

# The Daily Star

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## More surveillance of social media?

### The specialised police unit must not be misused

THE news of the introduction of a specialised police unit, complete with software that can detect remarks and postings on social media that may be considered cybercrime, brings about mixed feelings. While we would welcome greater efficiency in solving crimes such as account hacking and sexual harassment through uploading nude pictures and videos we cannot help but have misgivings about this unit being misused to curb people's freedom of expression even further.

And we have reasons to feel this unease. We have seen how section 57 of the ICT law has been used to intimidate and suppress dissenting voices. The new specialised unit will have a formidable strength of 505 members and the software OSINT (open source intelligence unit) will make it easier for law enforcement agents to study all social media posts just by typing a single word or a few key words. Rights activists have expressed their concern that this technology, if misused, could be used to control social media users in the name of monitoring, ahead of the elections. That would be a total infringement on people's privacy and in total contradiction to our democratic ideals.

According to high-ups in the police force, there is a dearth of adequately skilled officials and logistical software to investigate cases under the ICT Act. The rate of case disposal is also quite low. Thus a better equipped unit should be a positive move. That sounds logical enough. But given the risks of misuse of the ICT Act — a subject that continues to be of great concern to the public—such specialised units must exercise caution. The government, particularly, must make sure that this technological upgrade is not used to harass people or curb dissenting voices, in the name of fighting cyber-crime.

## Sundarbans: A safe haven for poachers

### Increase the number of guards to combat them

THE report by a news agency that the Sundarbans, the world's largest mangrove forest, is turning into a 'sanctuary for poachers' is indeed terrifying. The forest is supposed to be a sanctuary for its vast flora and fauna. Instead, it has become a safe haven for the poachers who hunt down its precious wildlife and for the smugglers who illegally snatch away its natural resources.

The forest has recently been exposed to a wide range of threats with the construction of the Rampal power plant. In August last year, the National Environment Committee relaxed and changed some policies in order to allow potentially risky industries to run in the forest's ecologically critical area (ECA). Now there is an additional threat from increased poaching.

The fact that the forest department depends on one guard—in many cases, a physically unfit one—to cover nine square kilometres of the forest speaks volumes of the extent of the forest department's helplessness. As a huge number of posts are vacant, the forest department's efforts to combat smugglers and poachers have been severely hindered. In the absence of an adequate number of guards, the department has had to count on boatmen to carry out patrols. Recently, it has been forced to shut down five of its patrolling camps.

This situation could have been avoided. It goes without saying that the manpower of the forest department—especially the number of its guards—stationed in the Sundarbans must be increased. That is the least we can do to protect our precious forest.

# Sanchayapatra and cost of borrowing

## Myths and realities



SHARJIL HAQUE

THE news of the introduction of a specialised police unit, complete with software that can detect remarks and postings on social media that may be considered cybercrime, brings about mixed feelings. While we would welcome greater efficiency in solving crimes such as account hacking and sexual harassment through uploading nude pictures and videos we cannot help but have misgivings about this unit being misused to curb people's freedom of expression even further.

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This piece assesses these claims objectively and makes two central conclusions. First, cost of borrowing/lending rate for private firms will rise even more if Sanchayapatra is removed, compared to a case where sale of Sanchayapatra is continued. Second, the additional expense the government incurs by issuing Sanchayapatra is significantly overstated compared to bank borrowing.

To illustrate that private firms will face higher borrowing cost if Sanchayapatra is removed, we consider a simplified example below which has one central assumption—that money which would otherwise have gone to Sanchayapatra, will now be "diversified" across various assets and will not entirely flow into banks, while the government will borrow much more from banks.

We will look at two cases: A and B. The idea of these cases is to see which case leaves banks with more/less money after all economic activity takes place, which will tell us in which case interest rates will be higher.

