

What price Bangladesh gas?

DR. AMINUL HUQ

ACCORDING to newspaper reports, the final round of negotiations with the Tata group on its investment proposal is now underway. In this context, I would like to share some thoughts on the very sensitive issue of gas pricing that would be finalised during these discussions. It would be recalled that at the last round of discussions both sides agreed to engage consultants to examine the pricing issue and report back to the concerned parties before the final round.

We have no information on who the consultants were and what have been their findings. We are of the view that the government should share the findings of the consultants' report with the energy experts in the country, and the civil society and intellectuals in particular. We do not, however, expect this to happen, since the negotiations are being guided by the Advisor of the Energy Ministry, who is also the Executive Chairman of the Board of Investment.

Admittedly, natural gas pricing in Bangladesh has always been a difficult and sensitive issue. It has assumed increasing significance in the context of ongoing discussions on sale of gas to an international

The IOCs' share of gas production and hence pricing of new gas was increasing, while that of old gas in Petrobanga gas fields was being sold cheaply. This did not reflect practices internationally, with the price of future gas exploration and production increasing worldwide. Moreover, at least \$4 billion will be required for just purchasing gas from the IOCs in the next sixteen years. If we export or sell local gas to international buyers who would pay in dollars at IOC price, we do not have to pay this amount, but we lose 3-4 TCF of gas to international buyers. So what should be the price of Bangladesh gas sold to the investor?

investor. Knowledgeable circles point out that this investor became interested in Bangladesh gas only after its international bids did not produce any offer for gas price less than \$2.3 per thousand cubic feet (MCF). Bangladesh has a history of selling cheap gas to international investors in the fertilizer and the power sectors, in the name of serving the best interests of the country, as determine by these investors and not the people of the country.

Some consider the latest billion dollar initiative as a form of gas export, since the gas will be utilised for fertilizer production, power generation, and steel production, most of which will be exported. Economists would find nothing wrong in such investments as long as they do not jeopardise national interests. Those promoting this investment proposal consider this as a golden opportunity to derive the

maximum benefit from the country's natural gas resources by exporting the products, while the people of the country could use liquefied petroleum gas, most of which will have to be imported. To them, present economic growth appears more important than future energy security. Yet another section would consider it hara-kiri, as according to latest government projections, the country will have to secure additional natural gas supply beyond what could be made available from the presently discovered gas fields in ten years or so.

The principle of energy pricing, particularly natural gas, is well established, and has been practised in the country, particularly in relation to well-head prices for gas produced by international oil companies (IOCs) under production sharing contracts (PSCs). The major public sector holding company,

Petrobanga buys gas from the IOCs at contractual prices linked to international fuel oil prices and sells it to the distribution companies at prices fixed by the government. The IOC prices have a minimum and maximum, with the contract price related to 75 per cent of the Singapore Heavy Fuel Oil (HSFO) price, which was designed to provide revenues and guaranteed recovery of investments by IOCs and limit top gas prices in the Bangladesh gas market. These prices were negotiated at a time when oil prices were in the \$12 to \$24 per barrel range. At current world prices and the gas price formula, without the limits range, the IOC gas prices would be more than twice the current maximum.

Petrobanga also buys gas from several fields owned by its companies, most of which were inherited from the Shell and Burma Oil companies for \$10 million in 1972.

These fields presently provide 76 per cent of the gas supply. The supply from IOCs has risen from 4 per cent in 1998 to 24 per cent in 2004. By 2007, the share of the Petrobanga gas fields will decrease to 63 per cent and to 57 per cent by 2011. Increasing the proportion of much higher cost gas coming from PSCs will have a large impact on the financial performance of the gas distribution network companies without appropriate changes in gas prices. Changes will have to be made in the prices to end users to accommodate the changes that are very likely to occur in the gas supply cost structure.

