit of the EU's Common Foreign and Security Policy. This is being done to make it consistent with geopolitical reality. It is within the ambit of geopolitics that Russia is now beginning to flex its strength.

The European Commission has prepared a Green Paper on energy. This has set out the key challenges: increasing energy efficiency; creating open and competitive energy markets; making long-term investments in energy; and diversifying the energy mix, including low-level of renewable resources. This has been done to ensure that EU has coherent external and internal energy policies within an

integrated market of the 25 member states.

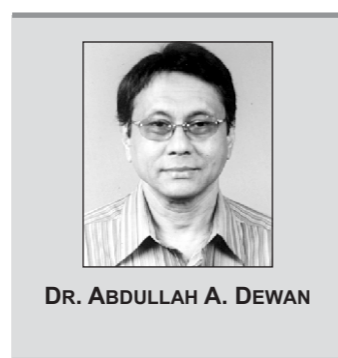
It is now generally agreed that more intensive efforts should be made in the coming months by the EU and Russia to further streamline their dialogue about investments, infrastructure and trade. Both parties realise that their relationship needs to be further developed to create security and predictability for themselves. It is also being undertaken on the premise that there should be non-interference within Russia's sphere of influence. This approach is being sought on the premise that energy security exists both in terms of supply as well as demand.

Many polite expressions of cooperation and concern regarding energy are coming out of Brussels and Moscow, but the situation continues to be complex. Several European analysts support the 'energy charter' drawn up to integrate Russia and eastern European countries' energy into European and world markets, but argue that a bilateral EU-Russian relationship is also necessary, specially to cope with emergencies and interruptions of supply.

I believe that as a net energy supplier, in the near future, Russia will continue to gain strategic importance within the international geopolitical framework. Despite many latent hesitations on the part of the EU and the USA, it will grow in strength as it acquires more innovative technologies and investment to help to solve its problems within the field of energy security. This will create a separate dynamics that will enable it to play a more meaningful role in its neighbourhood.

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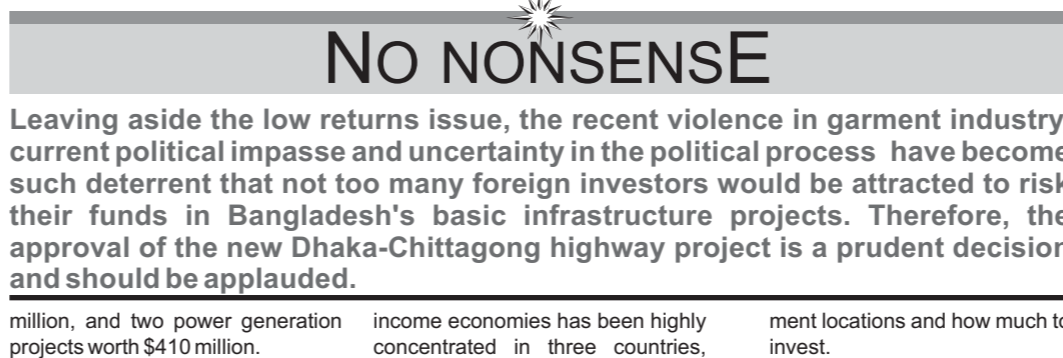
Approval of investment projects good for economy



DR. ABDULLAH A. DEWAN

It is heartening to learn that the Bangladesh government has finally approved the building of a Dhaka-Chittagong expressway proposed by Malaysian investors. As reported in The Daily Star, a Malaysia-based construction company, Azimat Consortium, will build the 210-kilometer expressway, the first of its kind in the country, with six lanes and facilities like adequate parking space, fuelling stations, rest houses and mosques at regular intervals. The construction work is expected to start this year and will be phased out to be completed in 3 years. The expressway will be built on a "build, own, operate, and transfer (BOOT)" basis allowing the company to operate the expressway for 30 years to recover the investment through collecting toll and then its ownership will be handed over to Bangladesh.

