

Law enforcers: the silent spectators

Why didn't they take action before the situation turned violent at New Market area?

We are shocked and appalled by the daylong fight between the students of Dhaka College and traders of New Market area on April 19, which left an 18-year-old courier service employee—who had no connection with this incident whatsoever—dead, and more than 50 people, including journalists and students, injured. One of our journalists was injured too. The clashes also brought the city's traffic to a standstill for hours, causing unbearable sufferings to the commuters in this month of Ramadan. Five shops of Nurjahan Supermarket were also gutted during the clash.

According to our report, a brawl started the previous night (on April 18) centring an argument at a fast food shop between the shopkeepers and the students. At one stage, a rumour spread across the college campus that the students had been stabbed by the shopkeepers. Infuriated, more students of the college went to the spot in groups and attacked the staffers of the shops, who retaliated. Police then dispersed them by firing tear gas shells.

While on regular times, the clash would have just stopped there (such clashes are pretty common between the two sides), this time it didn't. As students barred traders from opening their shops the next morning, the traders also banded together and engaged in chase and counter-chase with the students. What did the police do during this time? They remained silent spectators. According to witnesses, both sides threw brick chips and hurled crude bombs at each other in full view of the police, but they didn't take any action. When they finally moved and took position to disperse the crowd, it was almost 3pm in the afternoon. Had the police taken action on time, the death of the young man as well as a lot of damage could have been avoided.

While the police must answer for their inaction, the students and shopkeepers must also be held to account for this horrendous episode of violence that had an impact on the entire city on Tuesday. It was disturbing to see the picture of the agitated people setting fire to an ambulance carrying a patient.

From the nature of the incident, it seems that there were some underlying factors that had triggered it. Reportedly, there is a long-time rivalry between the two sides. While the students claim that the shopkeepers often misbehave with them and charge them exorbitantly, the traders in the area say that a section of the students involved in politics have long been extorting them.

We think it's time the authorities found out the real reason for such rivalry and did the needful, so that such incidents do not repeat in the future. Needless to say, whatever grievances they might have against each other, such blatant display of violence is not acceptable at all.

Delay and cost escalation of projects have turned chronic

Do the project directors ever have an acceptable explanation?

DESPITE the prime minister's concern regarding delay in the implementation of important projects in the country, and her suggestion for timely execution, it has almost become a certainty that no project in Bangladesh will be completed within the given time. On top of that, the project cost will have gone higher than the one estimated initially. Relevant documents show that the cost of five such projects escalated to Tk 6,550 crore from Tk 3,105 crore, and the Planning Commission approved the escalated cost and also the extension of the deadline in a recent meeting.

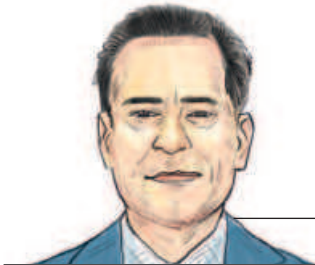
If we look at the history of only one project, we will be able to grasp the gravity of the situation. The excavation of a canal from Bahaddarhat Baripara to Karnaphuli River, supposed to ease the sufferings of Chattogram city residents from waterlogging, was taken up eight years back at the cost of Tk 327 crore. The Chattogram City Corporation (CCC), the implementing authority, had stated that the project would end by 2017. But, as the corporation failed to implement it in time, the deadline was extended till June 2021, and the cost was raised to Tk 1,256 crore.

However, once again, the implementing authority could not finish the work within the stipulated time and applied for another extension, this time till June 2024, raising the cost to Tk 1,363 crore. Reportedly, the Executive Committee of the National Economic Council (Ecneec) approved both the raised cost and the deadline extension. The CCC has completed bigger projects than this in the past, so it is mystifying why an experienced body with a large team of qualified engineers needed to extend the deadline of this project again and again. And more confounding is the rise of the project cost from Tk 327 crore to a whopping Tk 1,363 crore in only eight years.

Since the planning minister has identified human failures and individual corruption regarding project delays, one would be curious to know what action he has taken to put those individuals on trial. He has cited price hike of construction materials in domestic and global markets as one of the reasons behind the rise in the project cost, but it needs to be said that had the project been completed within the deadline of 2017, cost escalation would not be an issue at all. The CCC should be asked to explain on what basis they had submitted the first proposal, and why they could not deliver in time.

We believe if such practice of cost escalation is encouraged and deadlines extended without valid reasons, we will continue to see similar cases in the future, giving leeway to rampant corruption and mismanagement of public funds.

What message does the US economy send to the world?



