

How unstable is the BNP-Jamaat alliance? New king of steel



DR. ABDULLAH A. DEWAN

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the other. But in reality, Jamaat has

been taking advantage of BNP and

to many observers BNP is being

indicate that the political alliance

led by BNP is in disarray. At the

same time the all enveloping pro-

tests for electoral reforms are being

suppressed with police brutality

backed by BNP activists. This could

be the precursor of a brewing quasi

civil war (brother police pitted

against brother citizens) reminis-

cent of the 1952 language move-

ment and Ayub-Monayem's rule by

brute force of the 1960s. All of us see

where the country is heading but

the person who is the most to

blame finds the reasons for every-

thing to be rooted in "foreign and

mismanagement of state affairs

through politicisation, corruption,

and disregard of the rule of law in

Most editorials and op-ed arti-

domestic conspiracies.

Some recent events and reports

slowly Jamaat-ised.

Political alliances like cartels break up, or become unstable, because of the dominance by one or more partners or if some partners or individual members are unduly favoured. BNP is in alliance with two extremist parties which, unlike BNP, abhor everything a secular democracy offers. This political alliance will last only as long as each benefits by riding on the other. But in reality, Jamaat has been taking advantage of BNP and to many observers BNP is being slowly Jamaat-ised.

NO NONSENSE

ROM a game theory proliferated to such an extent that perspective, a political Khaleda's continuation in power is alliance, in many of its only hurting the country's image facets is similar to a cartel such as abroad and hampering political Opec (designed to cut production and economic progress at home. and raise prices). A political No wonder Professor Kabir alliance glued up with people of Chowdhury, while addressing the differing interests and conflicting Forum for Secular Bangladesh on beliefs and goals only to win an May 4, demanded that Khaleda and election, and grab state power, her son Tarique be brought to trial cannot remain stable ad infinitum. for human rights violations and As the success of a cartel depends their illegally amassed properties on the commitment of all its be confiscated. members to the provisions, so is Apparently, all this has awakthe success of a political alliance is ened the conscience of "a few

dependent on its members' good people" among the BNP willingness to purge off their oyalists. The looming internal feuds at every echelon of BNP Political alliances like cartels leadership, and allegations of break up, or become unstable, corruption against Hawa Bhaban because of the dominance by one or more partners or if some partners or individual members are closer and closer. unduly favoured. BNP is in alliance with two extremist parties which, unlike BNP, abhor everything a secular democracy offers. This political alliance will last only as

reports (Daily Star June 17 and 25) longer the code of conduct of the BNP hierarchy. Even the grass roots level party principals are breaking the golden rule of silence as if to say, "enough is enough." But the mockery is that grass root activists are complaining against corrupt ministers and lawmakers to those in the Hawa Bhaban and Tarique Rahman, which is like 'asking the hyenas to rescue chickens from the foxes' mouth."

Rakib's reporting indicated: - That some of the discords have been triggered by the humiliating and insolent treatment by junior lawmaker Ilyas Ali (backed by Tarique Rahman) of Finance

Minister Saifur Rahman. -- Several BNP standing committee members are openly indig- a that Jamaat will remain allied with nant of Tarique's ascendancy, his alleged corruption, and unusual cosiness with Jamaat. They believe that his widespread disrepute and cles argue fervently that utter off-putting image and Hawa Bhaban's corruption network will

cost BNP in the national poll. Lawmaker Oli Ahmed all spheres of state affairs have refused to take orders from

Tarique Rahman or even the secretary general Mannan Bhuiyan. He said: "As a member of the standing committee, I will follow only the directions of the party chairperson."

Others are bemused and thrown in a huff by Jamaat's scheming activities in their constituencies. Former Speaker Sheikh Razzak Ali alleged: "Jamaat has utilised government machinery to strengthen itself. It has not done anything for the country in the last four and a half years. If the Jamaat lawmakers are re-elected under the banner of the coalition, they will destroy the BNP in their

The surfacing of on-going are becoming serious concerns as spate of protests from young grass the national election is tiptoeing root level activists against corrupt and aging ministers and lawmak-Rakib Suman's intriguing ers at the fag end of BNP's rule may have been engineered to get reveal that "silence is golden" is no rid of older leadership and usher in Tarique Rahman's preeminence in leadership.

The upshot of all these is to argue that the fermenting disarray in BNP is making the alliance unstable. Not that we don't welcome it, but our curiosity is why these "few good people" are making noise now when the damage has already been inflicted with their tacit acquiescence.

