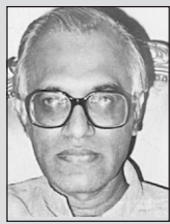


Tata's investment proposal: A reply



WAHIDUDDIN MAHMUD

[On April 2, The Daily Star published Tata's response to the report prepared by Prof. Wahiduddin Mahmud on the proposed investment by Tata. Today, we publish Prof. Mahmud's reply to Tata.]

Thank you for commenting on my report on the proposed investments by Tata group in Bangladesh. As someone far removed from the world of corporate business, I find your comments very instructive.

You have found my conceptualization of gas pricing (based on the projected date of reserve exhaustion along with the discounted costs of importing alternative fuel) "interesting" but perhaps rather intriguing. This kind of approach is quite familiar in the literature on the economics of exhaustible resources, although you note that this is not how gas is "valued and priced" internationally. You may be right. The concept of economic price is not about the actual price, it is a tool for assessing what is the value to society of an extra unit of gas (economist became careful in distinguishing between the two ever since Oscar Wilde accused them of knowing the price of everything and the value of nothing!). It is a useful policy tool because it tells us that an extra unit of gas should not be used in any activity (including export by say, pipeline) which will yield benefit to society less than its economic price.

There may be perfectly legitimate reasons why gas is actually priced lower than the economic price, such as to attract FDI or to promote a domestic sector; but the subsidy involved needs to be part of conscious policymaking based on an

Tata's approach is to offer Bangladesh the best possible gas price consistent with maintaining the global competitiveness of its operations. There is no reason to doubt the genuineness of this approach, given Tata's reputation in respect of business integrity and corporate social responsibility. Bangladesh's approach to these negotiations, however, needs to be based on considerations of optimal use of its gas resources and the expected social benefit to be derived from Tata's investments.

assessment of costs and benefits. This concept of "subsidy" (or call it by any other name) is different from the more familiar one based on actual prices being lower than costs resulting in financial losses. You have rightly pointed out this commonly understood meaning of subsidy. No wonder economists are hated for making simple things complex!

The economics of exhaustible resources like gas essentially involves inter-generational welfare considerations. Some countries set an upper limit to the annual production of gas in relation to the size of reserves in order to ensure that the reserves are not depleted too fast. Such a policy is justified on grounds of ensuring energy security. The concept of economic pricing of gas that I have used is another way of ensuring that the gas reserves are used in a "socially optimal" way, taking inter-generational welfare into consideration. Of course, as you rightly point out, big assumptions have to be made about the future replacement cost of gas and the social discount rate, but I find this way of conceptualizing the problem superior to, and less arbitrary than other policy stances that go in the name of so-called energy security.

You point out that my methodology of economic pricing of gas could lead to a very low present price - less than US\$ 1 per mcf - if gas exhaustion takes place at or after 25 years. If that be the case, the cost of acquisition of gas would provide the floor for economic pricing, since the benefit or value that society gets out of using gas must be at least as much as the cost of its acquisition. My report does discuss such cost-

based pricing, but I suspect that my numbers may differ from PetroBangla's cost calculations that you refer to. Since Tata's demand for gas will have to be met by additional supply of gas annually, it is the cost of acquisition of extra amounts of gas that matters. My assumption is that this increased supply will come largely from the oilfields operated by the international oil companies (IOCs). As it is, the proportion of total gas supply coming from state-owned gas-fields will decline in future and that will have a bearing on the average cost of gas acquisition.

You seem to have got the wrong impression that I have suggested a particular price for selling gas to Tata. I have only provided a range of numbers for benchmarking the economic price of gas, against which the benefit from Tata's investments may be weighed. I have also suggested that (a) the sale of gas to Tata should come under a general gas price policy which, while differentiating among different kinds of users, should not provide concessions specific to particular investment, and (b) there should be some sharing of risk arising from the uncertainty regarding gas reserves.

In your view, I have ignored the benefit from Tata's operations arising from the creation of a coal industry and the increased provision of power to the national grid. I think everybody will agree that Tata may be given the same incentives as given to other foreign investors such as the independent power producers. These incentives should have arisen out of a competitive bidding process, so that these may be taken as reflecting a "fair" sharing of benefits. To claim these as addi-

tional benefits while negotiating for the other components of Tata's investment package would then be tantamount to double-counting the benefits.