Malaysia, the fifth largest investor in Bangladesh, has invested \$6 billion here since 1999. The proposed \$1.53 billion projects seeking approval include 210km Dhaka-Chittagong highway, worth \$900 million, Aktel customer service improving project, worth \$250



Leaving aside the low returns issue, the recent violence in garment industry, current political impasse and uncertainty in the political process have become such deterrent that not too many foreign investors would be attracted to risk their funds in Bangladesh's basic infrastructure projects. Therefore, the approval of the new Dhaka-Chittagong highway project is a prudent decision and should be applauded.

million, and two power generation projects worth \$410 million.

The irony is that the cabinet's approval of the expressway came under diplomatic pressure and public discourse. While addressing the Foreign Investors' Chamber of Commerce and Industry (FICCI) on June 26, Malaysian High Commissioner Mr. Abdul Malek Aziz indicated with frustration that Malaysian investors were likely to pull out their \$1.53 billion investment proposals to invest in other countries such as China, Vietnam, Pakistan, and India if the Bangladesh government continued its shilly-shallying posture in approving the projects. The threat of the loss of FDI funds has worked.

It is, however, prudent for a country not to rush into approving or rebuffing any FDI regardless of its origin without assessing the long term merits and contractual provisions vis-a-vis our national interest. However, if the reasons for dilly-dallying in approving the Malaysian projects were due to multi-layered, burdensome, and circuitous approval process, then the government should take immediate measures to improve on its ineptitudes.

Over the last 25 years, FDI in low-

income economies has been highly concentrated in three countries, China, Nigeria, and India. Large market size, low labour costs and high returns in natural resources are amongst the major driving force for investment in these countries. New major destinations for FDI flows in the 1990s were predicted to be Vietnam, Ghana, and Bangladesh. In the first 5 months of this year alone Vietnam already attracted \$2.4 billion in contrast to Bangladesh's disappointing \$2.5 billion over five years. The reasons why Bangladesh failed to attract substantial FDI during the last five years are arguably manifold.

The loss of Malaysian investments would have entailed a negative impact on future inflows from Malaysia and other potential foreign investors. Bangladesh with its years of political turmoil, hartals and lockouts, deep rooted political corruption and recent rise of terrorist menace, is not considered a hospitable environment for FDI. The theory concerning how political instability and violence influence FDI is built on four elements:

- Investors believe political instability in the host country is important from the premise of invest-

ment locations and how much to invest.

- Investors are forward-looking, constantly assessing ex ante how political violence would affect (a) the expected returns of their investments and (b) their exit from the host country.
- Since investors do not have perfect foresight about occurrences and the nature of political violence, they have to adjust to the consequences of political violence ex post.
- Political violence comes in different forms, varying from the extreme of civil war to political unrest involving democratic reforms and power struggle. The inflows of FDI may be affected depending on the severity of different types of political violence and unrest.

Influx of FDI finds its way into a country only when all the criteria to set up an export industry are met. That includes reduced taxes, favourable labour law, freedom to move money in and out of country, government assistance to acquire land, full ground infrastructure, reduced bureaucratic layers, and low level of political corruption. International business literature

often refers to a study conducted over the period 1984-2000 using panel data based on several investor surveys covering 22 countries. The major findings of the study indicate:

- Natural resources and large markets prop up FDI.
- Factors having similar positive effects include low inflation, good infrastructure, educated population, openness to FDI, less corruption, political stability, and a reliable legal system.
- A decline in corruption from the level of Nigeria to that of South Africa has been shown to have the same positive effects on FDI as increasing the share of fuels and minerals in total exports by about 35 per cent.
- Countries that are small or lack natural resources can still attract substantial FDI by improving their institutions and policy environment.

India, Pakistan and, to a certain extent, Bangladesh, have large markets but attracted proportionately relatively small FDI flows. Analysts interpret this as evidence of constraints that are still in place deterring the channeling of FDI to these countries.