As recourse, Khaleda may exorcise these rebels from the party or the eventual drama of breaking up Jamaat from the alliance must be consummated. But a goodbye to Jamaat will derail Tarique's ascendancy, and so extricating BNP from Jamaat is not an option. Game theory predicts BNP until it has the prospects of gaining more by dislodging from

In my January 22 article: "Howcan AL win majority seats again?" I wrote: "The alliance offers BNP the prospects for being the majority party while Jamaat gets a protected parasitic growth to spread its fundamentalist ideology among the rural populace. The alliance guarantees Khaleda to firmly root her son's future prospects in political power. She will continue embracing Jamaat no matter what and at the same time keep overlooking BNP ministers and lawmakers alleged culpabilities in exchange for their resolute loyalty."

This is the ultimate testing time for the BNP chairperson. Her lack of higher education is no longer an issue given that she has been leading the party and elected PM for two terms. However, because she missed years of grooming on university and college campuses, she also missed the struggle for political rights, freedom of the press, and most significantly, how it felt when chased and beaten by riot police while leading street agitations for those rights. These may be the reasons she lacks the virtues of receptivity, empathy, and the guile to deal with protests for political reforms.

Today, there is no hiding that BNP is in some disarray and the country's democratic institutions are in a quandary. Arguably, Khaleda's lack of being au fait in the country's affairs coupled with her incapacity to impose the rule of law on her courtiers and goons is the reason why the people are entrapped in the current allencompassing predicament.

If she truly loves the country she might think about following the wisdom of Thailand's Prime Minister Thaksin Shinawarta. But as Brigadier Hafiz in his June 19 article articulated: "We are familiar with the game right from the Pakistani days and privy to its ugly face both during Ershad regime and Begum Zia's 'democratic dispensation of 1991-96. More often than not they had to be hounded out."

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CHAKLADER MAHBOOB-UL ALAM writes from Madrid

N January, Mittal Steel, a Rotterdam-based steel conglomerate launched a hostile takeover bid against the Luxembourg-based steel giant Arcelor. After months of bitter wrangling in which the management of Arcelor used every possible means including racial slurs and a stream of invective to defeat the bid, on June 25, the bid was finally approved by Arcelor's board.

Mittal will pay 40.37 euros for each Arcelor share. The new company will be named Arcelor-Mittal and headquartered in Luxembourg. With more than 100 million tons of annual capacity, annual revenue of approximately \$70 billon, and 320,000 employees, the combined group will become by far the largest steel producer in the world. Looking back, one could say that the confrontation between Mittal and Arcelor was almost inevitable sooner or later.

1999 was a bad year for the steel industry. Saddled with high fixed costs, falling prices and overproduction, a number of steel makers were forced to file for bankruptcy. Soon after the birth of Arcelor as a result of a merger of three large European steel producers Aceralia (Spain), Usinor (France), and Arbed (Luxembourg) in 2002, it became clear to the steel producers that the days of small or mediumsized steel producing companies were over, and that in future the steel industry would be dominated by a few giant companies. Rotterdam-based Mittal Steel is

largely owned and run by an Indian-born tycoon of Marwari origin, Lakshmi Mittal. He is a man who has become famous for his long-term vision of the steel industry and audacious moves. Realising that the rapid industrialisation of emerging nations like India would create unprecedented demand for steel in future, he went on a shopping spree. He bought plants in Romania, South Africa, and the Czech Republic.

LETTER FROM EUROPE

In 2005, the company capped its string of acquisitions by purchasing the International Steel Group, a prestigious US steel company which was itself the result of a merger between Bethlehem and LTV. As a result of this aggressive acquisition policy, today Mittal Steel spans five continents and is the world's largest steel producer in terms of output. It owns plants in 18 countries.

In most of these acquisitions, Mittal was guided by a common formula: Buy sick plants with underperforming assets and low labour costs and then turn them around by introducing modern management techniques and reducing other overhead costs. In order to obtain greater efficiency in production, the company also acquired nearby coal and iron ore

In recognition of Lakshmi Mittal's audacity and success in consolidating the steel industry on a global basis, Fortune magazine named him the European Businessman of the Year in 2004. In 2005, the company capped its string of acquisitions by purchasing the International Steel Group, a prestigious US steel company which was itself the result of a merger between Bethlehem and LTV. As a result of this aggressive acquisition policy, today Mittal Steel spans five continents and is the world's largest steel producer in terms of output. It owns plants in

But Lakshmi Mittal was still not satisfied. He knew that Mittal produced low quality steel and despite having wide geographic reach including America did not have a strong presence in the EU. In order to obtain better economies of scale and greater pricing power and to be able to moderate production in times of difficulty and compete with China, which is rising as a steel superpower, he started coveting Arcelor, which was not only Mittal Steel's biggest competitor in the world market but also produced better quality steel and had a strong presence in the

Actually Arcelor is the world's largest steel producer in terms of turnover and the second largest in terms of output. The company operates in 60 countries, has got 94,000 employees and is managed by Mr. Guy Dollé, who has always displayed a chauvinistic attitude by



a "company of Indians" and not criticism. Until the last minute, the having "European values." He management tried to avoid putting cast doubt on the corporate governance practices of Mittal Steel.

