

# Coal, gas, and peanuts

**Energy and mineral resources are at the heart of some of the most enduring insurgencies and conflicts in the world. In our neighbourhood, Ufa in Assam with its rich oilfields and the Baluchistan Liberation Army in Pakistan's gas-rich region are prime examples. We are extremely lucky to be a homogenous nation with no serious ethnic or religious grievances, but the widespread public perception of corruption in energy deals is a serious problem.**

**M. FIROZE**

It was the World Cup final, so after dinner I switched on the BBC to catch up on the news before watching the finals. Instead, for the next one hour I got engrossed in BBC's special coverage of the upcoming G-8 summit in Russia; an exclusive hard talk with Russia's President Vladimir Putin.

Before discussing the interview it is worth reflecting on Russia's sorry state of affairs in the last few years and its remarkable turn-around in more recent times. Putin's predecessor Boris Yeltsin in many ways epitomized Russia's moans; an irresolute man, he led a government manipulated by corrupt oligarchs; Russia was in the league of about-to-fail states.

It was on the dole and stern sermons from the World Bank, European Bank, and other donors filled the headlines on what Russia should do. I remember, on a business trip to Singapore, the clerk in a money-changer's counter gladly accepted a 500 taka note and told me he deals in any currency except the ruble! Not any more: today Russia has paid off its foreign debt and the ruble is a hard currency and freely convertible.

One of the very first questions posed to President Putin was on Russia's gas policy and its pricing. He somberly repeated his nation's commitment to long-term gas supplies to Europe and then cheerfully asserted: "But not for peanuts!" This was Putin's Russia speaking and the rest of the world was listening; the former bankrupt state was not only a member of the world's most exclusive club but befittingly hosting it in Russia's former imperial capital, St. Petersburg. This is the story of gas and leadership!

The world energy market, especially oil and gas, is riding on the crest of a huge demand wave, fueled in part by the galloping economic growth in India and China and in the oil-exporting countries as well. There are promising new oil and gas deposits throughout the world, but both oil and gas are finite natural resources and will eventually run out. There are two ways to use such a resource: to burn it slowly as we are doing now or to use it as an investment to generate a surplus for building renewable energy infrastructure.

Before proceeding further it is worth reflecting on some cold statistics to debunk the dangerous myth

of abundance of natural gas deposits in Bangladesh and the mind-boggling investments needed to sustain demand for oil and gas in the coming decades.

I have relied on three authoritative sources: the CIA country fact book and the Department of Energy (DOE) are official US government web sites and in the public domain. The third source is the International Energy Agency (IEA) the top energy policy-making body and think-tank of the industrialized countries. Some of the far-reaching conclusions from the IEA report are worth mentioning:

- In the next three decades the global demand for energy will increase by 60 per cent, which will need an investment of 16 trillion dollars, which is a mind boggling 532 billion dollars a year.
- The developing world will need 5 trillion dollars worth of investment in the electricity generation sector alone.
- This will mean rising energy prices; oil at \$100 a barrel is already forecasted this winter.
- In the long term, oil and gas prices are deemed to rise inexorably due to rising demand, dwindling reserves in currently productive wells, and massive investment needed to develop greenfield sites.

The Department of Energy, a US government agency, reveals only 20 per cent of the Bangladesh population has access to electricity. More alarmingly, it says more than 50 per cent of the population depends on non-commercial sources of energy such as crop residues, forest wood, municipal rubbish, and animal wastes for their energy needs. The environmental consequence of this cruel dependence is already visible in most parts of rural Bangladesh.

In the CIA's global ranking of the top 100 proven reserves of natural gas, Bangladesh is ranked 41st. To put things in perspective, India is ranked 27th and Pakistan is in the 30th position. To make the situation even more clear, in the CIA's global ranking of proven oil reserves we are in the 78th position while, amongst our neighbours, Myanmar is in the 41st position, India is in the 23rd position, and Pakistan is ranked 55th.