**Impact on private sector borrowing cost**  
In Case A, the government plans to finance a budget deficit of Tk 100 evenly through Sanchayapatra (Tk 50) and bank borrowing (Tk 50). Assume banks had

Tk 50 from previous years when deposit rates were similar to those of Sanchayapatra, unlike today. Assume also that households have this Tk 100 (which they earned by working in private sector firms) that the government needs. Households are willing to lend to the government by investing in the financial asset that generates the highest risk-adjusted return. Today, with Sanchayapatra rates much higher, households will lend the entire Tk 100 to the government through Sanchayapatra. Since Sanchayapatra yields high return without any risk, households are unlikely to invest in the stock market.

So in this case, the government finances the whole Tk 100 deficit through Sanchayapatra, leaving banks "stranded" with the Tk 50 it had hoped to lend to the government.

But luckily, there are private sector borrowers who want, let's say, Tk 30 from banks. So banks are now left with only Tk 20 (50 minus 30). By and large, this case is a simplification of what's really happening these days.

Next, consider Case B where government completely removes Sanchayapatra and plans on borrowing from banks only. As before, assume banks have initial deposit of Tk 50, while the government needs Tk 100. Without Sanchayapatra, it plans to borrow the entire amount of Tk 100 from banks.

With Sanchayapatra removed, households will now also want to spread out its investment over various assets since bank deposit rates are much lower: perhaps a combination of bank deposits, stocks, bonds, domestic real sector asset and overseas asset. In a country where the general public sorely lacks confidence in the stock market, it's highly unlikely that households will park majority of their hard-earned income in risky equities where liquidity of fundamentally strong stocks is low.

So let's say, households invest Tk 20 in some combination of stocks/bonds/domestic real sector/overseas assets and deposit the remaining Tk 80 in banks. Notice that they did not put their entire Tk 100 in banks.

So this means banks will now have Tk 130 (50 initially plus new inflow of Tk 80 from households).

Since the government now finances

the entire Tk 100 deficit from banks, the latter is left with Tk 30 (130 minus 100). But remember there are private sector borrowers who want that Tk 30 similar to Case A.

Observe that banks end up with less money in Case B (Tk 0 to be specific) compared to Case A (Tk 20). In other words, compared to Case A, banks in Case B have less liquidity when private firms go to them for loans. By extension, private firms will face higher lending rates in this case.

The magnitude of the numbers used does not matter. For example, suppose private borrowers wanted Tk 60, instead of 30. Then in Case A, there will be Tk 10 "crowding out" (60 minus 50) and in Case B, there will be Tk 30 crowding out of private investment (60 minus 30). In either case, we can generalise that banks have less liquidity in Case B implying higher borrowing cost for private firms.

**Impact on government borrowing cost**  
Moving on, let's consider the cost of borrowing for the government. Most analysis we see in the media on the government's cost of borrowing through Sanchayapatra flags around 5.0-6.5 percent additional (and redundant) expense since treasury rates are currently around 4.5-6 percent (those maturing in 1 to 5 years) while Sanchayapatra yields around 11 percent. This argument rests on the fallacy that if government switches to treasury bonds (bank borrowing) to finance its deficit, treasury yields will remain unchanged.

These days since the government has called off treasury auctions with Sanchayapatra generating the money that it needs, demand for treasury bills and bonds is much higher relative to their supply. Anyone who took Finance 101 should see that high demand for treasuries means their yields are suppressed these days.

But recall that in Case B, the government is financing its deficit by borrowing entirely through banks. So it has to increase the supply of treasuries relative to its demand, leading to a fall in bond prices. Clearly then, bond yield has to go up.

Though without proper econometric analysis we cannot forecast exactly by how much, a safe assumption would be that yields of five-year bonds (in which most banks like to park funds) will rise to

around 9-10 percent from its current level of six percent. This view can be corroborated by looking at Bangladesh Bank data on bond yields from 2012 and 2013, when excess liquidity in banks was lower and deposit rates were much higher.

The upshot is that additional cost the government incurs by issuing Sanchayapatra is a lot lower than what we might have thought—around two percent or even less.