The report of the Economic Intelligence Unit (EIU) in fact puts considerable emphasis on the potential contribution to GDP growth coming from the additional power generation by Tata's operations. The underlying assumption is that economic growth in Bangladesh in the medium term will be constrained by power shortage, so that any mitigating measure will be of great benefit. This scenario may appear plausible given the dire state of things prevailing in the country's power sector. But this is an unacceptable assumption from a policy-maker's point of view. Adequate measures must be taken to attract enough investment so as to fully meet the country's entire future power demand; there is no policy alternative to that. The EIU report does us a service, though in an unintended way, by drawing our attention to this development imperative in Bangladesh.

The EIU report estimates the net balance of payments support provided by Tata's operations by adjusting the trade balance for the outflows to shareholders and lenders estimated at US\$ 467 million annually. I have indeed overlooked this adjustment and I stand corrected. It would have been still more appropriate to refer to Bangladesh's gains in gross national income or GNI (which excludes these foreign incomes) instead of GDP (which does not).

My main difficulty with the EIU report however concerns the approach it takes generally to estimate the impact of Tata's opera-

tions, which appears to be rather like describing the virtues of mother's milk! While admitting that Bangladesh is a "severely capital-constrained economy", its estimation of the so-called "multiplier" effect of Tata's operations on GDP gives the impression as if generating demand alone is what matters to production expansion. As I have discussed in my report, one has to be much more discriminating and careful in ascribing to a project the economy-wide benefits arising from its purchase of goods and services from local suppliers and from its sale of inputs to other industries. While I do not want to underestimate the importance of these indirect benefits, there is no reason why the merit of Tata's investment proposals needs to be linked with the merit of the EIU report.

Tata's approach is to offer Bangladesh the best possible gas price consistent with maintaining the global competitiveness of its operations. There is no reason to doubt the genuineness of this approach, given Tata's reputation in respect of business integrity and corporate social responsibility. Bangladesh's approach to these negotiations, however, needs to be based on considerations of optimal use of its gas resources and the expected social benefit to be derived from Tata's investments. The test of the viability of these investments lies in the reconciliation of these two very different sets of considerations - whether these two approaches can find a meeting ground. I hope they can. Otherwise, the two sides can part as friends.

Wahiduddin Mahmud is a renowned economist. Part II of report will appear tomorrow.

LEST WE FORGET

Justice SM Murshed

KHONDAKER MD. ABU BAKAR

HERE are few distinguished personalities of whom the nation can take pride for their extraordinary and invaluable contribution which enriched the tradition and heritage of the people. Justice Syed Mahbub Murshed is one of those rare personalities and legendary figures whose legacy still remains as bright as the ever shining luminary of the legal system not only in Bangladesh but also in the sub-continent.

A great jurist, scholar and a judge of high standing SM Murshed was born on January 11, 1911 into an enlightened aristocratic Muslim family of Murshidabad, West Bengal. His father Syed Abdus Salek was a member of civil service then serving as Deputy Magistrate. His mother Afzalunnessa was sister of Sher-e-Bangla AK Fazlul Haque. SM Murshed was extraordinarily brilliant from boyhood and was greatly influenced by the ideals of patriotism, nationalism and love for democracy, freedom and economic emancipation of the common people.

He passed Matriculation examination in 1926 in 1st Division and topped the list in the whole of Rajshahi Division. In 1930 he passed BA Hons in economics with distinction and passed MA in economics and also LLB from Calcutta University and went to London for higher studies in law leading to Bar-at-Law from Lincoln's Inn in 1939. After completing higher studies, he returned home and joined the legal profession and started practice in Calcutta High Court. Soon he drew the attention of all as a promising barrister.

