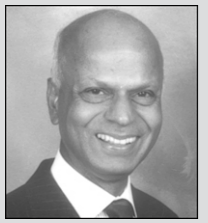


Whither oil prices?



CHAKLADER MAHBOOB-UL ALAM
writes from Madrid

ON Tuesday, June 1, 2004, crude oil prices shot up to \$39.08 (a 6 per cent increase over the previous week's closing quotes) a barrel on the London International Petroleum Exchange and \$42 (highest ever since oil started trading on the Mercantile Exchange in 1983) in New York. Actually, oil prices have been rising steadily over the last few months. Needless to say, this trend has created grave concern in the economic ministries of the governments across the world because according to the IMF a \$10 rise in the price of oil knocks off one half percent of economic growth in developed economies. Its effect is even worse on developing economies. What are the reasons for this trend? Like any other commodities, oil prices should be determined by forces of demand and supply. So have there been any significant changes in these two factors to cause the prices to rise? Is the demand too high or the supply too low? Are there any non-economic factors at play here?

There is no doubt that worldwide demand for oil is rising faster than any time in the last fifteen years. The American Department of Energy has just confirmed this trend in a report. The recent American economic recovery has contributed to this increase as well. American driving habits and low petroleum prices (the average price is \$2 per gallon in the US while the same petroleum costs more than \$5 in the EU) are also responsible for this excessive consumption of petroleum in the US. According to the May 2004 report of the International Energy

Agency, demand for oil in the OECD countries is rising at a significant rate. Then, of course, we cannot leave this discussion on rising demand for oil without mentioning China and India. According to a recent Asian Bank for Development report, China alone was responsible for 35 per cent of increased demand for oil in 2003. This report also mentions that China has now replaced Japan as the world's second largest oil consumer.

On the supply side, one should

currently holding talks with Russia's prime minister Mikhail Fradkov to find ways and means to improve Russia's pipeline and tanker capacities, for example, the Baltic pipeline system.

While Saudi Arabia, Kuwait and the Arab Emirates have some spare production and export capacity, refineries in the United States do not seem to have much spare capacity. A review of this capacity is now underway.

According to knowledge avail-

It is officially committed to producing 23.5 million barrels every day. The fact that OPEC (since the Gulf War, Iraq has been kept outside OPEC's quota system) produced 26 million barrels per day in March proves that its members were not very strict about their official commitments. In a way, it makes sense. Taking advantage of the high demand and high prices, they have tried to make some extra profits.

In an effort to bring down the prices by matching demand with

between five and ten dollars. There has always been a certain amount of commercial hedging in the oil market. But poor performance of the stock market has pushed many financial speculators to take up long positions in the oil futures market. According to the International Energy Agency and the New York Mercantile Exchange, speculation in the oil market has never been higher, which is pushing up the prices. If the interest rates are raised before the presidential election in November, the specula-

pushing up the demand for oil, and as a consequence, its price.

According to the International Energy Agency, today the world consumes approximately 80 million bpd, of which one quarter is consumed by the US. This agency also forecasts that by 2020, total world consumption will be over 100 million bpd. So, there is no doubt that for the next two or three decades the demand for this scarce commodity, which will inevitably run out one day, will continue to rise.

OPEC is scheduled to meet again on July 21, to review the impact of June measures to increase oil production. If by that time oil prices fall below \$30, Iran and Venezuela, who opposed this increase, will most certainly ask OPEC to go back to its original quota of 23.5 million bpd production. Iran and Venezuela think that once the real reasons -- fear of terrorism and speculation -- for these soaring oil prices are removed, a glut of oil will lead to a sharp decline in price. This, in my opinion, is unlikely to happen because Saudi Arabia, which unofficially acts as the world's oil central bank will most certainly slash production to bring supply in line with the falling demand. Some OPEC officials still have nightmares about the "Jakarta syndrome" when, in 1997, oil prices dropped to \$10 a barrel because of a glut of oil caused by overproduction in response to American pressure and a sharp decline in Asian demand. The House of Saud, which is reputed to have a special relationship with the House of Bush, may try to help Bush's reelection by maintaining the oil prices somewhere between \$30 and \$35, but most probably not below \$30 because it will go against its own economic interests. In my opinion, even if the speculative bubble bursts, the security situation will continue to remain unstable. Therefore, the world should get used to the idea of paying for oil at a price which is likely to fluctuate between 30 and 35 dollars a barrel. The days of cheap oil are gone -- perhaps forever.