But as the takeover drama and accept the Mittal offer. unfolded, it became clear that protecting the interests of the management to fight the Mittal bid generated growing concern among Arcelor management's corporate governance.

The way Arcelor management concocted a deal with the Russian money. tycoon Mordashov and tried to push it through came under heavy

dismissed Mittal's takeover bid by the deal to a meaningful investor saying that he did not want his vote. Actually it was intense shareshareholders to be paid with Mr. holder activism which finally Mittal's "monkey money." He also forced the Arcelor management to drop its plans to hold an unconventional vote on the Mordashov deal

Gone are the days when the Arcelor's managers, instead of management of large corporations could manipulate the shareholders shareholders, were fighting for into accepting its decisions withtheir own interests. Some of the out being questioned on the measures taken by the Arcelor details. After all, the shareholders are the owners of the company and the managers are their servants. shareholders and analysts about The successful conclusion of the deal also proves that at the end ofthe day, the best price will prevail, even if it is paid with "monkey

TATA INVESTMENT PROPOSAL

The issue is energy security

When countries like India and China embarked on major world quests for energy and are securing every deal they can, when even a small country like Vietnam is thinking of moving heavily to atomic energy, it is not prudent for a small country like Bangladesh to go into projects that demand huge energy resources without a total and transparent national debate about its benefits and effects on its energy future.

TANWIR NAWAZ

carefully read a recent twopart article: "Assessing Tata's investment proposal" by Justice Golam Rabani, Nuruddin on exported steel and coal, Kamal, et al., in The Daily Star besides 6% royalty in coal. (June 6-7). Jadd my own voice to the above article as a concerned to the supply of gas and coal to citizen of Bangladesh.

The current investment proposal from Tata in Bangladesh as I matter of price and the other is understand mainly from the that of security of supply. The press has five basic parts: 1) A gas-based 2.4 million ton capacity steel plant in Isurdi; 2) A gasbased 1 million ton capacity fertiliser plant in Chittagong; 3) A gas-based 1000-megawatt power plant (50% to be consumed by Tata's steel plant and 50% to be sold to Bangladesh at yet unknown prices); 4) Ownership and open pit exploration rights of Barapukuria Coal fields; and 5) Ownership of 3,000 acres of prime agricultural lands for after 10 years, let alone 20 years? plant, factories, mines, etc. This is being portrayed as the single consumed to produce electricity. largest investment proposal in Bangladesh.

What does Tata want from Bangladesh, and what does Bangladesh get in return? Let us see first what Tata wants from Unfortunately, we have not Bangladesh. It wants: 1) Cheap energy (gas at below market prices and coal at throw-away last five years. Yet the need for prices). 2) It wants land and water and infrastructure.

Under the latest proposal, as I understand, it wants security and guarantee of gas supply for 20 the pressure to produce gasyears of an amount of 2.2 tcf from based electricity will be intense. commencement of operation (in about three years from now). The able to resist the call for more latest proposed price of gas is in three parts. Initially Tata will pay \$1.5 per mcf for 5 to 6 years, \$2.5 per mcf for steel, and \$3.1 per mcf for fertiliser production. Most of exported. Bangladesh will sup-

construction and 24,000 workers during operation. It will get 10% equity in coal mining and duties The two basic questions relate

Tata. There are two basic questions related to gas. One is the second part, i.e. the supply, is related to the issue of assured availability of gas from local fields for twenty years. Are any of them favourable to Bangladesh? In terms of prices, the question is, what is the price of gas supplied to domestic industrial and power producers in Bangladesh today and what will be the projected price of gas during the period demanded by Tata? Will gas be available in Bangladesh even

Gas in Bangladesh is primarily A part of it is used to produce fertiliser as well. We are running very low in electricity production. To sustain our all round national growth we need more electricity. added a single additional megawatt of electric power during the power has grown by at least 50% during the same period.

No matter which party comes to power after the next election, The party in power will not be power production. And power production will depend on foreign investing party should be supplied gas at rates less than the power producers and suppliers.

posedly get about 100,000 man- This should be condition number years of low paid labour in direct one. Otherwise, we will end up supplying gas to foreign investors at the expense of domestic producers, whether in the private or the public sector, and at a heavily subsidised rate.