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THE US economy has begun to display a bizarre combination of conflicting signals, making global recovery largely unpredictable. This wasn't the case even a few months ago, when inflation didn't rear its ugly head. Most messages were pleasant and encouraging for its trade and financial partners across the globe.

GDP growth in the US in 2021 was 5.7 percent—never seen in four decades. It was the strongest calendar-year growth since a 7.2 percent surge in 1984 following a previous recession. But the recent inflation of 8.5 percent—never seen in four decades—has posed serious threats not only to the US economy, but also to other developing partners that are connected to it via trade, services, remittance, investment, and capital flows.

Another happy event for the US economy was its impressive unemployment rate, which reached its pre-pandemic level of 3.6 percent in early 2022. The unemployment rate was 4.4 percent in March 2007—just before the Great Recession of 2007-09. During the financial crisis, which coincided with the recession, unemployment reached a new high of 10 percent. The rate took 10 years to come down to 4.4 percent in 2017.

In contrast, the recent unemployment rate took only two years to reach 3.6 percent, signalling one of the fastest recoveries in the labour market in US history. The rate is so impressive that it's far below the long-term natural rate of American unemployment—five percent.

Recently, Jeremy Powell, chair of the Federal Reserve, the central banking system of the US, told the press that roughly 17 jobs were waiting for 10 jobseekers, signalling a tight labour market. Signs saying "We're hiring," "Help wanted," "Positions vacant," and the like are visible everywhere. The Fed chair is justifying a 25 basis point (–0.25 percent) hike in the central bank's policy rate to tame the crazily rising inflation. The Fed funds rate has now touched 0.5 percent after the hike, which is still lower than that of 2.5 percent in the pre-pandemic era. Powell assures that this monetary tightening won't lower the GDP growth much, and unemployment may not break the ceiling of its natural rate of five percent.

The question may arise that if 17 positions remain open against 10 jobseekers, why the unemployment rate still hovers over 3.6 percent. Shouldn't it be zero? No, because there will always



COLLAGE: SUSHMITA S PREETHA

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remain an irreducible amount of unemployment, which Milton Friedman termed as the non-trade-off rate of unemployment. When the labour market is tight, jobseekers tend to switch jobs in quest of higher job satisfaction and more handsome salaries. Thus, some job candidates will remain unemployed for a certain period—which we call frictional

in the 1970s when the US was weathering through the Great Inflation. During the current recovery, Bangladesh's imports are rising at a rate much faster than that of exports. US inflation will penetrate Bangladesh mainly through imports.

As the International Monetary Fund (IMF) forecasts, the US GDP growth will come down from 5.7 percent in 2021 to

unemployment.

In addition, structural unemployment will keep some people jobless because of changes in company structure, technology, and job types. Workers at a printing press may lose their jobs because the company is moving fully online. Typists in different offices may lose their jobs because their organisations are modernising their operations and demanding computer keyboard specialists. During the coronavirus recession, many companies moved their operations online; many universities graduated their curricula to screen-based digital settings. So, those without proper training will remain jobless, even though there are new openings. There are other types of unemployment: seasonal and cyclical. Thus, these four types of unemployment will keep a minimum level of joblessness in the economy, no matter how well the country is navigating its route.

Going below the current unemployment level in the US is neither desirable nor feasible for the country. But this happy news is marred by highly hot inflation that has thrown cold waters in all gains of the recovery. People have jobs, wallets are healthy with dollar notes or plastic cards, but buyers feel the heat whenever they go shopping or to fill up their gasoline tanks.

This high inflation will be transmitted to other economies that have connections with the US through the channels of trade, remittance, services, and investments. For example, Bangladesh suffered from the highest rate of inflation

four percent in 2022. Still, this is higher than the country's long-run growth, which is slightly over two percent. Hence, the Fed's step to tighten the economy with an objective to bring inflation down from a super high of 8.5 percent is justified. The Fed is expected to raise the policy rate by another 50 basis points in early May. Otherwise, inflation can't be controlled.

The long-term inflation target for the US economy is two percent—much lower than the usual target of four to five percent in developing economies. Hence, bringing inflation down from 8.5 percent to two percent is hard for its central bank, unless it becomes desperate in raising the policy rate up to, say, four to five percent from the current rate of 0.5 percent. But this must be done step by step to avoid a sudden choking of businesses.

The policy-rate hike alone won't control this inflation too effectively because of the multiple sources of current inflation. Central banks are helpless when inflation is coming largely from supply shocks. And this is true for the US inflation, which can largely be attributed to supply-chain disruptions due to Covid and Russia's war on Ukraine. Due to the tight labour market, wages are rising faster, driving up the cost-push side of inflation—which is hard to control simply by an increase in the interest rate of the Fed's monetary policy. The world must be on alert on both how the US handles price spirals and how it fails to control a large part of its stubborn inflation. The ghost of the early 1980s seems to be looming on the horizon.

