

Closure of Adamjee Jute Mills

Victory of anti-industrial development (AID) projects?

ANU MUHAMMAD

THE closure of Adamjee Jute Mills has been considered by the local-global policy makers as a great relief. The 51 year old mills with about 30 thousand workers, biggest in the country, has gone away without any review or rescue measures from the government and finally without any resistance from the trade unions: 300 acres of land is there for something else, not disclosed yet, 50, 40, 30 years old machinery is there may be waiting to be taken by somebody. Thousands of skilled workers are now unemployed, the lucky ones are waiting to be transformed into shopkeepers. Several thousand petty traders and professionals linked with Adamjee are also now in hard uncertainty. The effects of it on the millions of jute growers do not need elaboration.

Adamjee Jute Mills was thrown into the past. But has only the Adamjee that gone into history or is it a trend of this economy to become a land of supermarkets destroying potential manufacturing enterprises? There are other instances of closing down factories (public and private) on the one hand and fast growing high rise constructions in every corner on the other. It is not surprising that about 80 per cent of the new investments are taking place in construction, which has captured highest growth rate to give a good look of GDP growth. It is also not surprising, therefore, to see a mad competition to grab all open spaces including wetlands and ex-factory lands.

The causes, shown in the media behind the closure of Adamjee have been losses, nearly 1200 crore taka in 30 years. The mills authority or even the ministries concerned did not issue any detail or summary report explaining to the people about details of losses, revenue earned from the mills, foreign exchange earned from its products during the same period and related facts. Only things we have from the government are some comments, and as usual promise, from Jute Minister and the Chairman of Privatisation Commission. The government and its relevant authority did not bother to explain its 'epochal' decision to the people, which is going to affect not only people who were living for generations in the area and the future ones but also the whole economy.

Although losses in SOEs have always been a favourite topic of local-global policy makers who have also been united in the solution: dismantle public sector by closing or privatise, none of them have made any attempt to investigate into the haemorrhage of public resources. It seems that none of them are unhappy to see losses in public sector, rather losses are desired to set whole thing into the chosen 'model'. It is easy to make losses an issue, after keeping conditions of leakage, taking policies to block normal functioning of the enterprises, patronise and reproduce lumpen trade union leaders to keep things under control.

GS Sahota of Harvard University had been in Bangladesh in late 80s to conduct an intensive study on manufacturing sector. So far, this has been the most covered and analytically sophisticated study on the sector. Sahota could not hide his surprise after finding the conditions

of Adamjee and other jute mills. His study noted in 1991, "Bangladesh installed better-practice technology of jute mills in the 1950s than India's. Today, 40 years after that, many of Bangladesh jute mills are still using the same machines, scarcely renovated." As a result, the jute mills in India flourished while 50 per cent of Jute mills in Bangladesh have been closed including the world's largest one. In 1991, Task Force of the first caretaker government revealed that the assets of 29 jute mills, worth more than 245 crore taka were by then denationalized at the face value of only 5.5 crore! Could those, even after this distress sale, survive in private sector? We know the answer, most of those: NO.

Does the loss-of cry of the local-global policy makers mean that the profit making enterprises would be spared to survive? NO. The chairman of the privatisation commission, ministers and above all the country director of the World Bank have informed us on many occasions that policy would not be different for profit making enterprises. So, if Adamjee could have made a different story, even then it would face the same fate. If that is the case

East Pakistanis in entrepreneurs grown in the process remained insipid. Only a handful of local investors participated but that was also dependent on state support, as an estimate said, "the share of the Bangalee entrepreneur in the finances need to set up a jute mill was as low as 10 per cent."

Jute industry had been the mainstay of the manufacturing sector but its profitability and survival always rested on explicit and implicit subsidy from the state even in that private sector. Export bonus scheme was a very important part of that package. It was introduced in 1959 and was gradually extended. This scheme had been providing significant support to the exporters of jute and jute products. Its role in making jute industry more profitable was such that, "without the bonus earnings not only that there would not have been any surplus of sales value over costs but in fact there would have been considerable loss" and "the contention that the industry was running efficiently in the 1960s to be able to make good profits is in fact a myth."