It is no secret that cutting red tape and providing amenable business conditions generally attract inflows of FDI. China's "open-door" policy and various incentives for investing in the earmarked economic zones contributed to the initial influx of FDI. Additional incentives, such as allowing the same level playing field to foreign investors vis-a-vis local counterparts and the opening up of new markets (e.g. air transport,

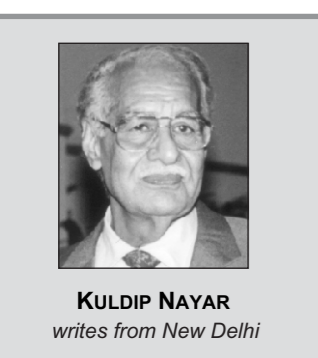
retailing, banking, etc), have been registered as important driving force promoting FDI flows in recent years.

Each of the three Malaysian investment projects are infrastructure related and hence are much desired for economic development and future FDI inflow. China's transport facilities and the proximity to major ports have contributed significantly on the influx and location of FDI within the country. However, foreign investors often find poor infrastructure both as a barrier and an avenue for investment. Foreign investors point to the potential for attracting significant FDI if host country governments allow substantial foreign participation in the infrastructure sector.

Case studies involving India and Pakistan indicate that, although telecommunications and airlines have attracted FDI flows in these countries, other investments in more basic infrastructure such as road-building remains unattractive, reflecting both low returns and high political risks. Leaving aside the low returns issue, the recent violence in garment industry, current political impasse and uncertainty in the political process along with the prevailing notion of "millionaire ministers" and extraordinary toll collection have become such deterrent that not too many foreign investors would be attracted to risk their funds in Bangladesh's basic infrastructure projects. Therefore, the approval of the new Dhaka-Chittagong highway project is a prudent decision and should be applauded.

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Mixing religion with politics



KULDIP NAYAR
writes from New Delhi

NO community has suffered so much in a relatively short span of time as the Sikhs have. Name the atrocity, they have undergone it. The community is courageous enough to bear sufferings willingly as part of its faith.

Indeed, theirs is a long saga of confrontation and sacrifice. Yet it has got tangled in other things. The community is still in the throes of division and dictatorship, feudalism and fundamentalism. The Golden Temple at Amritsar, Harminder Sahib, the Sikhs' Vatican, saw early this week how the community was in the midst of unrest and turmoil.

I was present at the huge gathering at the Manji Sahib Hall in the



The Sikh community still dreams about what India's first Prime Minister Jawaharlal Nehru had said: the Sikhs would have a place of their own where they would enjoy the 'glow'. Every agitation begins and ends at that. The much-decried Anandpur Sahib resolution is a watered down version of Article 370 which gives a special status to Jammu and Kashmir. The Sikhs, by and large, have come to accept the provincial autonomy like the rest of the Indians. But the problem with the Sikh community is that it tends to mix religion with politics.

temple complex. Shiromani Gurdawara Prabandhak Committee (SGPC) was observing the 400th year of setting up of the Akal Takht, the highest Sikh temporal seat. I had been invited, along with Vijay Pratap, a human rights activist, to receive from Akali Dal president Prakash Singh Badal an award for having fought against the emergency (1975-77) and gone to jail in the process.

The award ceremony went off peacefully in the presence of thousands of people. It was declared at that time that some more people would be given awards and also the

opportunity to address the gathering. Listed among the people were the supporters of Simranjit Singh Mann, Badal's inveterate opponent and an advocate of militancy.

It appeared that Mann's men became impatient and did not want to wait for their turn. A few among them rushed to the stage and roughed up SGPC chief Avtar Singh Makkar and tried to capture the podium. Swords were drawn and turbans went flying as people from both sides clashed. Supporters of Mann pushed forward while the SGPC leaders pleaded with them to have their separate stage if they

were insistent to have things in their own way. The clash scared the congregation and people began to disperse. No amount of exhortation could bring them back. Guru Granth Sahib, the holy book, was removed from the hall and the visibly disturbed Badal was taken to some safe place in the temple complex.