SM Murshed married the daughter of AKM Zakaria who was elected Mayor of Calcutta Corporation. Mr Zakaria was one of the renowned nationalist leaders of the time had wonderful contribution in the anti-imperialist movement. At the time Indian sub-continent was passing through a crucial period of independence movement and experienced the terror and horror of the second great World War. Mr Murshed's independent thinking were reflected in his writings which were published in leading Indian dailies such as the Guardian and Statesman. He worked relentlessly in distributing food and relief among the famine stricken people of Bengal in 1943 and during the communal riot of 1946 he worked hard for the rehabilitation of the displaced persons. He was associated with the activities of the Anjuman-e-Mofidul Islam.

Mr Murshed continued his practice in the Calcutta High Court after independence of India in 1947. In 1950 serious communal riots broke out in both parts of Bengal. However the situation was improved after the Nehru-Liaqat Pact of 1950. Mr Murshed worked for implementing the said pact. In 1951 Mr Murshed migrated to the then East Pakistan and started practice in the Dhaka High Court. Soon he made his mark in the legal profession. He actively supported the language movement of 1952 and assisted Sher-e-Bangla AK Fazlul Haque in formulating the

21 point demands of the United Front in the 1954 Election.

In 1955 Mr Murshed was appointed judge of the Dhaka High Court and in 1964 he was appointed the Chief Justice of the High Court of East Pakistan. Syed Mahbub Murshed who is popularly known as Justice SM Murshed made tremendous contributions towards enrichment of the judiciary and distinguished himself as unparalleled in the delivery of qualitative judgments.

As a judge, he was courageous imbued with indomitable spirit of independence. His judgments are the finest example of excellent exposition of law for all the time to come and in cases where issues of national or public importance were involved he was always firm to uphold the cause of evenhanded justice without fear or favour. He taught throughout his whole life for establishing rule of law, democracy, human rights and was always respectful to human values. He was a devout Muslim with extensive knowledge in Arabic and Persi. Both intellectually and culturally he was highly enlightened.

In the aftermath of the language movement, the then Pakistani Rulers had become allergic to the song and literature of Rabindranath Tagore whom they thought to be the source of inspiration of Bengali nationalism and as such moves were made to exterminate the Tagore literature and culture from the soil of the then East Pakistan. This further sparked the sentiment of Bengali Nationalism. Culturally conscious people rose up against the idea as one very necked attack on Bengali culture. The decided to observe the birth anniversary of Rabindranath Tagore and Justice Murshed took the bold lead and was the Chairman of the Rabindra Janma Jyoti centenary committee which was a great blow against the deep rooted conspiracy against the Bengali tradition and culture.

He strongly opposed the then government's move to curtail the independence of the judiciary. Being shocked and disappointed, Mr Justice Murshed tendered his resignation to the post of Chief Justice in November 1967.

The political situation in the then East Pakistan during the years following the resignation of Mr Justice Murshed from the exalted position of the Chief Justice became very tumultuous and volatile.

The military junta started Agartola conspiracy case against Sheikh Mujibur Rahman and others in 1968. In this case Justice Murshed supported the defense case of Sheikh Mujibur Rahman and advised the defense lawyers. In the face of the great political upheaval, the Agartola conspiracy case was withdrawn by the then government. Field Marshal Ayub Khan the then President of Pakistan in 1969 called a roundtable conference in Islamabad for resolving the political crisis in which Mr Justice Murshed along with others were invited. Mr Justice Murshed very boldly supported the six point demands of Sheikh Mujib.

In the general election of 1970 Awami League got landslide victory under the leadership of Bangabandhu Sheikh Mujibur



Rahman which was fought mainly on six points demand. Mr Justice Murshed identified himself with the hopes and aspirations of the people of this region and supported the six points demand.

Thereafter, the health of Justice Murshed deteriorated and he suffered protracted illnesses and ultimately he died on April 3, 1979. With his death the nation lost a great scholar, a great thinker, a jurist and a judge of extraordinary high standing.

Every judgment of Justice Murshed is an excellent piece of legal literature. His landmark decision in the famous cases such as Abdul Haque case, the Pan case, Basic Democracies case, GL Bhallachaya case, Zakir Ahmed case, so on and so forth, are regarded as the best exposition of law relating to constitutional rights, fundamental rights and natural justice.