Ukraine war and the reliance on Russian energy



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THE Russian invasion of Ukraine and the subsequent sanctions against Russia have already created a global energy insecurity. Russia is the largest natural gas exporter in the world, the second highest crude oil and condensates exporter after Saudi Arabia, and the third largest coal exporter behind Indonesia and Australia. Russian exports account for about 45 percent of the European Union's (EU) gas imports and 40 percent of its entire gas consumption. Germany, Turkey, Italy, Belarus, and France receive most of this natural gas. China and Japan are also among the top 10 destinations, together accounting for approximately 10 percent of Russia's natural gas exports. Countries in Asia—China, Japan, South Korea, and Taiwan—and the Oceanic region receive most of Russia's coal exports. This dependence on Russian fossil fuels has somewhat deterred the onslaught of sanctions against them—and the consequences don't end there.

This disruption to oil and gas supply from a major exporter closely mirrors the events of the Yom Kippur War. In 1973, the Organization of the Petroleum Exporting Countries' (OPEC) oil embargo on the US compelled them to build over a hundred nuclear reactors to ensure energy security. However, that trend died down in the mid-80s after the Three Mile Island and Chernobyl accidents. Before the Fukushima accident in 2011, 13 percent of global electricity was generated from nuclear energy. Before the Russia-Ukraine war, the share of

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nuclear power was 10 percent.

One may think that a focus on nuclear reactors would alleviate some of the energy needs once again. But it's not that simple. Russia has the largest uranium enrichment capacity in the world and provides about 35 percent of the global requirement. Reactors in many countries run on Russian-supplied nuclear fuel, including several in the US and Europe.

Despite the US decision to stop importing Russia's fossil fuels, a full ban on uranium import is yet to be seen. The good news is that there would be no immediate impact if Russia's uranium export is cut off, as the reactors currently in operation in the US can run for 18-24 months without being refuelled. And it is prodding other European countries like Poland, Czech Republic, and the UK to accelerate their nuclear power deployment plans. In Asia, both Japan and South Korea are reversing their positions on nuclear expansion, and China has announced plans to build 150 reactors. The global dependency on Russia's oil, coal, and gas has shown how vulnerable the global energy infrastructure is. The combination of the growing demand for reliable carbon-free energy, a need for decreased dependence on Russia's fossil fuels, and the need for energy security is enhancing the appeal of nuclear power in an unexpected way. Furthermore, large uranium reserves in Russia and Kazakhstan should also serve as motivation to explore new innovative fuel cycles, and the return of previously explored alternatives like the thorium fuel cycle (much abundant than the traditional uranium fuel), which was popular in the 70s. Nuclear energy already received a boost out of the COP26 climate conference in Scotland last year, as countries grappled with how to meet their carbon emission goals.

Currently, Russia is the world's primary nuclear power exporter. However, they may lose their existing (Turkey, Bangladesh, Belarus, India,

Iran, China, and Egypt) and future clients of the Water-Water Energetic Reactor (VVER)—similar to the Western Pressurised Water Reactor (PWR) design—due to financial sanctions, supply chain disruption, and a lack of technical support from the West. This void needs to be filled up, and it is a chance for North American and EU nuclear reactor manufacturers to pounce upon. If Russia's long-term state sponsorship of nuclear power gets hampered, and if the West does not come forward to fill in this for the developing countries, China will inevitably take the opportunity to increase its influence. This does not bode well for the existing liberal world order.

The US is working on developing the next generation of advanced small modular/micro reactors with enhanced safety features. These reactors will require uranium fuel with higher enrichment which, at present, can only be produced in Russia. This dependence on Russian resources and technology has reduced Washington's leverage against The Kremlin. If the US wants to wean its nuclear industry, and that of its allies, off of Russia's nuclear cooperation, it will have to reconsider its nuclear energy policy. In response to Russia's invasion of Ukraine, civil nuclear expansion will be a worthy step for all.

Ever since Klaus Fuchs, a German nuclear spy, gave the USSR the secrets of the Manhattan Project, nuclear warfare has been at the forefront of the conflict between the first world liberal society and the former communist bloc. During the Cold War, the two sides developed their nuclear reactor technology independently. This led to some unique Russian designs that strayed far from the contemporary Western designs. Added to that is the ticking clock of global warming. So time has come to rethink every country's nuclear energy policy for energy security as well as for tackling climate change.