**Other issues**  
Some analysts will remind us that if Sanchayapatra is removed, the government can simply increase its reliance on foreign aid instead of putting too much pressure on banks. While this is true, a huge shift in composition towards external sources is unlikely in the near future. Remember that disbursement of concessional loans generally takes a lot of time, which might not be feasible for government's spending purposes at least operationally. And sometimes the conditionalities demanded by international organisations come with their own costs and roadblocks (political factors for one thing). Money from Sanchayapatra or treasury bonds is generated almost "instantly" since buyers are readily available.

Also, once Bangladesh graduates from LDC status, we will need to issue sovereign bonds to access international money, which obviously will be priced at market rates. Given that domestic five-year bond yield is around six percent right now, it's unlikely that sovereign bonds, which include currency risk, will be any less than eight percent if not more. Some will argue it could be higher.

Finally, note that we do not consider changing other macroeconomic variables like central bank policy rate, since that will prevent us from isolating the effect of removing Sanchayapatra on borrowing cost.

To be sure, the market mechanisms outlined in the preceding analysis take some time. But once the dust settles, the effects outlined will turn out to be what economists term an equilibrium. The idea that Sanchayapatra is costing us a "fortune" is more of a myth than a reality.

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## PROJECT SYNDICATE Breaking Bannon



ELIZABETH DREW

WASHINGTON reeling. Despite the White House's constitutionally dubious threat to try to quash the book, the publication data was moved up four days. But the bulk of *Fire and Fury's* disclosures, though deeply disquieting, aren't all that surprising.

It's not yet clear how Michael Wolff, the book's controversial author, obtained some of his information, but it must be assumed that he taped many of his interviews, particularly those used for the long conversations found throughout the book. What Wolff has achieved is to get attributed quotes from high officials about how the president functions, or doesn't.

But the book mostly tells us what most of political-journalistic Washington already knew: that Trump is unqualified to be president and that his White House is a high-risk area of inexperienced aides. The only surprise is that more calamities haven't occurred—at least not yet.

A good portion of what was released before the book's publication concerns a battle between two of the most talkative, argumentative, self-regarding braggarts US politics has ever seen: Trump and his one-time chief strategist, Stephen Bannon. In the summer of 2016, with his campaign lacking a leader, Trump made Bannon—a scruffy, scrappy former businessman who was then the executive chair of Breitbart News, a website preaching white nationalism—the campaign's chief executive. Bannon was full of big ideas about what a right-wing "populist" campaign would look like.

In many ways, however, Bannon's ideal campaign closely resembled what Trump was already saying and doing: appealing to blue-collar workers by attacking immigration—for example, saying that he'd build "a big, beautiful wall" along the border with Mexico, for which the Mexicans would pay—and trade agreements that Trump alleged were unfair to the US. These voters came to form the core of Trump's base, and his success in wooing them, combined with Hillary Clinton's stunning failure to do so, goes a long way toward explaining why he is president and she is not.

The problem for Trump is that the citizens he was wooing have never added



US President Donald Trump congratulates the then Senior Counsellor to the President Stephen Bannon during the swearing-in of senior staff in the East Room of the White House on January 22, 2017 in Washington, DC.

PHOTO: MANDEL NGAN/AFP

up to a near-majority of voters. His famous "base" is well under 40 percent of the public. But Trump and Bannon apparently preferred not to think about that.

Trump is prone to taking out his frustrations on others—he is never to blame for his failures—and inevitably these landed on Bannon, who bragged more than was good for him about his power in the White House and asserted more than he should have. Bannon was ousted from the administration and left in August. Though he and Trump stayed in touch, in retrospect, an eventual falling out seems to have been inevitable.

