

5-points against Tata

S. NAZRUL ISLAM

ECONOMISTS are famous for making ambiguous, guarded, and qualified statements. However, at times a spade needs to be called a spade. Press reports indicate that the wheels of the government machinery are turning towards an approval of the Tata investment proposal.

This is one such occasion when clear statements need to be made, and here is one statement -- the Tata investment proposal is not good for Bangladesh, and neither the current (unelected) nor the future (elected) government should approve it. Since this is not the place for a detailed and technical discussion, I will present 5-points against the Tata investment proposal in the following blunt manner.

Export of gas in embodied form

The Tata investment proposal is basically a proposal to export Bangladesh's gas in another form. Under this proposal, the gas will be used to produce steel and fertiliser, much of which will be exported to India and other parts of the world.

How can Bangladesh agree to such a proposal when she herself is in dire need of her limited gas reserves to meet current and, in particular, future domestic demand? According to reports, Tata is demanding a 20 year guar-

NRB remittance, together with the garments export earning, is keeping Bangladesh afloat. Both of these owe to Bangladesh's main renewable resource, namely labour. The government should focus on making the best use of investment, both domestic and foreign, that is labour-intensive.

antee of gas supply at a concession price.

The Daily Star of May 15 reports that the executive chairman of the Board of Investment (BOI) is advocating Kafco formula as the model to follow in deciding the price at which gas will be supplied to Tata plants.

This is tragic indeed! He should read some of the articles written by Prof. Nurul Islam to know that Kafco has proved, and is proving, a bleeding wound for the government exchequer. Extension of the Kafco formula to Tata will simply increase the bleeding.

The proposed Tata investment is of the predatory type, aimed at taking away the limited amount of non-renewable mineral resource (namely gas and coal) that the country has. It is, therefore, not a good idea.

Very limited employment expansion

The proposed Tata investment will not lead to any sizeable employment expansion, and hence, there will not be any appreciable "trickle

down" benefit from this investment. The steel plant, the fertiliser plant, and the power generation plant, are all very capital intensive, employing at best a few thousand people, many of whom will be coming from outside the country.

In a country of 150 million, several thousand jobs will hardly make an impact. Tata investment is not aimed at utilising Bangladesh's renewable and abundant resource, namely the labour force.

The Tata investment is, therefore, entirely different from foreign investments coming to the garments, textile, and other labour-intensive industries (in SEZ and EPZs) which together are creating hundreds of thousands of job for Bangladeshis.

While Bangladesh may welcome foreign investment aimed at utilising the country's renewable resource, labour, it should be equally wary about Tata's predatory proposal. Equating these two types of foreign investments would be a grave mistake for Bangladesh.

Very feeble forward and backward linkages

The Tata investment will benefit Bangladesh very little in terms of forward and backward linkages. The reach and width of the forward linkage is very limited because most of the steel and gas produced will actually be exported to India and other destinations.

There is not much of backward linkage either. All the machineries for the plants will basically come from outside. There will be very little input demand to be met from Bangladesh's domestic sources, other than, of course, gas and coal.

So, instead of providing a big boost to the entire economy, the Tata plants will remain as an enclave without much of a link with the rest of the economy, an enclave whose main purpose will be to siphon away the country's mineral energy resources.

Wrong industrial structure

Tata investment will be a step toward a wrong industrial struc-

ture in Bangladesh. The other day even Indian Prime Minister Manmohan Singh lamented India's oligopolistic and government patronage-dependent industrial structure (see The Daily Star of May 14). Being one of the largest industrial houses of India, Tata is the pre-eminent member of this oligarchy.

When India herself is regretting, it will be a grave mistake on the part of Bangladesh to gravitate toward an oligarchic industrial structure by approving the Tata investment proposal.

In the case of Bangladesh, the damage will be all the greater because Tata is a foreign entity. If allowed to go ahead, Tata investment will lead to a lopsided industrial structure dominated by a foreign giant.

This is exactly the kind of industrial structure that Bangladesh should avoid. Bangladesh may, instead, follow Taiwan's example of fostering a non-oligarchic industrial structure populated by numerous small and medium sized plants and companies.

Taiwan's non-oligarchic and more competitive industrial structure has served her well, as the comparative experiences of Taiwan and Korea in the face of the Asian financial crisis at the end of the 1990s amply demonstrated.