In a full court reference on the occasion of his adorning the exalted position of the Chief Justice of High Court of Judicature of East Pakistan he made memorable speech, the following extract of which reflects his thinking of a judge in the true sense of the term: "Judge is nothing but the law speaking with uncompromising justice, for, if has been truly said that the best government is that in which the law speaks rather than the lawgivers. This is where the judges come in. But, where the law ends, tyranny begins and there is no worse tyranny than judicial subversion. When a judge departs from the spirit of the law and from a fearless independence in its application, he becomes the worst law breaker."

During his tenure as judge the image of the judiciary was raised very high. His legal decisions even today are unparalleled which is the most valuable treasure of legal jurisprudence and are still followed as precedents in deciding the legal issues as the most valuable guidance for the judges and the lawyers.

The ideals and teachings of Mr Justice Murshed are of great value to be followed by the jurists, judges, lawyers and the students of law which remain as the ever shining source of inspiration from generation to generation. We remember Justice SM Murshed with deep sense of honour and respect and we pay our homage to the great soul and pray to the Almighty Allah for the eternal peace of his departed soul.

Khondaker Md Abu Bakar MALLB is Chief Editor, The Mainstream Law Reports.

Where angels fear to tread

Fielding candidates and giving them election symbols are political acts, not a civic society function. There has not been people's involvement in the process so far and the demand for injecting "honest" candidates has not come from the grass-roots level. I am afraid that the selection of such candidates and campaigning for them might get embroiled in the same kind of dirty and divisive politics and personal rivalry, as at present with the political party candidates, even of the same party. Better would be for the civil society members to actively take part in politics and work for the nomination of "honest" candidates from within the political parties, instead of trying to influence the process from a safe and comfortable distance.

AZIZUL JALIL writes from Washington

IN my writings so far, I have scrupulously avoided comment on the state of our country and its current politics. The most I have ventured are two articles, really travel impressions, one titled "Dhaka Ghure Elam" published in Holiday in March last year and the other "A Recent Homeland Visit" printed in the Star and Prothom Alo this year.

I do not know why I am now being foolish enough to rush into the highly charged political arena. This I do in the belief that there is no alternative to resolving our problems through the political process. Therefore, we should all attempt to nudge the politicians and the society towards a common ground for the common good. What needs to be done is widely known, but the political and societal will to do it is missing.

I have no doubt that the recent plan of the civic leaders to field "honest" candidates is full of good intentions. However, similar efforts by Gono Forum not too long ago ended in a debacle. There are doubts whether, in the face of the highly organized and heavily funded political parties who are holding on to the appealing image of their founders, such efforts would succeed.

Fielding candidates and giving them election symbols are political acts, not a civic society function. There has not been people's involvement in the process so far and the demand for injecting "honest" candidates has not come from the grass-roots level. I am afraid that the selection of such candidates and campaigning for them might get embroiled in the same kind of dirty and divisive politics and personal rivalry, as at present with the political party candidates, even of the same party. Better would be for the civil society members to actively take

part in politics and work for the nomination of "honest" candidates from within the political parties, instead of trying to influence the process from a safe and comfortable distance. Questions would also arise about the financing of the civil society initiative. Financing from foreign sources will be inappropriate and financing by local business/industrial community would not be any different from what is currently going on. In either case, it would be suspect in the eyes of the ordinary people.

There are deep divisions in the country - social and political. While the country is growing at a respectable rate, income and wealth disparity between the rich and the poor has increased tremendously. Potentially this could lead the nation someday to an explosive situation unless we take remedial measures. Recent rise in militancy of the criminal, as well as the Islamic variety may well be the early signs of that possibility. It is time to examine the issues that make us cynical and prevent us from developing a strong sense of patriotism and an optimistic outlook about the country's future. The general elections will come and go and may even increase confrontation between the parties further due to election posturing and the need to score points at any cost.

Previous democratic elections have shown that each of the major parties get around one-third of the popular votes, but the Awami League has scored more in percentage terms than the BNP during the last three general elections. The ratio of votes between the two major parties may not change very much in the next election, but the composition of the next government may be different due to the parliamentary seats going disproportionately to one of the two major political groupings. However, if there is a change of government, it is not likely to alter the existing divisions in the country, as the new government, as with past

governments, may be prone to behave in a retaliatory and tit-for-tat manner. This would further exacerbate the antagonistic feelings and irrational emotions.