The gas purchase prices from PSCs are related, with some adjustments, to 75 per cent of Singapore HSFO, but locked into the range between \$70 and \$140 per ton, which amounts to \$1.40/MCF and \$2.90/MCF. These prices are between 12 and 25 times higher than the present price for gas produced by Petrobanga subsidiaries.

In the cost recovery phase of the PSC, the IOC receives a higher share of the gas to enable the IOC to recover its development costs over a shorter period. Before cost recovery, the government's share of gas is approximately 25 per cent, which will be about 75 per cent after investment recovery, with range 55 per cent to 80 per cent. After cost recovery, the royalty share varies with volume. The estimates presented are for the highest production level blocks. The gas costs vary greatly between different PSCs and the

stage that they are at in their life cycle from start of production to final abandonment of wells. A large switch in the average cost of gas occurs when a PSC's status changes from being in cost recovery phase to post-cost recovery. In real terms, the price of onshore gas would average \$2.00 per MCF, and that for offshore gas would be \$2.20 per MCF, before cost recovery, and \$1.24 per MCF on an average after cost recovery.

End-user prices will have to add the transmission costs, estimated at a minimum of \$0.12/MCF. These well-head prices are based on existing PSCs that were entered into several years ago when the international price of oil was much below \$30 per barrel. It is well known that the price of oil has been hovering around \$60 per barrel in recent months. This would suggest that Bangladesh gets nothing for its gas if the price is set at about \$2/MCF. However, in the future, based on the World Bank crude oil projections in the medium to long-term, when the oil price will be hovering around \$35-40 per barrel, the value of gas as alternative fuel would be \$4.21 per MCF.

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Dr. Aminul Huq is the former Chair of the Energy Sector Network and Committee, Asian Development Bank.



All health information to keep you up to date

Public health approaches and heart diseases

HEART disease and stroke are major causes of illness, disability and death which causes an increase in personal, community and health care costs. Today, a Clinical Public Health approach is needed for the prevention of cardiovascular disease (CVD). Healthy Heart is an integrated approach to the control of the multiple risk factors responsible for CVD. In fact, this is an area where major health gains can be made in Bangladesh. Developing a comprehensive public health strategy requires considering the full scope of a public health problem and the display of potential approaches to controlling it. It also requires recognising the present reality and having a vision of the future that includes the most favourable conditions that can result from effective public health action. A clinical Public Health framework can also indicate where intervention approaches can be applied, through greatly expanded public health efforts, to advance from the present reality toward the vision of the future.

ABC of cardiovascular disease

This (CVD) includes acute myocardial infarction, arteriosclerosis, arterial hypertension, atherosclerosis, cardiomyopathies, cerebrovascular disease, Chagas' disease, coronary heart disease, heart failure, high blood pressure, hypertension, ischaemic heart disease, myocardial infarction, peripheral vascular disease, rheumatic heart disease, stroke, and thrombosis.

Usual risk factors for a heart attack are: Smoking, Obesity, High blood, pressure, High cholesterol level, Unhealthy life style and diet, Stress.

Diagnostic checks and tests

There are several effective investigations and techniques for heart disease. The most common are:

- Physical examination -- pulse, blood pressure, listening your heart, looking for any swelling and checking the veins in your neck.
- Blood test -- usually to check for anaemia and kidney problems, which are related to heart disease.
- X-ray chest -- though very simple but can provide lot of useful information (both heart and lung)
- ECG -- instrument used for recording the electrical currents produced by the heart muscle during various phases of contraction.
- Echocardiogram -- much the same as the ultrasound scans used to check during pregnancy in women. This is helpful as the doctor can observe the heart beating and check different areas of heart problems.
- Exercise test -- help out the doctors to decide how well the heart manage with exercise.
- Cardiac catheterisation -- to determine the rate of blood flow in the pulmonary artery and the aorta.
- Angiocardiology -- also known as cinefluoroscopy.