In the Bangladesh period the State did not continue the incentives

date for release of the second tranche upon some conditions. Those conditions include: (1) wage policy in jute industry satisfactory to IDA; (2) dispose of equipment of four closed mills and equipment; (3) close five identified public mills and downsize one other to reduce capacity in the public sector by 2,700 looms; (4) reduce permanent employees in the public mills by an additional 8,000; (5) reduce government's share in the total loom capacity to at most 7,000 looms by privatization or other means of disposal of at least nine mills; and (6) complete liquidation of the BJC.

The second tranche was delayed because the then government failed to privatize or close 14 public jute mills in time as required for that. The World Bank became happy to see that the next government tendered nine public jute mills and would tender five more. But what happened to the private sector in jute? Did they prosper by the money and follow up steps by the government? World Bank documents give negative answer.

According to the World Bank Inspection Panel's report, a group of

has been gradually replaced by the export oriented ones. Due to closure of many large-scale factories and sickness of medium and small enterprises, the number of industrial workforce shrunk despite new entry in export oriented garments and EPZs. Since 1989, absolute level of employment has fallen from 7.8 million to nearly 5 million; this fall has been steeper in manufacturing sector, from 7 million to nearly 4 million since 1989. Recent closure will add to that sharp fall.

In fact, during the last three decades proportionate share of manufacturing in GDP marked a little change, rather it showed a clear sign of decline in same periods. According to the old estimates of GDP, manufacturing was 7.90 percent in 1972-73, it increased to 8.47 percent in 2000, less than 1 per cent increase in thirty years. It is important to note that share of manufacturing reached to 11.14 per cent in 1982 and then it began decreasing. This is the same period when Structural Adjustment Programme sponsored by the World Bank/IMF started functioning. With the new estimates, the methodology adopted recently, figures go upward but trend remains the same. According to the new estimates, the share of manufacturing in GDP was 15.43 per cent in 1995/96; it decreased to 14.68 percent in 2000. If we compare share of manufacturing in early 80s with the figure in 2000 then it would show a clear de-industrialization. This outcome exposes the real agenda of different 'reform' programmes.

Effectively, the governments of different headings have been happily participating in projects to make productive sectors more costly and non-competitive, to make sick industries sicker, and transform potential fields for productive expansion into liability and finally set the direction of the economy in a way that gives good time to frauds, lumpens and grabbers and creates hell for skilled, creative, innovative workers and entrepreneurs.

While more than one hundred thousand more people were thrown directly under the 'income poverty line' by closing down Adamjee, the interest groups who had usurped billions of taka by looting and mis-managing, have probably turned to another operation. With the new addition of poverty, child labour, women trafficking, prostitution and uprooted people new 'poverty alleviation' projects will now find a start.

The ministries were prompt and secretive to close down Adamjee accusing workers for making losses of 1200 crore taka in 30 years. Within a week, Transparency International informed us that the ministry-high officials are contributing to the country by draining off 11 thousand crore taka per year! What will happen to them? They will flourish and fatten. The AID projects are there to support them.

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then the issue of losses in Adamjee or in any other SOEs becomes irrelevant so long decision of closure or giveaway is concerned. When the policy makers are determined to dismantle public sector by closure or privatisation of SOEs irrespective of their performance and the accounts of profit or losses or their linkage effects on the economy then the policy is not based on economics, it is highly ideological/political. But the emphasis on losses of SOEs in public discourses is quite understandable: it is easily saleable and easy to hide the real agenda.

Adamjee, in fact, was established and later expanded not alone by private initiative. In fact main resource -- support to establish the jute mills -- at that time including Adamjee came from the public resources. State policy regarding state-sponsored manufacturing had been vital behind establishment of the jute mills and their survival. Between 1950 and 1961 many public institutions were established to build an industrial base in Pakistan. Those include: Pakistan Industrial Development Corporation (PIDC) in 1950 and its division for the two wings (EPIDC & WPIDC) in 1962, Pakistan Industrial Credit and Investment Corporation (PICIC) in 1957, the formation of East Pakistan Small Industries Corporation (EPSIC) in 1957 and Industrial Development Bank of Pakistan (IDBP) in 1961.

Between 1952 and 1958, PIDC extended support to the private sector in establishing 12 jute mill companies. PIDC's partners in private sector were all West Pakistanis although all of the jute mills were built in East Pakistan. Share of

and support, given traditionally to the jute sector that constituted afterwards the major part of the public sector. On the contrary, direct incentives have been further strengthened for the private sector export-oriented enterprises later. Import of raw materials and capital machinery has been duty free for 100 per cent export-oriented industries. Exporters also have cash compensation of 25 per cent, income tax rebate, and tax holiday, increased ceiling for foreign currency retention. In different forms garments sector alone is now getting nearly thousand crore taka support from public resources. Although public sector jute mills also had been export-oriented enterprises they did not get similar supports. One could wonder what would be the profit-loss scenario of the foreign investors in EPZ or local investors in Garments if state withdraws all support, indirect and direct subsidies?

