

## Why must political parties be reformed?



Since power corrupts and absolute power corrupts absolutely, our major political parties have now become dens of uncontrolled corruption. And elections have become means of going to power at any cost and politics has become a naked business-for-profit. In other words, our main political parties have become instruments for furthering selfish interests rather than public welfare, and they function like secret syndicates organised for that purpose.

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REFORMING political parties has now become a popular demand. With revelations in the media of all the alleged corrupt and criminal activities by our top leaders, the demand has become more intense in recent weeks. While the conscientious citizens have been very vocal about reform for a long time, even some politicians are now beginning to speak out. Are there real justifications for reforming political parties?

Political parties are important democratic institutions. They are in essence engines or driving force of democracy. As a carriage cannot move without its engine, similarly democracy cannot function without effective political parties. The crisis in Bangladesh's democracy is, in fact, largely due to dysfunctional political parties in our country. Thus, urgent reforms are needed in our political parties.

Political parties are composed of people organised on the basis of an ideology or a program. Since public welfare rather than furthering personal interests is the purpose of political parties, they must be democratic, transparent and accountable organisations. Are these values reflected in the constitutions of our political parties? Are they at all implemented?

We can get a clear idea how our

political parties function by examining, among others, the eligibility and process of granting their membership, the procedures of electing their leadership and taking major decisions, transparency of their finances, and the role of their primary members in the nomination process.

Any citizen 18 years or older can become members of Awami League (AL), Bangladesh Nationalist Party (BNP), and Jatiyo Party (JP). To be a member of AL, the approval of relevant committees is needed. According to its constitution, hooligans or those engaged in anti-public safety activities are ineligible to become AL members. However, the reality is very different -- many known godfathers are well placed in AL, and many of them were nominated for the elections scheduled to be held last January.

As per the BNP constitution, anyone who believes in terrorism or engages in politics based on secret terrorist activities cannot become a member of BNP. However, many individuals who were known patrons of JMB hold important positions in BNP hierarchy and many of them were nominated for the cancelled elections of last January.

According to the JP constitution, only honest persons can become its members. With this constitutional provision, even the chairman

closest to her, takes the important decisions. A case in point is the agreement secretly signed with Khelafat Majlis last December. In addition, the party council has not been held for a long time and even when it was held, the party president was authorised to pick the leadership. The committees also do not meet regularly.

Despite the denial from the party, the prominence of the Bangabandhu family is clearly visible in AL. Many close relatives of the party president hold important positions in AL, although there are serious allegations of wrongdoings against some of them. One indication of the Bangabandhu family's prominence are the three photographs on the homepage of the AL website -- that of Bangabandhu, party president Sk. Hasina, and her son Sajeeb Wajed Joy -- although Joy holds no important position in the party.

According to the BNP constitution, the party chairman is to be elected in party councils every two years. The 251 members of the executive committee, except for presidents of district and city committee, who are ex-officio members, are nominated by the chairman. Similarly, all the 15 members of the permanent national committee, who also serve as nomination board, and the 15 member advisory parishad, are nominated by the chairman. More seriously, the BNP council has not been held in the last 14 years. Furthermore, the committees seldom meet.

It is clear that the BNP chairman has absolute power over the party and it is, in fact, a family dynasty. For example, the chairman had arbitrarily appointed her own son as the senior joint secretary of the party even though there is no such post in the party constitution.

Furthermore, she recently appointed her brother Major (Ret) Sayeed Ishkander as a party vice chairman without consulting others at a time when demand for party reform has become intense and wades.

According to its constitution, the sources of AL's income is Tk 20 thrice-yearly fee of its councilors, the regular monthly fee of the members of the executive committee, Tk 200 (currently Tk 2,000) monthly fee of MPs, Tk 100 approval fee of district committees, proceeds from sales of publications, one-time contributions, money raised through socio-cultural exhibitions, the three-yearly membership fee of Tk 5 for primary members, etc.

A daily Prothom Alo report (February 9, 2007) indicates that the AL requires about Tk 12 crore for regular operation of the party each year, of which not even 10 percent comes from known sources. Then the logical question is: from where does the rest of the money come? A partial answer comes from the alleged confessions of the recently arrested general secretary of the party and some business leaders.