If we are purchasing gas from IOC's at \$3.5 per mcf (\$2.7 wellhead cost, plus corporate taxes, etc at \$0.80) today, it does not make sense to supply gas to Tata at \$1.5 to \$3.1 three years hence when the prices will be even

What is the international price of gas today? It is between \$5 and \$8 depending on location and ease or difficulty of supply. Gas price, internationally, is indirectly linked to oil prices. Two years ago oil prices were in the mid-30s (dollars). Today the price of oil is \$70 plus. In five years or less, the price of oil could rise to \$100. In twenty years, the price of oil, a depleting resource with rising world demand, could rise to \$150 or more.

Bangladesh has no oil and yet is dependant on it. Most of its transport sector is oil dependant. Agriculture is also becoming more and more electricity and diesel-based. Any reasonable transport conversion will have to be to gas. We have seen how the Bangladesh government requested Kuwait to allow deferred payment for oil for six months. It is not an absolute relief. The money will have to be paid in six months by the Bangladesh people, but maybe by a different government. The burden has been shifted to another one, temporarily. Today's price of gas in the international dependable supply of gas. So, no market could also double in twenty years. By then or earlier, as predicted by quite a few experts

In such a scenario Bangladesh may have to provide expensive imported gas to Tata at guaranteed prices. According to some experts the subsidy alone will cost Bangladesh far in excess of \$10 billion, maybe \$15 billion, if gas price rises to \$10 per mcf by 2020. Why should we risk an investment of \$3 billion, where we may have to pay subsidy of \$10 billion to \$15 billion?

Why should we do such a thing, which is against our national interests and at the cost of our ability to produce energy for our own needs? With power production we have made one mistake. We should definitely not blunder into another. We are not Kuwait, with unlimited supply of gas and oil. Our resources are very limited. We must use very judiciously. Those who opt to sign such a lopsided deal should be

very careful of its implications. As to the handing over of coal exploration rights to Tata at a mere 6%, this is utterly wrong. Why should we hand over one of our very limited and critical energy assets at a throw-away price? Further, the 10% equity and 6% royalty payback is nothing when compared to the devastation to the environment that will be caused by open pit mining, as well the dislocation of people and loss of very valuable agricultural lands. The costs of these will far outweigh the meagre returns. Why should we get into such an illogical agreement when we ourselves will need all the coal to run our own power plants in the not too distant future? Have we gone

If we have to enter into coal deals, it should be on the basis of production sharing agreements like in the oil and the gas sector and not on some measly 6% rovalty. Otherwise it will be better not to enter into such a deal and to keep the energy resources for our own future.

Further, it is absolutely imperative that all coal mining must be the steel and the fertilisers will be rates at which we sell to our own in Bangladesh, the domestic underground and not open pit. To production of gas may cease. In have open pit mining agreement

mental review, which must be open and transparent to the public. Such reviews must not override national consensus.

If we have to pollute our own environment, it should be for our own power generation and not merely for exporting raw material or value added finished goods like steel. We could become a major steel producer, if we had inexhaustible supply of gas and coal. But we do not. We have very finite and limited quantity of both and we will need them both in the very short term, never mind mid and long terms.

When countries like India and China embarked on major world quests for energy and are securing every deal they can, when US is very concerned of its energy future and is desperately searching for secure energy resources, when France is 40% dependant on atomic energy and continues to expand the program, and Britain is thinking of moving into major atomic energy uses, because it running out of north sea oil, when even a small country like Vietnam is thinking of moving heavily to atomic energy, it is not prudent for a small country like Bangladesh to go into projects that demand huge energy resources without a total and transparent national debate about its benefits and effects on its energy future.

The issue is not Tata's investment in steel and fertiliser; the issue is the energy future of Bangladesh. In this context, I personally feel Bangladesh should complete the deal with India and Myanmar for transhipment of Myanmar gas through its territory, if only to have an additional source of gas energy available in the future. We need energy security for Bangladesh's future. If Iran, Pakistan and India can plan to have a common gas pipeline, there is no reason why we cannot work out one between India, Myanmar, and Bangladesh as well, to the common benefit of all three. That would be a win-win proposition for all of us.

Tanwir Nawaz is an architect and urbanist.

Weakness in the budget

a huge media event. For a day or two the Minister of Finance replaces the Ronaldos and Aisharyas as the favoured star of the ubiquitous box. The media hype begins many days before the actual presentation of the budget in the Parliament with a series of pre-budget meetings and press interviews. Anybody and everybody who consider themselves to be somebody gratuitously provide copious suggestions about how the budget should be framed.