The closure of Adamjee was announced on 24 June, 2002 but its death warrant was actually issued on February 17, 1994, when Government of Bangladesh signed an agreement with the World Bank/IDA for US\$247 million Jute Sector Adjustment Credit. This jute sector reform project has been considered by the policy makers as one of the major projects of the World Bank to 'help' industrialisation in this country. The programme, however, involved "(i) closing nine of the 29 public mills and downsizing two large public mills; (ii) retrenchment of about 20,000 employees in the public sector; and (iii) privatisation of at least 18 of the remaining 20 public mills."

March 1995 was the estimated

Bangladesh citizens who were intended beneficiaries of the project filed a request in August 1996 and it was resubmitted in November 1996. The requesters claimed that they and the jute private sector had been harmed rather than helped through 'some flaws in the design of the reform programme'. They categorically stated that the private sector was then worse off than before the 'reform credit'. They also alleged, "the JSAC is responsible for the reduction of private sector capacity. Operating loomage for the private sector has dropped from 5,955 looms in FY 1992-93 to 3,969 looms in December 1996." They also hold JSAC responsible for temporary closure or reduction in capacity of 11 private mills. Not only that, the Requesters apprehended major additional damages in the future, such as: "(1) Permanent closure of private sector mills, with related loss of security, income and dislocation of careers; (2) Job loss for thousands of employees and (3) Loss to Bangladesh's economy and social welfare."

So, in essence people of Bangladesh were burdened with more debt for not establishing new factories or promoting older ones either in public or private sector but 'downsizing' or 'closing' them. Ironically, the amount taken as credit from the World Bank to close down or downsizing jute manufacturing units was more than the amount of losses in thirty years from Adamjee.

The experiences regarding jute mills is consistent with the overall experiences in the manufacturing sector. Many of old enterprises, public and private, have become closed or downsized during the last two decades. A portion of the sector

Water is life but Arsenic there is the silent killer

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ACCORDING to WHO 13 lakh children of under-five age group, mostly in developing countries, die annually for causes related to unsafe drinking water, poor sanitation and hygiene. The report says that "Arsenic problem" will have major economic impacts throughout Bangladesh, affecting agriculture and other related industries, water management, public health and the overall national economy.

Bangladeshis first turned to tubewells for drinking water to avoid waterborne diseases affecting surface water. In the 1970s, a nationwide campaign of switching to groundwater as a source of drinking water was launched following evidence that gastrointestinal diseases and infant mortality were mostly attributed to drinking bacteria-contaminated water from ponds and open wells. In 1983, the first arsenicosis patient was diagnosed in West Bengal. In 1987, the first arsenic patient from Bangladesh was identified. In 1993, The Department of Public Health Engineering confirmed arsenic in tube well in Chapainawabganj in Rajshahi Division.

The Arsenic issue was internationally recognized in 1995, when the first international conference on the subject was organized. Now, however, according to health officials, 45 percent of Bangladesh's 21 million tube wells are feared to be pumping arsenic contaminated water threatening the health of our people. More than 14,000 people have been identified in the country as suffering from arsenic-related

diseases. Thousands more will join them in the years ahead if urgent steps are not taken. An estimated 28-35 million are exposed to drinking water in which concentrations of arsenic exceed the Bangladeshi drinking water standard (0.05 mg/L).

Symptoms: Arsenic has been classified as a known (Class A) human carcinogen; at high levels it can damage nerves, the stomach, intestines and skin. The clinical manifestations due to chronic arsenic toxicity develop very insidiously after six months to two years or more depending on the amount of arsenic intake. The most common early signs of chronic arsenic poisoning are muscle weakness and aching, skin pigmentation, garlic odor in breath and perspiration, excessive salivation and sweating, stomatitis, generalized itching, sore throat, coryza, lacrimation and conjunctivitis. Most cases of arsenic poisoning remain undetected in the early stages because of social stigma and misconceptions; most people perceive this as a contagious disease. However, patients with chronic arsenicosis in Bangladesh often complain of gastrointestinal symptoms such as anorexia, nausea, vomiting, excessive salivation, pain in abdomen, constipation or sometimes diarrhea and weight loss. It has been found that arsenic toxicity is more pronounced among poor and malnourished groups of people. The arsenic contamination is not only causing serious health hazard to the people, but also affecting the environment creating social problems and overburdening our limping economy because it is creating a vicious cycle of malnutri-

tion.