If we consider coal as yet another parameter in the energy equation, India has the 3rd largest coal infrastructure in the world; electric power generation is entirely coal based in

India. According to the IEA, gas has emerged as the most dynamic and fastest growing segment in India's energy sector. It is currently laying more than 9,000 kilometers of pipeline.

In the face of such hard evidence, why is Bangladesh being touted as a country with abundance of natural gas? Why is our government eager to export coal when more than one-half of our population is deprived from basic energy needs? Why did Tata not apply to GAIL (Gas Authority of India Ltd.) for gas at prices it is asking from Bangladesh? Surely, by any standards, India is better placed to supply gas to any gas-based industry than Bangladesh! But, certainly not for peanuts! These are school-boy questions, but did our Board of Investment do this elementary home-work in accepting Tata's investment proposal? Do we have either an investment policy or an energy policy?

It is amusing that institutions such as the World Bank and Asian Development Bank do not hesitate to deliver sermons to Bangladesh on the virtues of a market economy; yet exhort us to accept investment proposals where gas prices are tied to no market forces at all! The BoI is beholden to the Prime Minister's Office and its chairman serves as the cheerleader of the ruling party. It has no analytical ability to speak of, and it's chairman's most notable achievement was to launch scathing personal attacks on the country's most distinguished citizens and to dismiss the National Committee for the Protection of Ports, Gas, and Coal Resources as the handiwork of extreme left-leaning politicians.

I am not aware of the political leanings of the committee, but I am proud of their selfless service to the nation which they showed by speaking out against corrupt and iniquitous deals.

The country faces a formidable challenge on two fronts. First, in a debilitating depletion of precious foreign exchange spent on ever-rising cost of imported oil. Next, in the oil, gas, coal, and power generation sector, it has to compete globally for investments with other developing nations of the world and some of the fastest growing economies in the world such as India and China.

Successive governments have failed to evolve a coherent energy policy and the energy sector of the country has so far failed to generate

a surplus even though it was endowed with plenty of natural gas. Gas companies such as Titas, Jalalabad, and Bakhraabad should, in theory, be sitting on a pile of surplus cash, and be in a position to renew its infrastructure and make new investments.

In reality the coffers are empty! In contrast, the GAIL, nearly 50 per cent of which is owned by the Indian government, paid out Rs.3.6 billion in dividends to shareholders and Rs.13.86 billion in taxes to the Indian government in 2005. As a public limited company, its annual reports on the web.

Since we have been producing gas from the mid 60s, and if the savings for imported petroleum fuel are calculated for the last 40 years, the surplus should be in tens of billions of dollars. Revenue from gas sales over the years and the savings in foreign exchange should have made it the richest corporate entity in the country. With all its earnings siphoned off by the state, Petrobangla is nearly a bankrupt organization, in sharp contrast to the petroleum corporations in India and Malaysia.

A national energy security and development policy should plan for the day when the meager gas and coal resources of the country will be exhausted. It is meager by any standards. We do not stand any where near the reserves of Russia, Iran, or Canada, or even India. It is even more meager if one considers the fact that we have a population the size of Russia with not even 1 per cent of its gas reserve.

Bangladesh is the world's most densely populated nation with no worthwhile manufacturing base to employ its vast pool of unemployed, but willing labour force. The most promising way to employ the gas and coal resource of the country is to harness it to generate electricity to power a manufacturing industry which will have the greatest multiplier effect.

The power and manufacturing sector combined can turn Bangladesh into an export based manufacturing power-house. The other use would be converting petrol and diesel-fired vehicles to compressed natural gas, which could have been accomplished long time ago if our political elite had a minimum of decency and patriotism. It is utterly shameful and a national disgrace to see the prime minister and the leader of the opposition ride 4-wheel drive vehicles, fueled by imported petroleum.

A workable business model would be to float a public limited company with the government of Bangladesh holding a 30 per cent share in it. A reputed international oil and gas company could be invited to invest 30 per cent and provide the management and technological know-how, and the balance 40 per cent can be offered to the general

public, institutional investors both local and foreign. The company can be modeled on India's GAIL or Petronas of Malaysia. The company should have a sovereign charter to explore, develop, and distribute gas in Bangladesh.