WTO: LDCs' source of hope and despair

BIJAN LAL DEV

WITHIN four years of the formation of the World Trade Organisation (WTO) in 1995, African Least Developed Countries (LDCs) identified as the 'rich men's club' - a result of huge frustration of the LDCs about its governance; the breach of hopes and aspiration that generated centering WTO; the gulf of difference between the agreement and actual implementation. What are those hopes and aspiration? Why and how have they been denied?

The WTO agreement was signed in Marakesh of Morocco on 15 April, 1994 by 124 countries. Bangladesh and another five countries were among the 48 LDCs to be the founding members. Over the years, the number of LDCs has increased to 50 with Senegal and Benin. Countries that participated in the General Agreement on Tariffs and Trade (GATT) negotiations (1948-1993) became automatically the members of the WTO. Bangladesh had entered into GATT negotiations in 1972. Another five LDCs had also participated in the negotiations. So, they became members as contracting parties by submitting their schedules. Other LDCs got one year extension to submit their schedules stating the trade, finance and social condition as required by Article 11 of the WTO agreement to be its member. Enjoying the privilege, another 22 LDCs became members of the WTO within a year which was ratified at the first WTO ministerial in December 1996 in Singapore.

China, then an LDC, was barred from enjoying the facility as they had been maintaining very protective and restrictive market. China after decade-long desperate negotiations with potential WTO members has got the membership in 2003. During the period she had to make agreements with founding members especially USA, European Union, Japan, Canada and Australia. This accession process is mandatory for new WTO entrants so that their trade regime is at par with the GATT. Russia, Saudi Arabia, LDC Vietnam with another 12-15 interested countries have been facing stiff negotiations for years under the accession process. LDCs' claim is that according to WTO commitment, the accession process for LDCs should be very liberal which has not been followed.

Recognising the plight and specific needs of the LDCs to ensure their effective participation in the world trading system through improving their trading opportunities and market access

facilities, the WTO members, according to the agreement, decided to take five specific measures. The first step is "Expedient implementation of all special and differential (S&D) measures taken in favour of LDCs including those taken within the context of the Uruguay Round (1986-1993) shall be ensured through, *inter alia*, regular review." Bangladesh as the coordinator of LDCs in the WTO since its inception has been pursuing duty-free and quota-free market access for the LDCs' products as S&D initiative. It was hoped that with this treatment the LDCs' products have been facing tariff and non-tariff barriers and uneven competition would be eliminated. It would help increase their export to the markets of developed and stronger developing economies. Employment would be increased. Income, consumption and savings

In case of having foreign direct investment, LDCs are being deprived more as the agreement on Trade Related Investment Matters under WTO is infringed greatly by the developed world. Thus the club for globalisation and liberalisation of trade is now acting as a double-edged blade for LDCs. They cannot sustain remaining isolated from the integration process for a long run, again there is no shade for them under the globalisation umbrella. The poor world with 650 million population deserves realisation of the commitments of the WTO members.

of the people would be improved. Economic misery would be diminished.

Analysts revealed that tariffs of industrial products have been reduced worldwide by about 50 per cent since 1995 as expected by the industrialised countries. LDCs do not have trade capacities in any of these products. Rather import-substitution local industries became loosing concerns facing serious competition with the cheap and high-tech foreign products and thus laid-off the establishment.

On the other hand, non-tariff barriers have been widened. New barriers like environment protection, restoration of children's and women's rights, democratisation, pursuance of international standards in products' quality control, improvement of social values imposed on LDCs' products have shrunk the market accessibility. LDCs' share in world market was about 3.5 per cent at the beginning of GATT negotiations in 1948. It came down to 0.98 per cent in 1980s and further declined to 0.58 per cent in 1990s. The share has slightly increased to 0.64 per cent

during 2000-2004 period thanks to export and import surge in Angola, Bangladesh, Equatorial Guinea, Eritrea and Mozambique. Increase of import by most of the LDCs also contributed to upping the share. As a result, most of the LDCs have been facing further marginalisation in integrating their economies with the global one.