LETTER FROM EUROPE

Despite assurances given by the Saudi authorities that, at any point in time, there are more than thirty thousand specially trained troops to guard the oil installations, fears of terrorist attacks in the form of sabotage to oil production and transportation persist. An exodus of foreign technicians may also slow down or stop future oil supplies. It seems, Bush's preventive war on Iraq to secure oil supplies has created just the opposite effect.

take into consideration four factors, -- production, exportation, capacity of the refineries to turn crude oil into usable commodities for industrial and private use, and reserves under the soil. Although these factors are interrelated, they do not necessarily mean the same thing, nor do they have the same impact on the world's oil markets.

For example, according to the International Energy Agency, in the first quarter of 2004, Russia surpassed Saudi Arabia in oil production (8.93 billion barrels per day (bpd) versus 8.21 million barrels per day). In April 2004, Russia produced 9.01 million bpd. Does this necessarily mean that Russia exports more than Saudi Arabia? No, because even though it has become the world's second largest oil exporter, Russia's pipeline export capacity is only 4 million bpd. Even though its economy is still not well-organised, thanks to its oil revenues, Russia's economic growth continues to outstrip the rates of growth of industrially developed nations. In order to catch up with Saudi Arabia, Russia needs to improve its pipeline export capacity. The US energy secretary, Spencer Abraham is

able today, the eleven-member cartel of OPEC probably has close to two-thirds of world's "known" oil reserves. Of course, data about some of the reserves, like for example, the Russian and Alaskan ones may not be completely accurate. This may make a difference in the calculation of the world's real oil reserves. Saudi Arabia holds a unique position because of the fact that a full one-quarter of the world's proven reserves lie under its soil and that it is the only OPEC member which has got a spare production capacity of close to 1.8 million bpd which can be activated at short notice. Its cost of extraction is also relatively low. In other words, Saudi Arabia is probably the only country in the world which at the present moment can keep on producing approximately 10 million barrels per day and exporting the bulk of it for a considerable period of time. Because of these two circumstances, Saudi Arabia is in a unique position to influence world markets.

Although OPEC produces only 40 per cent of the world's crude oil, it is the world's largest exporter of oil. It also tries to manipulate prices by adjusting agreed output

supply, on June 3, OPEC, at a special meeting in Beirut, agreed to increase production by 2 million bpd in July and by another 500,000 bpd in August. Saudi Arabia, the Emirates, and Kuwait may decide to continue to add an extra million bpd unofficially, which will in effect mean a total OPEC production of 27 million bpd and over 28 million bpd, if Iraq's production is added to it. Now the question is: will this measure reduce oil prices? Temporarily, yes. But in the mid to long term period, no, because these measures will more or less bring the actual production in line with the officially authorised one. Even the Saudi oil minister Mr. Niamy was sceptical about it. He said to the Associated Press, "The prices are controlled by the market and are affected by many factors." So, what are these factors?

Besides demand and supply, there are at least four other additional factors -- speculation, fear of terrorism, strategic petroleum reserves, and high taxes on oil in the European countries -- which affect oil prices. According to some analysts, speculation and the fear factor have added a premium of

tors might move from the oil futures market to other investments with better return. If it happens, oil prices will suffer temporary turbulence and then steady.

However, despite assurances given by the Saudi authorities that, at any point in time, there are more than thirty thousand specially trained troops to guard the oil installations, fears of terrorist attacks in the form of sabotage to oil production and transportation persist. An exodus of foreign technicians may also slow down or stop future oil supplies. It seems, Bush's preventive war on Iraq to secure oil supplies has created just the opposite effect. It has created a sense of insecurity all over the world, and, in particular, in the Middle East. There is a fear that at any moment, oil supplies may be disrupted or stopped. This is the reason why, despite high oil prices, the American government and other governments are buying huge quantities of oil to build up, and in some cases, to increase, their countries' strategic reserves. According to some newspaper reports, the capacity of the US Strategic Petroleum reserve is now over 700 million barrels. This is artificially

Prisoner abuse and prison reform in Bangladesh

HASANAT ALAMGIR and HABIBUR RAHMAN

THE rising number of imprisoned people in Bangladesh is exhausting the limited resources available at the prison facilities. The total prison population (including pre-trial detainees/remand prisoners) at present is 83,136. The high level of official confidentiality cuts off information about the conditions of inmates in Bangladeshi prisons. By barring human rights groups, the media, and other outside and independent observers' access to the punitive facilities, government policy makers and prison officials shield prevailing substandard conditions from public comprehension and critical inquiries.

While conditions of living vary from jail to jail, standards in most of the 67 Bangladeshi prisons are appallingly low. Prisons are beleaguered by severe overcrowding, degenerating material infrastructure, absence of adequate medical care, incidences of sentry brutality and fraud, and prisoner-on-prisoner cruelty. Non-existence of pressure groups, indifferent attitude of lawmakers and bureaucrats, and inattention of public media keep the public unaware of the pervasive conditions inside the prisons. The governments have been completely aloof and apathetic to the dismal human rights violations in our prisons. There are virtually no efforts and programmes towards remedying these conditions and abuses in the immediate future.