People at risk: Almost 57 million people in Bangladesh, around 50 per cent of the country's population, are at risk because of well water that has been contaminated with arsenic, a UN report warned recently. Compiled by the UN University in Tokyo with the Dhaka-based Earth Identity Project environmental group, it said the number of people at risk exceeds the number of people worldwide infected with HIV. And since it takes a person several years of drinking arsenic-contaminated water to develop visible symptoms, "a much larger than anticipated number of people may be impacted".

People with arsenic-poisoning began surfacing sometimes in the eighties yet we are still to come to terms with it. The government knew as early as 1985 when Bangladeshis started going to India for skin complaints which was being diagnosed as arsenic poisoning. Today more than 90 per cent of the population of Bangladesh are drinking ground water on a daily basis. It is therefore only a matter of time before more and more people turn up with arsenical skin lesions in the late stages.

Arsenic and other heavy metals used both in agriculture and in industry, can cause cancer, damage to the liver, kidney and intestines, blood pressure, sterility, malnutrition and genetic abnormalities in humans. Although thousands of people have already been diagnosed with poisoning symptoms, much of the 'at-risk' population particularly among children and adolescents has not yet been assessed for arsenic related health problems. The developmental

effects resulting from the ingestion of arsenic drinking water have not been extensively investigated yet. However, one study done in three villages in northern Argentina with high level of arsenic in drinking water, indicated that children are more sensitive to arsenic induced toxicity than adults.

It is not only the ill effects of arsenic contaminated drinking water, but at the same time it is because of irrigation of grain fields with arsenic-contaminated water. Arsenic was found above permissible limits in vegetables, fruits and cereal crops grown in soils irrigated with contaminated water. And because of the arsenic, the quality of food (nutritive value) also decreases.

Suggested steps: The WHO paper strongly warns against the danger of 'denial' and complacency. It recommends actions almost on a war footing. We do not want to die so disastrously. An appropriate measure must be taken as soon as possible. Factors, such as ignorance, illiteracy, superstition, poverty, joblessness, malnutrition, low-income etc. have been shown to be responsible for this disastrous problem. Public awareness is urgently required to overcome this catastrophic health uncertainty. As a preventive measure, surface water/train water can be used for all domestic purposes including drinking. Educational programme should be carried out. Government and NGOs can support UNEP in designing an international treaty that will phase out these dangerous chemicals called POPS (persistent organic pollutants), which are used both in agriculture and in industry, as quickly as

possible. Improvement in the nutritional status of the population; and better facilities to diagnose and treat arsenicosis will be much helpful in containing the scourge. Using media materials (such as videos, pamphlets, booklets, radio and television including print, and electronic media, film and the arts, and other media technologies) people can be motivated for safety.

"Bangladesh Government would focus on reaching a consensus on the technical issues that offer the best possible ways of combating arsenic problem. Arsenic experts from across the globe will come up with concrete multi-sector findings to enable the government and other players to effectively tackle the problem. Our collective efforts must be based on clear thinking and built around practical steps that can lead us to concrete solutions for the future".

Arsenic is not only causing serious health problem but also imposing huge social cost. The cost of living is being seriously increased by this hazard while the medical management facilities are not adequate. Such a problem needs immediate attention from the policy makers as the survival of citizens depend on the solution of the problem.

Epilogue: There is a saying in Bangla "water is life" which we cannot say any more with confidence when arsenic contaminated water is taking our lives... But it is water (arsenic-free) again which only can sustain us.

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What to do with Bibiyana gas?

Many questions, one answer

Exporting Bibiyana gas may generate some funds in the short term, but the resulting shortfall in gas supply will destroy the prospects of all gas-based investments in Bangladesh. Economics aside, exporting gas, at this level of proven reserve, will be a political blunder. Like water and food, energy independence is nowadays considered part of national

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A curious aspect of the current controversy on the use of natural gas of Bibiyana, Sylhet, discovered by Unocal, is the air of secrecy surrounding the specific terms of the production-sharing contract between the company and the government. Is the contract being treated as a confidential document? If specific disclosure is not possible or desirable for any reason, could someone explain the general provisions of such contracts? An informed public opinion would be more likely to avert passionate partisanship in the debate and, hopefully, lead to a broad national consensus on this vital and sensitive issue.