The second commitment describes, "To the extent possible, Most Favoured Nation (MFN) concessions on tariff and non-tariff measures agreed in the Uruguay Round on products of export interests to the LDCs may be implemented autonomously, in advance and without staging. Consideration shall be given to further improve Generalized System of Preference and other schemes for products of particular export interest to LDCs." In reality,

other hand, many countries imposed restrictions on imports of those countries' products who are not complying with labour standards on their scale. According to WTO rules, this is a non-tariff barrier to free trade. The fourth commitment states, "In the application of import relief measures and other measures referred to Article 37 of GATT 1947 and the corresponding provision of GATT 1994, special consideration shall be given to the export interests of LDCs." Since the right opportunities of LDCs have been barred by imposing tariff and non-tariff barriers implementation of special import relief measures is unthinkable.

The fifth and final commitment describes, "LDCs shall be accorded substantially increased technical assistance in the development, strengthening and diversification of their production and export bases including those of services, as well as in trade promotion, to enable them to maximise the benefits from liberalised access to markets." In Singapore conference, WTO members agreed to take an integrated approach to assisting LDCs in enhancing their trading opportunities. As a result, a high level meeting was organised jointly by IMF, ITC, UNCTAD, UNDP, the World Bank and WTO in 1997 in Geneva, the headquarters of the WTO. Bangladesh along with another 11 LDCs presented their needs. Many countries and multilateral agencies renewed their commitment to provide duty-free market access and technical assistance.

They translated their high assurances after three years by providing two computers and two programmes for trade information management to each of the 12 LDCs as technical assistance. In case of having foreign direct investment, LDCs are being deprived more as the agreement on Trade Related Investment Matters under WTO is infringed greatly by the developed world. Thus the club for globalisation and liberalisation of trade is now acting as a double-edged blade for LDCs. They cannot sustain remaining isolated from the integration process for a long run, again there is no shade for them under the globalisation umbrella. In the coming Hong Kong conference, LDCs will again seek assurance of shade and comfort under the umbrella of global economic integration. The poor world with 650 million population deserves realisation of the commitments of the WTO members.

The third commitment elaborates "The rules set out in the various agreements and instruments and the transitional provisions in the Uruguay Round should be applied in a flexible and supportive manner for the LDCs....." In return to this commitment, the developed countries had tried to impose new set of core labour standards subsidising ILO's jurisdiction. This shift should have serious consequences to poverty reduction initiatives of LDCs. The developed world does not yet give up their agenda. Rather they have been pursuing to get approval in the coming Hong Kong conference that not ILO but WTO should deal with the labour standards. On the

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Bijan Lal Dev is a trade analyst.

Nepal: Light at the end of the tunnel

BIJAN JONCHHE writes from Kathmandu

IS a solution to the crisis prevailing in Nepal so elusive? No. Not if there is true effort from the sides involved, as well as those powers outside the prevailing conflict, namely, the US, UK, and India. Fortunately, we in Nepal, can now hope such effort will be forthcoming with the Americans, indicating a more comprehensive understanding of the crisis in the country.

Two important news statements must be mentioned in this regard.

The first is an American embassy's press release warning the seven agitating parties against an alliance with Maoists. It also castigates the parties for not living up to their word: To have nothing to do with the Maoists until they laid down arms, renounced violence and showed commitment to multi-party democracy. The communique also urges the parties and the King to hold dialogue.

The second is another news item in local papers headlined "US Congressmen for multi-pronged Nepal strategy." Seven US Congressmen have, in a letter to US Secretary of State Condoleezza Rice, mooted the idea of a package that sees a solution to the crisis in Nepal in holistic terms.

These, one can safely assume are signs of a shift in perception based on the ground reality of Nepal. In the current scenario, misrepresentation of the state of affairs by agitating political parties had misled India, the US and the UK. This precluded any effort that could work towards a resolution of the Nepal problem.

