

The first oil price shock



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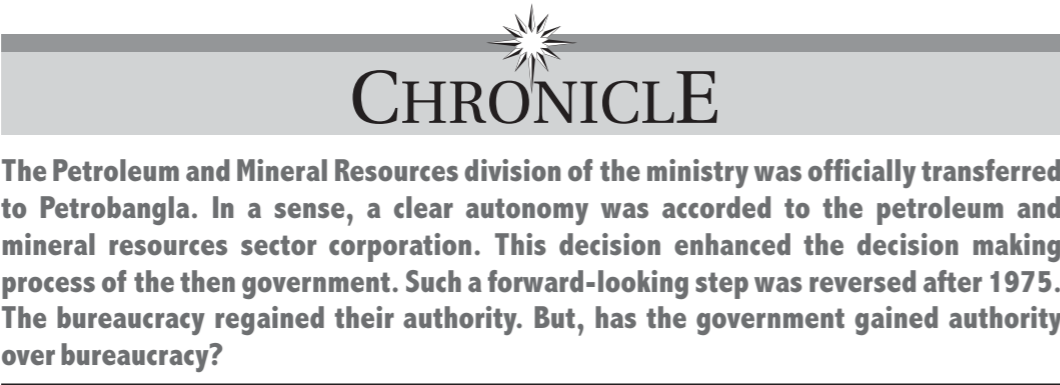
IT does'nt need encyclopedic knowledge to remind us that in less than three decades after the Second World War (1945), the oil supply situation rose to the top of the agenda of issues before the world community in the early seventies. On October 6, 1973, bloody fighting ensued between the Israeli forces and some Middle East countries. This continued for three weeks before the United Nations arranged a cease-fire.

It wasn't just another bitter chapter in the history of unresolved confrontations. In fact, it quickly transformed into a global energy war when, within two weeks of the Israeli attack, Saudi Arabia and its allies the Opec countries unleashed their oil weapon to manipulate world affairs through economic action.

By cutting back almost a fourth of the production of the world's largest known reserves, and embargoing oil shipments to the United States, the Netherlands, Portugal, South Africa ... Opec dropped a politics-economic bomb, whose spectacular fall-out spread everywhere rapidly.

As a result of Opec's decision, the price of oil quadrupled almost overnight. Around the world, people came across a new term "energy crisis." Even the newly created Bangladesh became a victim of the oil price tsunami.

For instance, a sum of 100 million Dollars was allocated for importing about one million tons of crude oil and petroleum products annually for



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five years (1973-78). But, the total allocation of fund was exhausted in the first year. This was a shock to the nascent nation. The government became wary.

As a young member of the Planning Commission (Deputy Chief), I felt that the shock of energy price had taken us aback. The visionary prime minister, Sheikh Mujibur Rahman, Member Planning Commission Prof. Rehman Sobhan, and Chairman Petrobangla Dr. Habibur Rahman, and the PM's council of advisors on petroleum issues, sat down almost immediately to chalk out a plan of action to combat the situation.

They decided to face the challenge, and analysed in depth the nation's energy posture and future potential. A searching inquiry was made as a basis for well-informed policy formulation. The underlying assumptions were that public enterprises operating in Bangladesh would best promote economic development of the country. The need for decisive action seemed urgent.

For the new nation, Bangladesh, freedom of action meant, first and foremost, gaining unfettered sovereignty over its natural resources. Exploitation of foreign companies' interests in mineral resources was, of course, not an easy task.

To put it mildly, under the old concessionary system prior to 1971, for exploration and development of gas, foreign oil companies were

granted, in exchange for royalty payments, more or less complete "ownership" over the mineral rights on vast tracts of land.

As per practice, Multinational Companies (MNCs) determined the rate of development and amount of production from their concessions, and they set the price.

The government, therefore, found nationalisation of foreign concessions to be good politics. Indeed, a vital commodity such as natural gas could not be insulated from the upsurge of nationalism in the country.

Soon, it negotiated the transfer of ownership from Messrs Shell Oil Company to Petrobangla. The concessions of all the five major gas fields (Titas, Habiganj, Rashidpur, Bakhrabad and Kailastilla) were cancelled.