The proven deposit of gas in the country -- estimated to range from 8 to 12 trillion cubic feet -- is considered barely adequate to meet our fast increasing demand for the next fifteen years. Lacking indigenous oil, the country has become critically dependent on natural gas. We use gas as fuel for power stations, cement and brick making plants, ceramic and glass factories and a host of other industries. Gas is used as the principal raw material for our urea fertilizer and other petrochemical plants. The beautiful blue flame of gas has added unprecedented convenience to our homes and kitchens. The plan for large-scale conversion of petrol driven vehicles to compressed natural gas will further add to the demand for gas. Without this clean burning and easily piped fuel, we would have been compelled, long before now, to clear out our entire forest for firewood, and create an ecological disaster. A non-polluting fuel, natural gas is the top choice of consumers and oil companies in the twenty-first century. Witness the all out efforts -- commercial, diplomatic and military -- to acquire gas fields and build pipelines around the world. The market for natural gas is worldwide and expanding rapidly.

Until new gas discoveries significantly raise the proven reserve to last for the next fifty years, the country should not consider exporting this resource so vital for our survival. Despite various optimistic scenarios presented by different quarters, none of the fields discovered so far falls in the category of what is considered large by the international gas industry. This means that attaining the threshold level for fifty years will also take time. In the mean time, the country may run out of gas. If we are able to develop and export gas based, value added products, and substitute gas for imported oil, the additional foreign exchange earned and saved will likely exceed the projected receipts from the proposed gas export. The opposing view that says we should export gas now, at the currently low prices, and could import it later, presumably at higher prices, is misleading. It is also unreasonable to claim that using Bibiyana gas to generate power and make fertilizer in Bangladesh is less economical than exporting it. If the gas price, including the cost of pipeline, is economical for India, what makes it less attractive for Bangladesh? Yet another school holds that Bangladesh would have no other market to sell its gas in future if it misses the opportunity to export now to India. It is true that

India is the nearest market. However, the world market for gas is growing fast, thanks to its high calorific value, convenience and environment friendly qualities. In exporting gas in future Bangladesh is unlikely to encounter a problem if the exportable volume turns out to be substantial.

The right response to the challenging situation is for Bangladesh to buy Unocal's share of Bibiyana gas. The company has a right to sell its portion of the gas strike. It should not matter who the buyer is, although selling gas to Bangladesh has several advantages for the company. It can, for instance, avoid making large investment in building pipelines to India. It will also start receiving payment for gas earlier.

As the National Committee on the Utilization of Gas is reported to have calculated, the payment for the Unocal owned gas would not put a heavy burden on the exchequer. Since the debate began, public opinion has decidedly moved in support of keeping the gas, which should translate, if necessary, into willingness to pay higher prices. Petrobangla, the national gas company, says it could pay for the higher priced Bibiyana gas if all its unpaid dues from government ministries and autonomous bodies could be realized. One way of ensuring such payments would be for the Ministry of Finance to deduct all pending amounts due to Petrobangla before the last installment of budgeted fund is released to the defaulting agencies.

Indeed, financial viability of

investment in power generation and fertilizer industry, in particular, depends on an assured supply of gas at competitive prices during the life of the project, typically ranging from twenty to thirty years. Exporting Bibiyana gas may generate some funds in the short term, but the resulting shortfall in gas supply will also destroy the prospects of all gas-based investments in Bangladesh. Economics aside, exporting gas, at this level of proven reserve, will be a political blunder. Like water and food, energy independence is nowadays considered part of national security and should not be made a hostage to global politics.

The decision to keep the Bibiyana gas for domestic use will have other implications. First, it should help reshape the future framework for production sharing agreements with multinational oil companies. Production sharing contracts could be used only for off-shore explorations, which are financially expensive and technologically challenging. Second, it will call for more on-shore blocks to be allocated to Petrobangla and providing it with more resources and expertise. Third, other forms of collaboration, such as joint ventures and technology contracts, should also be explored. The time has come for Bangladesh to establish a highly professional and autonomous National Oil and Gas Commission to act as a permanent think tank for all policy and regulatory matters concerning exploration, development and utilization of oil and gas in the country.