This way it can leverage Bangladesh gas reserves to raise money in the global debt and equity market. A similar company can be formed to explore and develop the coal fields in northern Bangladesh. Both the resources have a huge and ready market in Bangladesh, there is no need to export any of it. In fact, with no compulsion to export the distribution cost will be much lower, as no expensive port handling facilities have to be built.

Finally, I would like to touch on the topic of my opening remarks of this article, the necessity of a resolute, informed, and clean political leadership, which has the courage to undertake far-reaching and speedy and very transparent reforms in the petroleum and power sectors of the nation. The heart of the Phulbari tragedy was an opaque deal concluded away from public sight and without the participation of the affected people. A publicly held company could have better negotiated a deal with the inhabitants of the affected people. A publicly held company could have better negotiated a deal with the inhabitants of Phulbari, by building an alternative township, offers of jobs and business and even stock options.

Energy and mineral resources are at the heart of some of the most enduring insurgencies and conflicts in the world. In our neighbourhood, Ufa in Assam with its rich oilfields and the Baluchistan Liberation Army in Pakistan's gas-rich region are prime examples. We are extremely lucky to be a homogenous nation with no serious ethnic or religious grievances, but the widespread public perception of corruption in energy deals is a serious problem.

In the space of a newspaper article it is not possible to spell out the breadth of a national energy policy, nor do I claim to have the expertise to do so, but there are plenty of examples in our neighbourhood alone to serve as excellent models. I have mentioned GAIL and Petronas, which as publicly held and professionally managed corporate entities, with state shareholdings, have collected record revenues for the government and efficiently delivered energy services to consumers. Such corporations are not a burden on taxpayers, as they can garner the technology and finance from the global market.

M. Firoze is a senior executive in the country's largest steel manufacturing company BSRM.

# Terror in South Asia under the microscope

**MUHAMMAD ZAMIR**

SINCE September 11, 2001, terrorism, effects of terrorism, and ways to fight terrorism have dominated the international political landscape. Terrorism has generated debate and controversy, both in the context of its definition and scope. It has divided societies and generated fear, anxiety, and hatred. It has morphed into a term, which now includes many facets other than the simplistic definition of a decade ago where the act of terrorism was confined either to state or non-state actors.

Today the denotation and the connotation of the term have expanded to also include other actions that might be perceived as challenging the power of the state, e.g. "insurgency," "civil war," and even "freedom struggle."

The publication under review examines this contemporary interpretation of terrorism in the context of South Asia. The articles also consider the role and the means by which modern weapons technology has virtually re-conceptualized terrorism, not only nationally but internationally.

It is also interesting to see how the "pool of scholars" associated with the publication carefully consider terrorism from different perspectives and sometimes agree on some common denominators. Quite correctly, it is explained that misgovernance of the state, marginalization of communities and national deprivation have contributed directly to the expansion and consolidation of non-state terrorism.

It would also be correct to underline in this context that the process of globalization has also, in all probability, provided fresh impetus to terrorism in terms of international networks and the supply of raw materials for this purpose. What is happening today in Iraq and Afghanistan are appropriate examples of this state of affairs.

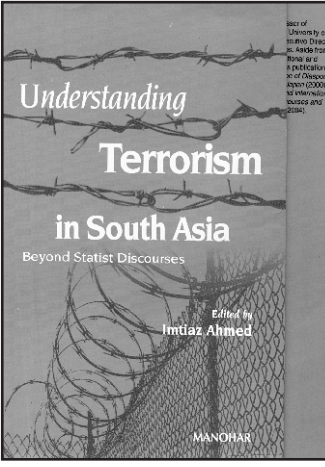
Nira Wickramasinghe, one of the authors in the book, while treating this facet, points out that the tentacles of terrorism are beginning to assume extra-territorial dimensions also in South Asia. It is not as bad as the Middle East, but the Nepali Maoists are slowly expanding their links with the Maoist Communist Centre, which operates next door in the Indian state of Bihar, and also with the People's War Group, which is active in five other Indian states. Nevertheless, it is also agreed that, in US terms, South Asia organizations that practice terrorist acts, which affect the global order, are negligible.