While the chaebols-dominated Korean economy plunged into a deep recession, Taiwan was hardly affected by the crisis. Chaebols were oligarchic and dependent on government patronage, exactly the characteristics of the proposed Tata investment.

In the case of Korea, at least the chaebols were national companies. In case of Bangladesh, Tata is a foreign company.

Worrisome influence on the nation's body politic

The final point arises from the fact that, in many respects, Bangladesh is still a weak state. This state already finds it difficult to withstand the predatory onslaughts of domestic capitalists.

It will find it even more difficult to withstand the influence and pressure of a giant like Tata, which will in general enjoy the support and sympathy of the state of India. In fact, the commercial interest of Tata may emerge as an additional complication in the good neighbourly relationship between Bangladesh and India.

Having occupied a significant industrial and physical space inside the country, the company will be in a position to exert considerable influence on the state and body politic of this nation, and it is difficult to be sure that this influence will always be beneficial.

The way Tata is trying to get its

investment proposal approved during the tenure of the current interim, unelected government does not bode well in that respect.

Above are the 5-points against Tata. Of course, all these points can be further elaborated and substantiated. In fact, Prof. Wahiduddin Mahmud's report on the Tata investment proposal, published earlier by this newspaper, does so in many respects.

There are also other discussions and analyses available. However, the important point is that if bureaucrats and other decision makers develop private interests in the project, then no amount of argumentation and analyses will help, because they will simply play deaf and blind and do their own thing.

The current government's anti-corruption drive has been targeted so far mainly toward politicians. However, many bureaucrats, too, had an important role in the corruption, embezzlement, and selling-out of national interests to foreign companies that the nation witnessed in the past years. It is difficult to believe that they have all rectified themselves.

The present government has set the good precedence of confiscating ill-gotten wealth and bringing such wealth back to the country from outside. What this means is that, sooner or later, those who want to enrich them-

selves at the expense of the nation can be brought to book.

They should know that the people of Bangladesh, including non-resident Bangladeshis (NRBs), are watching. The remittance money sent home by NRBs has now reached almost \$6 billion per year, exceeding the country's combined net export!

Tata's total investment figure, which many suspect looks bigger on paper than its actual worth, pales by comparison with the investment that NRBs are making in their country each year, and they are not planning on remitting the investment income!

So, for the Bangladesh economy, NRB remittance is the real source of investment, and the authorities should try to make the best use of this resource. NRB remittance, together with the garments export earning, is keeping Bangladesh afloat. Both of these owe to Bangladesh's main renewable resource, namely labour. The government should focus on making the best use of investment, both domestic and foreign, that is labour-intensive.

It should save the country's limited quantity of mineral resources for optimum domestic use. It should, therefore, say "Thank you, but no!" to the Tata investment proposal.

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NOTES FROM HISTORY

Mountbatten and the June 3 plan

EDITORIAL DESK

LOUIS Mountbatten arrived in Delhi on March 22, 1947. He was welcomed by Lord Wavell, the departing Viceroy from whom he would take over, and would then proceed to dismantle the British colonial presence in India over the next few months. Wavell left India the next day.

On March 24, Mountbatten took charge as Viceroy and immediately set about convincing people, both the British and the Indians, that he meant business. He plunged into a round of negotiations with the leading figures of the Indian National Congress and the All-India Muslim League as a first step towards hearing them out on issues relating to a transfer of power from the Crown to the Indian political class.

A significant, as well as clearly acknowledged, aspect of the transfer of power centred around the question of a partition of the country, given especially the earlier failure of



At the historic conference in New Delhi in June 1947, at which Lord Mountbatten disclosed Britain's "partition" plan for India. (From left) Jawaharlal Nehru, Lord Ismay, Adviser to the Viceroy, Lord Louis Mountbatten and Mohammed Ali Jinnah, president of the All-India Muslim League.

the Cabinet Mission, in 1946, to bring the different parties to a settlement.

Additionally, there was the fresh memory of the communal riots,

which had broken out in Calcutta in August 1946, spread to such places as Noakhali and claimed tens of thousands of lives among both

Hindus and Muslims.

On May 3, 1947, Lord Ismay presented before the British government in London the plan, which Lord Mountbatten envisaged for Indian independence. Briefly, the plan was based on the premise that power would be transferred to India and a newly created Muslim state of Pakistan, with the provinces of Punjab and Bengal being given the option of joining either India or Pakistan in their entirety, or to split along religious lines between the two states, or going their separate ways altogether.