The prison statistics say that Bangladesh currently has 60 prisoners for every 100,000 of its population. Pre-trial detainees/remand prisoners are about two-thirds of the total prison population. A total of 623 death penalty awardees are

waiting to be executed in different cells.

Bangladesh has a capacity of holding 28,394 prisoners in all its prisons. With 83,136 inmates in these prisons, the occupancy ratio is 292 per cent. Overcrowding is obviously more acute in Dhaka Central Jail, as with a capacity of 2,682 inmates, it currently occu-

cell. Lawmakers should introduce a bill to allow inmates in the late stages of terminal illnesses to return home to their families.

The practice of corporal punishment on the prisoners is common in Bangladesh, and leg irons, fetters, shackles, and chains are characteristically used. The weighty bar irons used in

prisons. Inmate-on-inmate violence is an unsurprising result of official slackness. By neglecting to take charge of the inmates within their facilities, by failing to act in response to incidences of violence, by wickedly allowing the entry of armaments into the prisons, and by generally abetting the domination of the strongest prisoners over

starting to get electric fans. The government has given televisions to the prisoners in Dhaka Central Jail and 30 other prisons, and is planning to provide fans and televisions to the prisoners in other jails. Fiscal constraint, among others, is also to blame for prison deficiencies in Bangladesh. The age-old physical structures of most

at regular intervals.

Bangladeshi prison officials and guards need to be educated and trained to treat prisoners with due respect for their intrinsic self-respect and value them as human beings. Prejudice on the basis of race, sex, religion, political or other opinion, and national or social origin must be done away with. Prisoners should be allowed to practice their religious rituals. All prisoners should have the right to take part in cultural activities and education directed to the full advancement of human potential. Policy formulations are needed to enable prisoners to undertake meaningful wage-earning jobs inside the prisons, which will allow them to contribute to their own financial support and to that of their immediate family members, and facilitate their reintegration into the country's labour market when they come out after serving their time. Prisoners must have the right of entry to the health services available in the country without unfairness on the standing of their legal status.

Failure to improve the living conditions in Bangladesh prisons may lead to extreme anguish among the prisoners, and may direct them to take violent public attention drawing activities, like hunger strikes, self-mutilation, rioting, and other forms of dissent. Three years ago, in Kazakhstan, 44 inmates at a prison attempted mass suicide in protest of conditions. The inmates used razors and broken glass to hack their necks. We do not want analogous incidents to occur in Bangladesh.

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piated by 11,014 prisoners. This is 410 per cent of the prescribed habitation. The other 66 prisons outside Dhaka have a current occupancy ratio of 280 per cent, where 72,122 people are living in a space for 25,712 people. For the prisoners ordained to die, there are 61 cells in the country. The occupancy ratio of these cells is 14 per cent in Dhaka, and 10 per cent in the country's other prisons.

A very predictable result of overcrowding, malnutrition, unhygienic conditions, and absence of medical care is the spread of contagious diseases, often leading to premature disability and deaths in prisons. Tuberculosis continues to devastate prison populations around the world, and there is no reason why its havoc should be any different in Bangladesh. Sick inmates carrying virulent pathogens, infect other new prisoners, and constitute a serious threat to public health when they are released. It is important to keep a prisoner with a contagious disease in quarantine, or in a separate

Bangladeshi prisons turn simple daily movements into agonising ordeals. Physical maltreatment of prisoners by guards remains as a chronic complexity in Bangladesh. In most prisons, unnecessary beatings are so common as to be an essential part of prison life.

Female prisoners made up 1.6 per cent of total prison population in 1998. Women prisoners are for the most part exposed to custodial sexual abuse. The problem is widespread in Bangladesh, where male guards and inmates can easily overpower female inmates.

There are 1,063 children in 60 jails, and 280 more in the correction centres in Bangladesh. In infringement of international standards, juvenile inmates are often held together with adults. Many of Bangladesh's jails and police lock-ups mix juvenile and adult prisoners. Children in such circumstances frequently fall victim to bodily abuse, including sodomy and rape, by adult inmates.

Violence is common at the

weakest, prison authorities are directly liable for the violence.

Extortion by prison staff and corruption of the guards is common. Given the extensive power that prison guards exercise over inmates, these problems are obvious. The poorly paid guards try to complement their regular earnings by exploiting the prisoners as bait for their friends and relatives. In exchange for smuggled goods or special attention and treatment, inmates supplement guards' salaries with bribes. Powerful and rich inmates often enjoy rich diets and comfortable lodgings, while their less opportune brethren live in nastiness. It is alleged that some criminals, in collaboration with the prison guards, keep on operating and networking their gang activities outside while being locked up inside the prisons.