The publication also analyses the different elements that constitute counter-terrorism and compares it with what one would term as anti-terrorism. The values are examined philosophically and also in terms of reality. In this regard, it is revealed that as yet, there is no common, universally accepted definition of

## Book Review

### Understanding Terrorism in South Asia:

Beyond Statist Discourses by Professor Imtiaz Ahmed, Regional Centre for Strategic Studies, Colombo. Pps. 418 Taka 1,620



terrorism. It is pointed out that the US State Department, uses the definition contained in Title 22 of the United States Code, Section 2656 f (d), where emphasis is laid on the act being "premeditated, politically motivated, violent and perpetrated against non-combatant targets by sub-national groups or clandestine agents."

Scrutiny in this context then turns to South Asia and the South Asian perspective. It is noted that initially, although the Saarc Regional Convention on the Suppression of Terrorism was approved on November 4, 1987, South Asian countries refrained from the task of defining terrorism.

It was only later, in January 2004, that Saarc through an Additional Protocol identified a more explicit meaning of the word "terrorism." It was agreed that a person would be committing such an offence "if the act intended to cause death or serious bodily injury to a civilian" and that "the purpose of this act, by its nature or context, is meant to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act."

This was a movement forward. However, the next step, a common South Asian extradition treaty has unfortunately not yet been agreed upon.

Contributors of the different articles included in this publication have also attempted to draw the reader's attention to the different factors that lead to forms of terrorism other than "International Terrorism." The introductory chapter in this connection also refers to "religious terrorism," "ethnic terrorism," "cultural terrorism," "domestic terrorism," "transnational terrorism," "bio-terrorism," and also to "cyber terrorism." As expected, there is also discussion on "suicide terrorism," which now clearly dominates news all over the Middle East and particularly in Iraq.

Rubina Saigol and Shahedul Anam Khan focus on the reason of the state and the limits of counter-terrorism with particular reference to two sets of countries, Pakistan and Sri Lanka on one hand, and India and Bangladesh on the other. Saigol

tends to question the religious identification of terrorism and blames much of it to western prejudices and the contemporary trend of being anti-Islamic in most things.

Shahedul Anam Khan on the other hand thinks that there is an integral connection between the state and terrorism. He distinguishes between the terrorist canvas of India and Bangladesh in terms of origin and scope, but also reiterates that both countries appear to be relying on combatting terrorism on the basis of the "statist" formula, which does not appear to be the best solution.

The chapter on "Weapons Technology and the Reconceptualization of Terrorism" asserts that modern weapons technology has added qualitative difference and intensity to violence and terror. It also highlights the "complicity" of the state in this regard.

There is also a very scholarly and academic examination of terrorism and its effect within the social and the political fabric of Sri Lanka, Nepal, and North-East India. The responsiveness of the existing political systems in these countries and sub-region are also evaluated objectively.

The use of the historical perspective in the treatment of the different subjects has been important. However, this has made the analysis a bit more complex than was perhaps necessary.

The other significant feature has been the inclusion of several tables with statistics. One presumes that the authors took special care while compiling these tables and that they will stand up to scrutiny. These will be very useful for serious students who desire to undertake further research on this subject.

The Regional Centre for Strategic Studies (RCSS) deserves felicitation for this, their latest work.

# How strange this land is!

**How do we reconcile the two news telecast by the channel? In the first one, infuriated by severe power crisis, thousands of people from Mirpur, Shanir Akhra, and Keraniganj are on the streets blockading roads, burning vehicles, setting on fire power distribution offices, breaking windows of buildings and factories and chasing or being chased by police, Rab, and BDR. In the second one, Prime Minister Khaleda Zia is telling the people: "Dear countrymen, you are now living in peace. We have cured violence and terrorism. We have improved the law and order situation. We have carried out tremendous amount of development work in the last 5 years."**

**CAPT. HUSAIN IMAM**

TODAY is the fourth day of Ramadan in Bangladesh. In other areas of the Muslim world, east or west, it is the fifth or sixth. We have a moon sighting committee. They have to see the moon by their own eyes before you can start fasting, never mind whether the sky is clear or fully overcast, never mind what the astronomical science has to tell you, never mind what the Saudis, the custodians of holy Kaba, say or do. They have to see the moon and that's it.