It had a bad impression on me when the sacrilegious act took place in the 'presence' of the Guru Granth Sahib. I feel that the Sikh community is its own enemy. Groups within groups, quarrel against one another to get a place of vantage in the religious hierarchy or in

Gurudwaras which give them the limelight and funds. However unworthy some may be to occupy these positions, they have to go through a process of election. There are laws in Punjab, Haryana and Delhi to elect from Sikh electoral college a set of people who administer the Gurudwaras in their respective states. The problem arises when those ousted do not accept the majority verdict and indulge in such activities which hamper the management from doing its work. True, it is not all that altruistic, but it needs to be so. What is required is discipline.

In fact, it is commendable how the community, only 1600 years old, has faced bravely the challenge to their tradition -- turbaned and bewhiskered as they are. In numbers, they are only six million but they have made their presence felt wherever they have gone.

They are spread all over the world. But their homeland is India. Punjab, where most of them live, has experienced many agitations because only through the state's division and re-division could they get a majority. With the influx of labour from Bihar and elsewhere,

the Punjabi-speaking population is nearly losing its majority. This may create problems in the future.

Coming back to the Manji Sahib hall incident, it has evoked condemnation all over, particularly from the Sikh organisations. Several people rang me up from Canada and the UK because the proceedings were televised live. However, this is not the first incident. Nor will it be the last one. The Sikh community has to ponder over the incident because it disturbed a religious function held to commemorate the establishment of the Akal Takht. Obviously, those who did it had politics in their mind. State elections are only six months away. The Congress which is in power is collecting all forces and using all tactics to stall the opponents, the Akali Dal, from winning at the polls.

I wonder if the incident is the beginning of the Giani Zail Singh-type politics. Then the Congress found the extremist Bhindranwale and lionised him to fight against the Akalis. Things went beyond control and the result was disastrous. One, the army attacked the Gold Temple where Bhindranwale had tried to build a state within a state. Two, the

Sikh guards assassinated Prime Minister Indira Gandhi.

This retaliation led to another fiendish kind of retaliation: the killing of innocent Sikhs in broad daylight, 3,000 in Delhi alone. What is called the Sikh problem got more aggravated. The elevation of Manmohan Singh as Prime Minister has solved it to a large extent and that Mrs Indira Gandhi's daughter-in-law, Sonia Gandhi, has brought about it has made all the difference.

But the notion of mixing miri and piri, religion with politics, is the real bane. When Guru Hargobind Sahib rationalised the joining of politics with religion, his purpose was to instill the sentiments of social service among his followers. He wanted the Sikhs to pay attention to the lowest in the land. No doubt, the Sikhs are far ahead in this field compared to the other communities. Still their contribution is not in proportion to the wealth at their command. Why the community cannot channelise money to productive avenues so as to absorb lakhs of unemployed Sikhs, who are prone to drugs. One cause of last militancy in Punjab was the unemployment of Sikh youth.

The Sikh community still dreams about what India's first Prime Minister Jawaharlal Nehru had said: the Sikhs would have a place of their own where they would enjoy the 'glow'. Every agitation begins and ends at that. The much-decried Anandpur Sahib resolution is a watered down version of Article 370 which gives a special status to Jammu and Kashmir.

The Sikhs, by and large, have come to accept the provincial autonomy like the rest of the Indians. But the problem with the Sikh community is that it tends to mix religion with politics. It is not opposed to secularism but it overemphasises the religious identity. Guru Nanak Dev, the founder of Sikh religion, preached pluralism and put together the sayings of Hindu, Muslim and other saints in the Guru Granth Sahib. It is pluralism the Sikhs should be pursuing and upholding, not religious jingoism. When they get carried away by passions as was seen at the Manji Sahib hall, they exhibit a trait which only impairs the community's image.

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