Significantly, the position of India's princely states remained obscure. There was, notably, a question mark over the status that the North-West Frontier Province would enjoy. It was overwhelmingly Muslim, but was led by a government formed by the Congress. With some modifications, the British government agreed to the plan. Mountbatten had scheduled a meeting with India's politicians for May 17, but intended

to show them details of the plan twenty-four hours earlier as a way of letting them develop their responses.

However, much before that, the Viceroy made a trip to Simla and invited Jawaharlal Nehru and Krishna Menon to join him there. It was at that point that Mountbatten decided to show Nehru a copy of the plan Ismay had been showing around in London.

On seeing the copy, Nehru went apoplectic. He called Menon and then made it known to Mountbatten that such a plan would lead to the Balkanisation of the country. Mountbatten backtracked.

It was on May 11 that a new basis for a transfer of power was hammered out by the Viceroy and his team. The core of the amended plan was that India and Pakistan, as independent states, would enjoy the Dominion status and thereby be members of the Commonwealth, which till that point had been restricted to such countries as Britain, Canada and Australia.

It was on that basis that Mountbatten sent a telegram to Ismay in London, at 9 p.m. on the day, urging that an early transfer of power from the British colonial authorities to India and Pakistan be ensured.

On May 18, with the British cabinet asking for more clarifications about the amended plan, Mountbatten flew to London. He was able to easily convince the Attlee government of his goals.

On May 20, he met the leading figures of the parliamentary opposition, notably Winston Churchill, Anthony Eden, John Anderson and Lord Salisbury, all of who agreed to go along with the plan. Mountbatten and Ismay returned to Delhi on May 31.

At 10 a.m. on June 2 1947, Lord Mountbatten sat down to deliberations with the leaders of the Congress and the Muslim League. From the Congress came Nehru, Sardar Vallabhai Patel and Acharya Kripalani.

The Muslim League was repre-

sented by Mohammad Ali Jinnah, Liaquat Ali Khan and Abdur Rab Nishtar. Sardar Baldev Singh represented the Sikh community. They were all given copies of the British government's statement, "Immediate Transfer of Power."

Mountbatten asked the participants if they had anything to say in response. Jinnah replied that his party would require a week before it could make its views known. At that point, the Viceroy asked the Muslim League leader if personally he agreed to the terms of the deal. Jinnah's affirmative response gave Mountbatten the answer he wanted.

On June 3 1947, the leaders of the Congress, the Muslim League and Baldev Singh met in a final session with Lord Mountbatten, before agreement on the partition plan could be made public.

All present gave their consent to the plan for the transfer of power. The next day, June 4, Mountbatten addressed a news conference, attended by more than 300 Indian and foreign journalists, and fielded

a variety of questions, some of which were patently hostile.

As the news conference drew to a close, Mountbatten was asked when the transfer of power would actually take place. He replied that he looked to August 15, 1947. It was a statement that stunned India's politicians, especially Nehru, who thought it was too early.

Earlier, Mountbatten had had his sights on October 1, 1947 as the day on which British power in India would cease to be. Between June 4 and August 15, therefore, a gigantic operation to provide not only freedom to Indians but also to leave them with two distinct states needed to be undertaken.

It was a job fraught with risks. It was soon to plunge into unmitigated disaster. But August 15 was the day Mountbatten had decided on, despite everything negative the astrologers said about it.

Checks and balances

HASAN ZILLUR RAHIM

POWER tends to corrupt," goes the familiar dictum of English historian Lord Acton (1834-1902), "and absolute power corrupts absolutely."

The recovery of a stupendous amount of ill-gotten wealth from top government officials enjoying unchecked power and privileges underscores the truth of Acton's observation across space and time.

The leaders of BNP and AL, and their relatives, appointees and assorted henchmen, are guilty of unprecedented plundering of national wealth and betrayal of public trust. These are not petty criminals; they constitute the Bangladeshi mafia who have

brought shame and disgrace to a nation born after the sacrifices of millions.

Bangladesh is at a momentous crossroads now. Without a governmental infrastructure of checks and balances, that transcends the superficial trappings of democracy, there will be more looting and lawlessness, and there will be no end to the sufferings of the majority of the population.