Prisoners confined in facilities in Bangladesh lack recreational and educational opportunities. The annual budget for Dhaka Central Jail is only Tk 57 crore. The prisoners in some cells are only

of the prisons are dilapidated.

Knowing about the current capacity-constraints, the government has decided to shift the Dhaka Central Jail to Keraniganj. Whereas under-trial prisoners should be kept near to where their cases will be heard, prisoners serving long tenures, and those with a repeated crime history should better be moved to a distant location in a maximum security prison. A sparsely populated small island in the Bay of Bengal can be chosen, and such a prison can be set there. The government may decide to choose any of the following islands -- char Kukuri Mukuri, Burir Char, Neta, Andar Char, or Bhaylabania, to establish the first Maximum Security Prison in Bangladesh.

The Chief Justice of Bangladesh has recently led a team of cabinet ministers to visit a prison. At the district levels, the District Judge, accompanied with the Public Prosecutor (PP) and the Superintendent of Police (SP), should be required to visit the district prisons

Post 9-11 visa delays or denials cost America heavily

ZAHID HOSSAIN

WITH the 2004 US presidential election less than five months away, the Bush administration is close to completing a review of visa restrictions that government officials say is likely to result in some streamlining of the procedures to address growing concerns from universities, business organisations, and the travel and tourism industry.

According to a recent survey conducted by eight reputed American business organisations, corporate America has suffered \$30.7 billion in lost revenue and other costs over the past two years as a result of delays or denials in visas for foreign business travelers. In the same way, most of the American universities and other educational institutions failed to enroll at least twenty percent of their accepted students coming from some Asian and African countries because of visa denial, or, in some cases, extreme delay in issuing visas by the respective US consular offices.

The travel and tourism industry in the US suffered a major economic setback during the same period. Most of the US domestic airlines suffered business losses, and, as a result, thousands of execu-

tives and workers lost their jobs. The tourism industry also suffered equally here because of cumbersome and complicated visa procedures adopted by the US Consulates abroad, especially after the September 11th terrorist attacks.

A survey conducted recently in some parts of the United States found that nearly three quarters of companies had experienced unexpected delays or arbitrary denials of business visa applications, while sixty percent said the delays had hurt their companies through increased costs or lost sales.

In addition, the findings of the survey pointed out that more than half the 734 companies surveyed

to no avail," said Bill Reinsch, President of the National Foreign Trade Council, which represents many large US companies.

The findings mark the first serious effort by US business organizations to quantify the impact of security restrictions put in place since the September 11 terrorist attacks. In the wake of the September 11th attacks, the US began to require time-consuming security checks of a variety of potential travelers, businessmen and students of the US.

As conveyed by a US business executive, the severest impact on business has come from procedures implemented in July 2002

that required background checks of anyone -- including potential foreign business customers -- who was working with technologies deemed sensitive for national security reasons such as aerospace,

chemicals, or advanced computers.

The survey showed most delays involved business travelers from China, India, and Russia, none of which are considered potential sources of terrorists. The survey added that the next hardest hit were Malaysia, Indonesia, and South Korea.

Of the companies surveyed, the total financial impact was put at \$45 billion. The figure of \$30.7 billion over nearly two years was reached by estimating the impact across the economy. The survey has pointed out that the medium-sized companies were hit harder than large companies, most likely

because many cannot afford to hire immigration lawyers to help expedite visa applications.

After the publication of the findings of the survey, Janice Jacobs, Deputy Assistant Secretary

of State for Consular Affairs said that while serious backlogs occurred in 2002, "we are much, much better than we were. Things are being reviewed regularly." She said average processing times for visas that required security reviews had been cut in half, and about eighty percent were decided within three weeks. "We are almost close to completing a review of visa restrictions," she added.

In the meantime, according to a recent newspaper report, foreign visitors who have overstayed their visas exceed 2.3 million, but only a tiny percentage have reason to fear action by the US Department of Homeland Security.

The report further said that a major portion of the illegal population entered the United States on temporary visas, but only two percent were arrested in fiscal year 2002. "The actual number of over-stayers is unknown because of poor monitoring," the report added.

A total number of 13,900 illegal residents, most of them over-stayers, were targeted for deportation since after the September 11th terrorist attacks, but only about 350, including 12 Bangladeshis, had been sent back as of February this year, the report added.

Responding to the report, Department of Homeland Security spokesman William Strassberger said the government's "obsolete system" for recording the arrival and departure of visitors was being replaced by the computerized US-VISIT program, being developed by the esteemed consultancy Accenture, Ltd.

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