Then comes the B-day, the day of the Minister of Finance. Impeccably dressed in a smart suit he makes a regal entrance into the Parliament chamber escorted by the somewhat more attractively attired Prime Minister and flanked by lesser ministers and minions. He tightly holds in his hand a sleek briefcase purchased specially for carrying his budget papers. For once the Parliament looks like an institution that we can be justly proud of. Quorum and boycott problems are momentarily eliminated. All the truant parliamentarians, who have a proclivity to lose their way wandering about in the wilderness of the concrete jungles of Topkhana and elsewhere, are dutifully seated in their allocated seats. With a flourish honed over many practice runs the minister takes out his speech and stands up to address the Parliament and the nation. He rambles on for hours. The audience listen to his budget speech interspersed lavishly with figures and percentages with the rapt attention of students listening to their math teacher explaining the solution to the very difficult problem of a monkey climbing an oily pole. The speech ends with a rapturous applause from the captive audience and all round con-

gratulations. No sooner than the Minister of Finance is done with his speech, the media goes into a feeding frenzy. They hunt around for comments on and analyses of the budget. The first to come on board are the favourite "renowned" economists of the media. Their sombre faces are flashed in the box with profound comments such as "the budget has taken some bold initiatives, but has fallen short in some critical areas." Political leaders of various shades do not miss this golden opportunity to take a swipe

country" or better still "this is looterar budget, gareeb-maarar budget.

The business leaders are more forthright. They roundly condemn any measure that increases their burden and applaud any benefits media gets into the fray. Some quarter of their news space to budget details and analysis and comments. Next the "dialogue" industry gets into the act with the present their wisdom afresh. The Parliament of course has its own budget debate where the members jockey for the Minister's attention. The comments and analysis extravaganza continues until the

budget is passed. attention. Every government in the world has a budget. In most developed countries the budget has a far economy than in Bangladesh. The total government revenue and expenditure in some of these countries exceed one-half of GDP compared to less than one-sixth in Bangladesh. And yet budget is not much discussed in these countries where most of the population is adequately educated and qualified economists are abundantly available. Why is it that the budget gets such modest attention in these countries, but so much more in Bangladesh? The commonly proffered explanations of "media ignorance" and "not having anything better to do" are I suspect only part of the answer.

The principal impetus for the excessive interest derives, I believe, from a fundamental weakness of the budget in this country. This weakness is the ever-present unpredictability of the budget, a feature that distinguishes it from budgets in developed countries. This is precisely because some of the fundamental parameters of the economy, such as taxes and tariffs, are altered unpredictably by the budget that so much attention is paid to it by all sections of the citizenry. These parameters happen to be also very important parameters of economic and business decision-making and directly impact at the Finance Minister. They dust on the profit/welfare of business

off the old files to choose their and households. Thus every bud favourite lines such as "the budget get changes the economic deci-HE budget in Bangladesh is holds no promise for the mehnati sion-making environment as also manush (working class) of the the outcome significantly and

> A hallmark of a good economic policy is its stability. Business decisions are frequently of longterm nature. An entrepreneur takes decision about investment in the current period, but the returns to conferred. The next day the print the sunk cost accrue over several future periods. Hence, some forenewspapers devote as much as a casts of the market variables in the future are an essential part of business decision-making and all private businesses have to assume the market risk. Unpredictable and same people coming together to arbitrary government interventions (such as a sudden increase in taxes or withdrawal of a subsidy) also affect future costs and returns and add to the risks of doing business. This has significant debilitating effect on the economy. The heightened risk of budget arbitrari-The budget in Bangladesh ness has the effect of raising the receives extraordinary media minimum profit margin required of a new business. An entrepreneur venturing into new investment would be wise to recoup his investgreater weight in the national ment as quickly as possible to guard against losses caused by unforeseen budget impositions. The tendency of business enterprises in Bangladesh to seek excessive profits is greatly influenced by this aspect of the budget.

The higher profit margin sought by private business as a risk premium restricts the number (and amount) of new investment. Total investment is depressed which in turn retards the growth rate of the economy. This is the real cost of the unpredictability of the budget. It is instructive to note that much of the private business investment of the country occurred in sectors that were relatively secure from adverse

decisions of the government. The crux of the problem is that the power and prestige of the Ministry of Finance depend crucially on the arbitrariness of the budget; favours can be distributed only if there is scope for discretion It seems unlikely that the ministry will by itself contemplate fixing budget parameters on a longerterm basis in order to accelerate growth. It looks like the situation will continue for some more time: the only improvements would be incremental, brought about by private sector pressure and demand of the global economy.

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