Trump and Bannon were like two overweight men trying to share a single sleeping bag. Their political world wasn't big enough for both. They disagreed bitterly over whom to back in the race to fill a Senate seat from Alabama; but, at Bannon's urging, Trump ultimately backed the erratic former state Supreme Court judge Roy Moore, who'd been removed from the bench twice, and who lost the race. Bannon was seeking to shake up the Republican "establishment" by backing similar "outsider" candidates in this year's midterm elections, which, if successful, could make it all the harder for Trump to obtain victories in Congress.

Despite his denials, it was Trump who more or less agreed to allow Wolff, whose reputation for slashing his subjects Trump presumably would have known from his years in New York City, to interview the White House staff for a

book. Some aides say they believed they were talking to Wolff "off the record," meaning that they wouldn't be publicly associated with their remarks. But, even if that were true, it was hardly soothing to a furious president: They had said these things.

In Trump's view, Bannon's great sin with regard to Wolff's book was to say highly negative things about the president's family. Trump was particularly infuriated by Bannon's description of a now-famous meeting that his son, Donald Jr, and other senior campaign staff held in Trump Tower in June 2016 with some Russians who said that they had "dirt" on Hillary Clinton. Bannon told Wolff that the meeting was "treasonous." But, depending on what actually transpired in that meeting, Bannon might not have been so far off. (Trump himself participated in a meeting aboard Air Force One, as he returned from his second presidential trip abroad, to draft a statement to cover up what happened in that Trump Tower meeting.)

Trump was also reportedly furious that Bannon had described the president's favourite child, Ivanka, as "dumb as a brick." Wolff also reports that Ivanka and her husband, White House senior adviser Jared Kushner, had agreed that after their expected smashing success at the White House, it would be Ivanka who would run for president.

Overstating matters, as is his wont, Trump claimed, in effect, that Bannon had had nothing to do with his election victory, and that the two had almost

never talked one on one. And, as is his wont, Trump threatened to sue Bannon. Trump has a long track record of threatening lawsuits without ever filing them, but even the threat can be costly to the putative target.

Yet the momentary obsession with the feuding within the Trump camp shouldn't obscure other realities. Behind the drama, Trump has certain clear goals, and cabinet and agency heads who share them—and who don't get distracted by the publication of a juicy account of the president's behaviour.

While much of Washington and its press corps were discussing the latest revelations, the Department of Justice, which is supposed to be somewhat independent of the White House, was being turned into a partisan instrument for pursuing the president's grudges. Indeed, last week, it was disclosed that the DOJ was reopening an investigation into the already thoroughly investigated matter of Hillary Clinton's emails. The FBI, it was also disclosed, would be looking into the Clinton Foundation.

The use of a government agency to punish a president's previous opponent recalls the behaviour for which Richard Nixon was impeached, and suggests a very different form of government than a democratic one.

Elizabeth Drew is a contributing editor to *The New Republic* and the author, most recently, of *Washington Journal: Reporting Watergate and Richard Nixon's Downfall*.

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## LETTERS TO THE EDITOR

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### When bureaucrats run the show

In my decade-long stay in the UK, I have never seen the press give much importance to civil or military bureaucrats. Their functions are entirely out of public sight. If you ask a hundred people randomly as to what the name of the chief justice or the chief of the British army is, I doubt anyone will be able to answer the question. They do not enjoy much prominence because they are hardly ever in the limelight.

The situation in our country is the opposite. Both current and former civil and military bureaucrats enjoy a lot of coverage and importance. It seems that political leaders in our country have no option but to let bureaucrats run the show due to their lack of expertise and knowledge.

Ferdous Kabir Tipu, London

### Environmental degradation

Environmental degradation is the deterioration of the environment through depletion of resources, the destruction of ecosystems, and pollution. In recent years, we have been facing the problem of climate change that has had a profound effect on our environment. Although the growth of industries is necessary to meet the requirements of the increasing population, pollution control measures should be—but aren't—compulsory.

The human race is facing the most dangerous time in its history. The planet is in crisis and facing technological as well as environmental challenges. If we aren't friendly to our environment when we still have time, we should not expect it to be friendly to us either.

Zubair Khaled Huq, By email