In these confessions, widely published in the media though not yet proven in the court of law, serious allegations were raised against the party chief of regularly and secretly taking huge sums of money from businessmen. There are also allegations of extortion against her and members of her extended family. No official record of these financial transactions is available as they were not transacted through bank accounts although the party constitution calls for having bank accounts for each unit, which are to be run with joint signatures and audited each year.

BNP has no other known sources of income except for Tk 2 membership fee of primary members and Tk 1 renewal fee. According to the above-mentioned Prothom Alo report, BNP's regular operational cost is about Tk 15 crore each year. No one other than the party higher ups knows the sources of these huge sums of money. However, the alleged confessional statements of former State Minister for Home published in the media provide some clue about their sources. He apparently alleged that the BNP chairman and his son made an agreement with a business group to absolve them of murder charges for a sum of Tk 50 crore. He further alleged that BNP received Tk 300 crore from three countries before the 2001 national elections. Defying the constitution, BNP also does not carry out financial transactions through bank accounts, let alone auditing those accounts.

Although the parliamentary boards of AL, BNP and JP, according to the respective party constitutions, have the final say in deciding party nominations, the party chiefs in reality make the decisions. In this context, there are serious allegations of selling nominations for money, now popularly known as *mononoyan banjya*. It is alleged that prior to the elections scheduled to be held on January 22, AL nominations in 50 seats were sold for a minimum of Tk 50 lakh to a maximum amount of Tk 20 crore, resulting in illegal transfer of hundreds of crores of taka (Prothom Alo, 14 January 2007).

There are also serious allegations of illegal inter-party transfer of huge sums of money. For example, it is claimed that AL agreed to pay Tk 60-70 crore, of which Tk 3.5



crore were paid as advance, to bring JP into the fold of the 14-party grand alliance. On the other hand, BNP allegedly offered to pay JP Tk 50-60 crore, of which Tk 2 crore were paid in advance, which had to be returned later. Apparently BNP also agreed to make General Ershad the President (Prothom Alo, January 15, 2007).

It is clear from these alleged illegal, immoral and self-serving actions, the party primary members of AL, BNP and JP have nothing to do with the nominations, although AL constitution allows district and upazila committees to make recommendations. Thus, the party high commands do not have any accountability to their primary members -- parties do not even have lists of their primary members.

To conclude, it is clear that even though constitutions of some of our major political parties have some provisions for internal democracy and financial transparency, they are not at all practiced. Parties do not even have lists of their primary members, not even to mention accountability from party higher-ups to them. Consequently, absolute autocracy and dynasty are in place in our three major political parties.

Since power corrupts and absolute power corrupts absolutely, our major political parties have now become dens of uncontrolled corruption. And elections have become means of going to power at any cost and politics has become a naked business-for-profit. In other words, our main political parties have become instruments for furthering selfish interests rather than public welfare, and they function like secret syndicates organised for that purpose.

The proposed reform of political parties and their compulsory registration under the Election Commission are intended to redress these ills. I hope our respected politicians will come to terms with this reality and immediately embark on significant reforms of their parties in the greater national interest. However, citizens groups must continue exerting pressures.

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## Forced listing no panacea



Large international companies are run by smart executives. If the motive is there, forced listing could actually be a blessing in disguise for some since they get a "tax break" as an incentive, and find themselves with new opportunities, beyond the realm of their primary business, to make more money.

ASIF ANWAR

THE government advocates it, the Securities and Exchange Commission (SEC) welcomes it, and the Dhaka Stock Exchange (DSE) encourages it. It is claimed to be the prescription for the financial sector that will eradicate symptoms of capital flight, restore investor confidence, and improve revenue collection.

One would assume, given the coverage given to this issue by the media and the importance cited by some government and autonomous bodies, that all the problems mentioned above can be solved by this simple action: Forced listing (in local stock exchanges) of certain private corporations and state owned enterprises. What were we doing all these years?

Investors are cheated by large international companies even in the world's most regulated capital market. Enron and MCI get most of the attention, but many "respectable" global companies that we know today have been guilty of the same crime one time or another, although the magnitude or manner might have been different.

Equity finance by definition means equitable distribution of profit and loss amongst shareholders, but it rarely is the case when it comes to listed companies.

The management of most companies listed in Bangladesh stock exchanges are in the same league as the politicians of our country. They (management) would also be crowned champion in corruption had there been any list compiled like the "most corrupt nations on earth" in which Bangladesh claimed the top spot a few times, even defended the title in successive years.