In the first place, these countries were made to perceive lack of democracy in Nepal as the main problem. The truth was very different indeed, for this very unusual situation was only a consequence of the terrorism that has gripped the country for over a decade. The so called "terrorist card" the agitating parties accused the government of using to gain international approbation, was only intended to circumvent the real issue.

Recent history is evidence that

these very political parties are responsible for nurturing terrorism in Nepal. When the entire strength of the Nepalese Maoist outfit was barely a handful back in 1996 when the insurgency first began, the then government saw it as nothing but a law and order problem. This attitude continued through successive governments. While the Maoists grew from strength to strength, politicians of the day busied themselves with self-aggrandisement, turning democracy into the con game of the millennium. The terror that had gripped rural Nepal was fast spreading to urban areas, but

If, on the other hand, India, as the regional power, does want to play a constructive role, it can do so by driving some common sense into those Nepali politicians who make it a point to pay regular visits to New Delhi for consultation on any issue, that elections are the only way through which democracy will be restored.

the leaders could hardly see anything beyond their own bickering. They betrayed their own cause and they betrayed the people. They eroded their own credibility and along with it the efficacy of democratic institutions. Nepal was on the fast track to becoming a failed nation. Yet, our leaders failed to read the signs.

The House of Representatives was dissolved just so that a Prime Minister could continue his status indefinitely. Almost a year passed, yet elections were not held and intent never expressed. With no parliament and the Maoist insurgency raging, the King had no choice but to take the initiative. A series of governments involving all major political parties followed from 2002 onwards and all of them showed the same kind of motives and behaviors, not willing to hold any elections.

If this was the case with the combination in power, those out of it rooted for the restoration of parliament, which for all practical purposes they themselves had dissolved. Further, more had the ruling endorsement of the Supreme Court against any judicial ground of possibility of its restoration.

India deserves special mention. The realisation ought to have dawned by now that the growth of Maoist terror is by no means confined to Nepal alone. The success story of the insurgency in Nepal has inspired Maoists in India as well as Bangladesh. Reports of resurgent Naxalites that operate under different

These failures finally culminated in the Royal proclamation of February 1, 2005. Since then, these very political parties who have let the Nepalese people down have been crying foul, calling for the constituent assembly and misrepresenting the real problem to the international community.

It's hard to understand how the democratic credentials of the very people who saw to it that the institutions of democracy were dismantled can find such credibility with the likes of the US, UK, and India -- even when they ally them-

names in North-East India, Andhra Pradesh, Bihar and other states, as well as similar outfits in Bangladesh and the linkages and they have networked, are well established. The Maoist threat is blooming into a regional one and India by hobnobbing with the Nepali Maoists is nurturing this threat now to more than one country in the region, including themselves.

The implications of such a policy are not hard to point out. On more than one occasion, the Indian establishment has burnt its fingers by coddling terrorists. Bhindranwale, who Indira Gandhi had reared and protected, eventually rose to plunge Punjab into bloody terrorism. Similarly, a Tamil terrorist assassinated Rajiv Gandhi for his involvement in the Sri Lankan conflict. One can only hope that better sense will prevail and South Block will not sustain Maoist terrorism to India's own peril.

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In this regard, the King's message on Nepal's Constitution Day has also made it clear that election is the only way to restore the dignity of democracy. Political parties truly committed to democracy cannot ignore this call. They must participate.

As for the terrorists, the war will go on until they renounce terror as a way to power. Nepal's political parties may defend themselves by saying they're only talking to the Maoists, trying to bring them to the mainstream, and not developing alliance with them. If this is indeed the case, they should get the Maoists to lay down arms first. Only this way will our fallen leaders be able to redeem some of their remaining reputations.

Bijan Jonchhe is a freelance writer whose works have been published in Nepali Times, The Rising Nepal, Tehelka Newsmagazine India, and The Nation.