The members of our moon committee don't know or probably they don't want to know that you can find out easily the times of appearance or disappearance of sun, moon, and many other heavenly bodies with accuracy up to seconds in any part of the world with the help of a nautical almanac, published every year in many countries for the use of navigators at sea land and air.

They also don't want to probably understand that in sharp contrast to Bangladesh or similar countries whose sky may remain cloudy or overcast for days together, the skies of the Arab world, the origin of Islam, ever getting cloudy or overcast is a

rare phenomenon. They don't want to probably realize that because of the weather pattern, sighting of moon in Bangladesh is as uncertain as certain it is in Saudi Arabia

Our rulers have been able to divide us on political, social, and professional lines. As a nation, we are divided into Bengali and Bangladeshi. As doctors, engineers, and lawyers, we are either pro-BNP or pro-AL. As teachers, we are white, blue, or pink. Now, by the courtesy of BNP-Jamaat alliance, who never miss any opportunity to call them the sole protector of Islamic jhanda, we see a clear sign

of division and confusion among our Islamic clerics on religious lines, especially after the recent debacle with moon sighting.

The leader of IOJ (one part) Maolana Fazlul Huq Amini has accused the moon sighting committee for not being able to take the correct decision regarding Ramadan and asked them to apologize to the nation for the mistake they have committed. He has even threatened to form an alternative moon sighting committee. In the late hours of Saturday night, imams of some mosques in Dhaka were calling the faithful to wake up for

Sehri and begin fasting from Sunday. We do not remember facing such a situation ever before.

Just the day before the Ramadan began, brinjal was being sold at Tk 25 per kg. Today, on the fourth day of Ramadan, it is Tk 70 a kg. Chickpeas, another important item for Iftar, was Tk 60 per kg. Now it is Tk 80. Cucumber, sold earlier at Tk 24 per kg is now Tk 40. Muri, a usual item for Iftar for the common people is almost double the original price.

Yet we see our commerce minister telling the television journalists that the prices of essential commodities are stable and well in control of his government, what it is, however, going to be in the days to come, he is not sure.

Hardly a day passes without having half a dozen persons on average shot or chopped to death by state run police or Rab, political opponents, religious extremists, or social miscreants. Nobody is spared, not even a university teacher. Yet the minister in charge of home affairs in his typical Anglo-

Bangla English keeps on telling us that the law and order situation is good, the people are living in peace.

The ex-energy minister of the country was using a car worth one crore taka given by Niko, the Tengratila gas explorer. Why Niko gave him the car is anybody's guess. When the matter was brought to public by the press, he lost his job. Yet he thought and probably still thinks that nothing was wrong in that deal.

I have just sat down to finish the remaining part of this article after watching the 9 pm Channel 1 news. How do we reconcile the two news telecast by the channel?

In the first one, infuriated by severe power crisis, thousands of people from Mirpur, Shanir Akhra, and Keraniganj are on the streets blockading roads, burning vehicles, setting on fire power distribution offices, breaking windows of buildings and factories and chasing or being chased by police, Rab, and BDR, who are trying in vain to control the agitated crowd with the help

of water guns, rubber bullets, tear gas shells, and blank fires of rifles.

In the second one, Prime Minister Khaleda Zia is addressing a public meeting at Lakhipur. She is telling the people: "Dear countrymen, you are now living in peace. We have cured violence and terrorism. We have improved the law and order situation. We have carried out tremendous amount of development work in the last 5 years. We ask you to vote our party to power once again in order to maintain the continuity of the massive development work our party has undertaken in these years."

Leave aside every thing else: the rate of inflation rising from 2.3 percent to 7.9 percent in the last 5 years, the alarming rise of unemployment rate, the unprecedented price hike of essential commodities, the sharp decline of taka value, the closing down of factories like Adamji, Chittagong Steel Mill, and so on, let us talk about the power sector only.