I don't think we ever missed a position in the podium (Top 3), and probably hold some sort of record for number of appearances on the list. Along the same line, the contribution or effectiveness of the SEC, watchdog of the capital market, is at par with the Anti-Corruption Commission before the latest CTG, then watchdog of the government that gave us the "Prince," the "Media Mogul," and the "Boner Raja" (King of the

Forest)," to name a few. You get the picture!

I would like to share an example that I discovered during my early days in the capital market of Bangladesh (1995). I was baffled by the earnings level of a DSE listed company which was included in the unofficial "blue chip" category (similar to an "A" group listed company under present scenario). It was a pioneer in the industry with a household name and a huge export market.

As part of my research, I found out that the company engaged in "transfer pricing" by selling its production, earmarked for export, to a private company with little or no profit margin. The private company owned and managed by the same individuals as in the listed company, enjoyed the lion's share of the profit and 100% of its forex revenue as it handled the export part of the business. Such practices, and many "new and improved" ones, continue today in the absence of any representation in the board and lack of enforcement.

I really don't see any significant benefit, other than an increase in the market capitalisation of the stock exchange, in forcing an international company to list in our immature stock market, even if capital flight or tax evasion is suspected. There is little or no accountability of management to shareholders, and the SEC is ineffective in combating "white collar" crime. Our market infrastructure is inadequate, so is the supply of human capital.

Large international companies are run by smart executives. If the motive is there, forced listing could actually be a blessing in disguise for some since they get a "tax break" as an incentive, and find themselves with new opportunities, beyond the realm of their primary business, to make more money.

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## Through Musharraf's eyes



Neither Ayub Khan nor Musharraf grew into politicians, and could not see that those who join the King's Party for perks and privileges were risk-averse individuals in search of benefits. They should not be expected to jeopardise their political futures in times of political crisis for their patron.

HUSAIN HAQQANI

SINCE the day he joined the Pakistan Military Academy (PMA) as a cadet, General Pervez Musharraf has been used to taking orders from his superior officers and giving orders to those below him.

Based on his lifelong career as a soldier, he considers the people of Pakistan his troops, and the civilian politicians who joined the King's Party after Musharraf's 1999 military coup as junior and non-commissioned officers. Those protesting against him are seen by Musharraf as the enemy.

The general is now beginning to voice the worry that his "subordinate officers" are failing to motivate "the troops" sufficiently. He is afraid that the failings of his officers' corps will cause him to lose the most important

battle of his life.

The training of a military officer prepares him for waging war, not for effecting compromises or conducting politics. Former Pakistan army chief General Musa Khan used to say that he was trained to "locate the enemy and liquidate the enemy." He found this training useless when dragged into politics as governor of West Pakistan during the late 1960s.

Protests broke out against Field Marshal Ayub Khan's military dictatorship soon after Musa Khan became governor. The retired general found himself at a loss, he later said, in "figuring out how to deal with my own people, angry with our government, and refusing to take our orders."

General Musharraf recently complained that the more than one thousand elected officials of the

ruling coalition, who enjoy state patronage because of their membership of the King's Party, are doing little to defend their benefactor.

Musharraf's complaint reflected the surprise Ayub Khan had expressed when members of his Convention Muslim League disappeared soon after the popular agitation against his rule began in 1968.

Neither Ayub Khan nor Musharraf grew into politicians, and could not see that those who join the King's Party for perks and privileges were risk-averse individuals in search of benefits. They should not be expected to jeopardise their political futures in times of political crisis for their patron.

Musharraf has been as contemptuous of Pakistani politicians, as were generals Ayub Khan, Yahya

Khan, and Ziaul Haq. He once spoke of how he would "rather kick" Nawaz Sharif and Benazir Bhutto than negotiate with them, if these leaders with considerable following did not show signs of "seriousness."

Judging by history, General Musharraf's definition of seriousness would probably be given to his command, which is what Pakistani generals have always sought from politicians.

Ayub Khan "kicked" Pakistan's first generation of politicians, only to be forced to resign amid turmoil after a decade in power. Pakistan has remained a football field ever since, with generals kicking politicians, but never being able to build anything resembling a stable country.