Clearly, we are in a vicious circle from which we should make all attempts to extricate the nation. The trouble is that we have many energetic "dividers," but so far lacking in dedicated and persevering "unifiers." The question arises, who would lose if we move toward a common ground and who gains from continuing disunity and strife?

A blunt answer would be that the existing parties and their leadership have the most to gain from the perpetuation of the political divide. However, it is also possible that the parties are bankrupt of ideas and a new vision for the future. They play the only game of recrimination and vengeance that they know and to which they are accustomed. Due to the failure of a balanced and viable third national party to emerge, people are having to vote for the BNP or the Awami League alternatively to power in the mistaken belief that these parties, once in power, would change their ways and some good will come out of it.

Since the early days of independence, we failed to achieve a social and political compact, a broad consensus about building the new state. Instead, the constitution was changed within a couple of years, providing a one-party state as an antidote to the mounting social, political, and economic problems. Subsequently, the country went through several upheavals of a traumatic kind, including military rule, while searching for its identity and purpose. The constitution was amended a number of times and moved away from secularism and socialism. Politics led to a situation in which the religious card was played by most of the political parties. However, on the economic side, a consensus gradually emerged under which free market policies and private enterprise took

precedence over a state-managed economy and ownership of banks and major enterprises.

In recent years, significant progress has been made on the economic front, particularly in the private sector. The economy is growing at a respectable rate of growth and Bangladesh is ahead of many developing countries in reaching the millennium development goals. This, however, has not been matched by developments in the political front. In fact, it has become a warring front between the two main parties, whose leadership do not even socially mix and whose top two leaders avoid each other. People were hoping that perhaps after three general elections, the country's sick politics would cure itself. Alas, that hope has proved illusory. But the people of Bangladesh would not let their economic lives and prospects be diminished by continued political squabbles. If this situation continues, traditional politics may gradually become irrelevant and economic imperatives would then determine politics, instead of the other way around. Needs of a bourgeois/industrial society for freedom of expression and action, unperturbed freedom of entry and exit from business, access to capital and markets without governmental or political influence and unfettered decision making in the interest of an enterprise might sidetrack the kind of politics prevalent in the country. Business would then more heavily influence the government from behind. It is an unwelcome prospect.

An educated and politically conscious electorate is a precondition for a successful democracy. The flourishing electronic and print media and the school and colleges in private and public sector have made some progress in educating the electorate. Free and fair elections are essential and we must ensure that people can freely come to the voting booth, exercise their right to vote and that the counting and declaration of winners are transparent. Since both major parties claim that majority of the voters are with them, I see no reason why together they would not be able to work out the conditions and mechanism for having a free and fair election. Even after that, the question remains whether the losing party would gracefully accept the results, participate in the parliament and serve as a constructive and responsible opposition. We had unhappy experiences in the recent past. Our political leaders, particularly when in opposition, do not seem to realize that in a democracy,

whatever our differences may be, the place to debate and sort these out is the parliament.

The role of the parliament needs to be strengthened by all political parties. The parliamentary committees are functioning, but more life and action need to be injected into them by cooperation between the parties. The parliament should ensure greater equity in our development and opening up of opportunities for all, whether in rural or urban areas. This would ensure greater stability, peace and contentment among the people. The current practice by the government in power to politicize the public services, including the police, armed forces and the judiciary, is demoralizing. It is totally inconsistent with the need for an efficient and modern public service to promote and maintain growth.

In addition, there should be a real devolution of functions and powers from Dhaka, backed by revenue resources and trained personnel, to the elected local authorities at various tiers. There will be less corruption and more accountability if local governments are running their development programs and administration.

However, local government by itself is not a foolproof system for good and corruption-free government. Effective monitoring by local civic associations would be necessary and the public should have the ability to watch its proceedings by attendance in visitors' gallery and via radio and TV. We may provide for three-yearly elections to local and municipal bodies for the people to weed out corrupt and inefficient persons.