How can checks and balances be introduced into a system so ridden with nepotism, greed and lust for power? Three suggestions, out of many, follow:

First, the caretaker government has to deliver on what it has promised: it must ruthlessly root out corruption. It must prioritise its effort by starting at the leadership of both BNP and AL, as it is cur-

rently doing, going down perhaps by three levels of hierarchy to keep the situation manageable, and sparing no one if found guilty.

In spite of the mistakes it has made, for example, turning leaders into martyrs even if for a short while, it still has the upper hand in steering the country toward the right direction because of the overall support of the people.

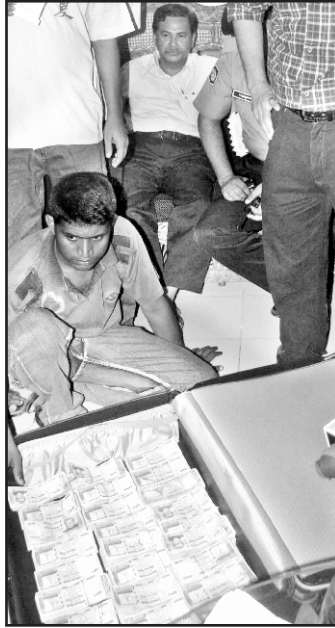
Only when the Bangladeshis see that exemplary punishment has been meted out to those who betrayed and defrauded them, and turned the country into their personal fiefdoms, can their confidence be regained. Besides, nothing can convince minions and functionaries to straighten out their acts faster than evidence of tough justice.

Second, accountability of public

officials has to become an ever-present reality. The most important instrument for realising this is a free and fearless media. It is the media that can help ensure that the government conducts its business transparently, and that any wrongdoing will be relentlessly pursued and exposed. This can exact a toll. Reporters may mysteriously "vanish," or be compromised by their personal failings.

They may languish in jails or lose their livelihood. But that is the nature of their job, and as long as there is a core group of media professionals who remain focused on the truth a nation is unlikely to go awry.

Third, religion must not be misused for political ends. Most Bangladeshis are religious by instinct, but they wisely choose not



to wear religion on their sleeves. The minority of the clergy who think that they are the custodians of people's spirituality live in a fool's paradise. The only way to undermine their authority is not to be swayed by their extremist rhetoric but to follow a middle path, as the Quran and other holy texts advise.

In decrying the rise of the military-industrial complex, American president Dwight D. Eisenhower once said in 1953: "Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and not clothed. The world in arms is not spending money alone. It is spending the sweat of labourers, the genius of its scientists, the hopes of its children ..."

Eisenhower got only half the

don't practice democracy how can they institutionalise democracy in the country.

This takes me to a tangential but related point. The priority, at the moment, is introducing a reading culture. A quick read of some key texts in political science can be a good starting point. I recommend German sociologist, Robert Michels' Political Parties (1911).

Michels said that anyone who says organisation, says oligarchy. If you have a large organisation, it is very likely to be oligarchic.

Now you will see why large political parties like Awami League or BNP or the Republican Party of USA, or IBM or Microsoft, looks more like an oligarchy than democracy. Michels' theory has been

known as the iron law of oligarchy. The tendency -- not inevitability -- is real enough, and the exceptions are rare. Besides, a political party is not a social service organisation; politicians are not boy scouts.

Once we have finished studying Michels, and have educated ourselves about why large organisations become oligarchic, we ought to take a crash course in Rational Choice Theory (RCT).

The main point of RCT is that people do things to maximise benefits to themselves. In calculating benefits most people do take into account the cost. This will help us understand why political party bosses do not want to reform.

Reforms for some of them will mean lack of privilege and power.

It has a cost, but no tangible benefit. If political parties know that many people who are voters will not vote for them then that becomes a cost.

Faced with the possibility of such a cost they will reform, but they will reform only to the extent where costs do not outweigh benefits. A Princeton-educated economist knows all this. My lectures are meant more for the layman.

If the rich in Dhaka give 1% of their income as allowance to a poor man they know things will change for the better. But they don't. Why? It has no tangible benefit for them. This is why you have a government that collects tax to redistribute to those who need help.

What can government do to

stem oligarchic tendencies in political parties? Not much. The best thing that a good government can and must do is to ensure that good and sensible laws are followed.

Political parties, like business organisations or any other sector of society, must come under the same sort of laws that are just and help secure collective interest. The most dangerous thing is laws being applied unjustly and unwisely. This is what will hurt collective interest most.

I demand reforms of our mind-set through education.

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