The difference between General Musharraf, on the one hand, and Ms. Bhutto and Mr. Sharif, on the other, is irreconcilable, not because of the alleged corruption of the former prime ministers but because of where each comes from. The general derives his power from his command, whereas political leaders have a voluntary following. Every general president's rise to power is an accident of history.

Had he retired as a lieutenant general, and not been picked to be army chief above others more senior, he would have been seeking a civilian job through the army chief. Officers and men owe loyalty to the rank and position of their commander, which is different from politicians, whose supporters choose to back them. The lack of understanding of politics leads Pakistan's military rulers to believe that they are better suited to run the country than politicians.

In their long career in cantonments, generals learn to ensure that the walls of cantonment buildings are whitewashed, their unit gets its funds, no one steals the rations, exercises are conducted in an orderly fashion, and the goings on in the unit remain confidential. They extrapolate this experience into running the country.

Technocrats are brought in to ensure that funds are plentiful. Summary justice is introduced to eliminate "corruption." Obedience is sought from everyone. But nations are not military units. They need someone to aggregate various interests (i.e. politicians) and the inter-play of these interests, rather

## The irrational fear of Putin



A year ago, emerging-market funds were invested more heavily in Russia than in the general Emerging Markets Index, but now they have reversed and are significantly underweight. The emerging-market indexes are up about 15 percent for the year. Russia, by contrast, is down about 10 percent and is the only index market that shows a loss. Russia is cheap in both absolute and relative terms, trading at about six to 10 times earnings, depending on which measure you use.

BARTON BIGGS

RUSSIAN President Vladimir Putin is in the world's doghouse because he does not appreciate sanctimonious lectures or missile batteries on his border. He and President George W. Bush patched things up a bit at the G8 summit last week, but the tension remains.

Ironically, as we investors should be grateful. As a result of this alleged increase in political risk, the Russian stock market and its oil stocks in particular have been falling even as both emerging markets and energy equities have climbed. After a week in Russia, I am convinced there is no business reason for this stumble; it's all about the media rhetoric.

There is a presidential election in Russia next year, and Putin will stand down. However, he has made it clear he will continue to be the power behind the throne. He is passionately committed to restoring Russia to its former position of pre-eminence as a world power, economically and politically. Putin

wants to be the modern reincarnation of Peter the Great. Indeed, I am told that in his working office, behind his desk is a massive portrait of the Great Peter.

A poor, rapidly developing country often does best with a benevolent dictator. Democracies, and particularly messy coalition democracies, are ineffective in imposing the kind of discipline and sacrifices that bootstrapping economies require. Rather than criticize Putin's sometimes heavy-handed tactics, investors and America should embrace Russia and Putin. If we don't, China will. With luck, Putin's upcoming visit with Bush at the family compound in Maine will clear the air.

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Russia has potential for a consumption boom that should last for years, giving a big lift to retail, advertising, wireless telecom, real-estate and financial-services stocks. Personal income per capita is about 25 percent of that in developed

economies, and there is virtually no credit-card debt. Mortgage financing has barely been discovered, with mortgage debt per capita a minuscule \$27. The average car in Russia is 11 years old. Most houses look as though they were thrown together (poorly) 50 years ago. Even in St. Petersburg and Moscow, most apartments have two families

living in them.

Meanwhile, Russia has the world's richest trove of minerals, ranging from nickel, copper and gold to vast oil and gas reserves. Until recently, the Russian oil stocks always correlated with the price of crude. Now the energy behemoth Gazprom is down 22 percent and has underperformed the MSCI

Global Energy Index by 35 percent this year.

Admittedly, over the next three years, the oil and gas sector is forecast by the Ministry of Finance to expand only 2 percent annually. A major U.S. investment bank in a recent report argues that the big state-controlled oil and gas companies have underspent on infrastructure, development and exploration. It is almost impossible to know if this is true, but we do know that the potential under the ice cap in Siberia is immense.

There is currently a global abundance of liquidity, which, combined with rising economic activity and low inflation, is driving stock prices in general and cyclical assets in particular. Russia has the fastest excess money growth in the world (8.6 percent), and in the past the Russian stock market has had a perfect correlation with money growth. But not this year. Instead, the market has fallen since January, in part because of the tremendous volume of equity issuance, which consumed the liquidity. (With far fewer IPOs scheduled for the remainder of the year, this drag should be eliminated.) But the big reason is that Russia under Putin has far more potential and much less risk than most pundits claim.

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