The country at this moment

needs 5,000 megawatts of electricity. It produces only 3,000 megawatts. The deficit is 2,000 megawatts. The rate of increase in demand is about 600 megawatts annually. The government in the last 5 years produced practically no electricity. The only power plant they have established during this period is the 80 megawatt power plant at Tongi. That also went out of production hardly a day after it was inaugurated and is still out of action.

Yet, Prime Minister Khaleda Zia wants her party to be voted power to maintain the continuity of the "unprecedented development work" her party has carried out. After landing on this part of the Ganges delta, Alexander the Great exclaimed: "Selukas, how strange this land is!" That was in 326 BC. If he had been here now he would have probably said: "Selukas, how strange the rulers of this land are!"

# Good FDI, bad FDI

**The only answer seems to be FDI, but FDI from a credible company. This will not only solve the problem of power crisis, but also help in reinforcing the trust of people of Bangladesh in FDI. Now the question is how to go about the selection of a credible company for FDI. There is no straightforward answer, but it is not very difficult also if we are serious and honest in approach. Here the biggest point of reference will be obviously the past history of the company.**

**IBRAHIM SALEK**

It is true that FDI needs for any country are mainly focused on attracting capital for business. However, it is also expected to bring in the technological and domain knowledge which is not available locally.

In other words, the requirement is not only a firm with capability to invest, but also the experience of

successful project implementation and operations in the past. Starting a greenfield project is a much more complex game compared to running an existing operation. Even for operating business, it is a normal condition to have sufficient experience in a business to qualify for any large bid (essential for international bid) for normal work/supply tender.

It is surprising to note that most of the proposals of FDI in energy

sector in Bangladesh come from companies without any previous experience, except for Tata (Hefty Investment Carrot for Unsolicited Deals, Sharier Khan, The Daily Star, September 20). The article is based on facts and one has to accept it (like it or not).

With globalization and the whole world getting converted to one single market, it is logical to see business interests traveling in all

directions with reduced importance of physical boundaries of countries. But, it must be noted that most of the companies make a beginning in the country of origin first, gain sufficient experience of running the business and develop few unique strengths related to business before venturing in to a global path.

Normally the way to globalization goes through opening of sales office, getting to know the business

environment, and finally establishing some manufacturing facility. The companies named in the article of Sharier Khan do not seem to have any past experience in energy sector either in their country of origin or anywhere else.

In fact, if Bangladesh is their first business location, they should be a Bangladeshi company without any control from any company listed outside Bangladesh. It is really unfortunate to term them as FDI in this context.

What is the way out? On one hand, the way things are today, people of Bangladesh are quite skeptical about FDI mainly because the past experience has not been good. Most of the past deals are

linked to benefits to few individuals.

On the other hand, the current power crisis in the country can not remain unresolved forever. We have seen violent protest against power crisis and industries are suffering badly. There is no way, we can avoid FDI. Even the institutions like World Bank, ADB, and JICA have not shown any interest in funding energy projects.

The only answer seems to be FDI, but FDI from a credible company. This will not only solve the problem of power crisis, but also help in reinforcing the trust of people of Bangladesh in FDI.

Now the question is how to go about the selection of a credible company for FDI. There is no

straightforward answer, but it is not very difficult also if we are serious and honest in approach. Here the biggest point of reference will be obviously the past history of the company.

Technological capabilities are easier to judge as these are readily available information in the industry. There are other issues requiring careful study. Study and evaluation of parameters like ownership pattern, management philosophy, records of industrial relations, commitment to corporate social responsibility, and involvement in controversies, could be made to select the right ones needed for FDI.

General impression of people where these companies have their

operating base could also provide important clues. Adherence to environmental rules, benefits to local society, preservation of local culture, help to build ancillary industry, etc. may further help in the decision-making. Though I have limited information about it, I feel that it may be worthwhile to look at Tata's proposal in this context.

We are now at a threshold point, FDI by a credible company will not only help improve our energy scenario, but also trigger other good companies to invest in Bangladesh and help the people of Bangladesh forget the bad experiences of the past.