It is also of paramount importance to have democracy within the political parties, with regular conferences and election of office bearers. While the parties cry hoarse in the name of democracy, they are yet to practice it themselves within their own party.

Let us turn around, take progressive political measures and together agree on a national compact to accelerate economic and social growth for all Bangladeshis.

Azizul Jalil is a freelance contributor of The Daily Star.

TARA PADA ACHARJEE

THE holy bath at Langalbandha, under Bandar police station of Narayanganj district, takes place around this time every year. For Hindus this is a great divine occasion. We know by interpretation of religion that all vices of past evaporate after this bath and pilgrims become virtuous. Hindu pilgrims come here to take a bath in river Brahmaputra on 'Asokastami tithi' of Bangla month Chaitra. Apart from Bangladesh, pilgrims come from many other countries including India, Nepal, Sri Lanka and Burma.

There are several interpretations of this place attaining the name Langalbandha and becoming holy. Yet, what we know in general from the Purana and other religious books are as follows:

There was a saint named Jamadagni in the state of Magadha at the beginning of Treta Yuga. Jamadagni was the father of Parashuram. Parashuram was the youngest among the five sons of the saint. The world was full of sins at the time of Parashuram's birth. He came to earth as a divine incarnation to emancipate the world from the vices. His name was Rama at his early age. He became known as Parashuram later as he took 'Parashu' (axe) in his hand to destroy the sinner 'Khatris'.

Name of Parashuram is inter-

connected with Langalbandha. Renuka Devi, mother of Parashuram, once went to the river to bring water. There she saw the king of Gandharbas enjoying bath with his beautiful mistresses. Renuka Devi was rather hypnotised to see this romantic scene. She herself became amorous too and for the time being forgot that the prayer time of saint Jamadagni was passing away. When her mind returned to normalcy she rushed back home with water and sought apology from Jamadagni. Saint Jamadagni knew everything through his power of meditation. He was angry and could not control himself. He ordered his sons to kill their mother. Four of his elder sons refused to obey it. But Parashuram killed his mother and four brothers with axe to fulfil his father's desire. His father was pleased with Parashuram for his obedience and wanted to give reward. Taking this opportunity Parashuram wanted back the lives of his mother and four brothers. Jamadagni agreed and revived them to life with his meditational power.

But Parashuram could not remove the axe from his hand, it just remained stuck. He asked for remedy from his father. His father said, 'you did two great sins, killing your mother and a woman. So you travel around the holy places. In one of the holy places the axe stuck to your hand will fall after getting the touch of holy water. Remember, that is the greatest

holy place in the world'.

Parashuram started visiting holy places. At last he went to Brahmaputra. When he was taking bath there the axe fell down. Parashuram thought to open the flow of this holy water for salvation of common people. So, he made a plough with the axe and brought the flow of the holy water to the plains cutting the rocks of Himalaya. He was moving to the south making a furrow with his plough. At one stage he was tired and stopped ploughing. This was the place now known as Langalbandha at Sonargaon. This flow of Brahmaputra moved to river Dhaleswari.

As the new river was emerged from the spirit of Brahma its name was Brahmaputra. Once it was one of the biggest rivers of the world. Its birthplace Brahmaputra is near Manas Sarobar in Tibet. This river is known as Sampoo in Tibet. Sampoo means pure. River Sampoo comes to Asam (India) and from there to Bangladesh.

Now there are 11 temples, 13 bathing ghats and seven ashrams for guests at Langalbandha. Sri Sri Chaitanya Dev came to Langalbandha 500 years ago. People think that he stayed here for some days. Swami Vivekananda, one of the closest disciples of Sri Ramakrishna, with his mother Bhuvaneshwari and other relatives came here and took bath at Rajhat on 27 March 1901. Kings of Nepal visited the place and took bath at Rajhat. Part of Mahatma Gandhi's remains (ashes) was dropped here in river Brahmaputra on 12 February 1948.

Every year innumerable pilgrims come to Langalbandha. This holy place occupies an important part in the golden heritage of Bangladesh. It should be protected and well managed.



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