Through mutual consultation, a compensation package of 10 (ten) million Pounds was signed with M/S Shell. Today, the property is worth several billion pounds. The "people" became the "owners" of the largest energy property (Article 7 and 143 of the constitution of Bangladesh). That was 1974.

It is an irony of fate that the bureaucrats have been persistently advising the government to sell out the nation's two major primary commercial energy resources (gas and coal) to foreign companies.

In 2001-02, all plans were ready to export gas to India through Unocal, violating the provisions of

Production-Sharing Contract (PSC). Now it is coal. This issue came to the forefront recently, and especially after the much-hyped three billion Dollar investment (some say invasion!) proposal by the Indian conglomerate Tata.

At around the same time, there was another proposal for an open-pit coalmine by the UK-based Asia Energy Company for a six percent royalty on the value of the coal extracted.

Their bid for open-pit mine, which would require eviction of some one hundred thousand people, was convincingly rejected through a people's movement at Phulbari, which culminated in bloody violence in August, 2006.

The government had to sign an agreement with the people, pledging to prohibit open-pit mining. Disregarding the agreement, the country's bureaucracy is once again desperately trying to formulate a stand-alone coal policy that conclusively supports an export-based formula. In response, people suggest that what is needed is not a wrong coal policy, but a correct overall energy strategy.

Indeed, a policy on the nation's strategic energy resources was envisaged in 1974. The government's foremost task then was to quickly make an assessment of the country's energy resources. A comprehensive energy study under the name of "Bangladesh Energy Study" (BES)



was mounted.

UNDP/ADB financed the BES, 1974. Three internationally reputed specialist companies, viz Meta systems of USA, Montreal Engineering of Canada, and ENI/Snamprogetti of Italy, were engaged to conduct the study in association with a team of local experts selected from the experienced professionals of the Atomic Energy Commission (Dr. Abdul Motin who later taught in a University in Saudi Arabia), Power Development Board (late Engineer Panaul Alam Jahangir), Geological Survey of Bangladesh (geologist M.A. Zaheer), and a geologist and an engineer from Petrobangla.

A young engineer, Mr. Obaidul Awal, who now teaches in the IUT, was an active participant in the study. The oil and gas division of the Planning Commission, with its chief Dr. Nazrul Islam and deputy chief Nuruddin Mahmud Kamal, provided the secretariat services. The latter was assigned the responsibility of member-secretary of the professional team.

Within about four weeks of the announcement regarding the vital energy study, the government felt the need for formulating a new act and policy options for expediting hydrocarbon exploration and development.

The existing concession/royalty

related law was repealed, and the Petroleum Act, 1974, was approved by the Parliament. Almost simultaneously, a new policy entitled Production Sharing Contract (PSC) was also approved by the Parliament.

Meanwhile, the country was divided into 16 (sixteen) blocks, based on ecological considerations. Only 6 (six) were divided into 16 (sixteen) blocks based on geological considerations. Only 6 (six) blocks were assigned to six multinational companies for riskier and higher investment related off-shore activities.

The remaining 10 (ten) blocks were kept for on-shore exploration, exclusively meant for Petrobangla. In fact, the PSC model was borrowed from Indonesia, where it was in practice since the sixties.

We soon entered into an exciting new area of putting technology to work in new ways. Regardless of the logic of any technical and political arguments, one would inevitably recall that behind the formulation of the Petroleum Act, 1974, and PSC, Mr. Nasimuddin Ahmed, then Joint Secretary (later secretary) and Dr. Habibur Rahman, Chairman, Petrobangla played the most vital role.

Thirty-three years later, in 2007, I fondly remember the untiring dedications of Mr. Ahmed Reza (a retired



air force officer and muktijoddha), then OSD in the Petroleum and Mineral Resources Division, and his boss late Mr. Hedayat Ahmed (secretary) for dedicating their lives for a proper implementation of the off-shore exploration activities.

Yet, through some backdoor, Mr. Saifur Rahman (later finance minister) and Mr. Morshed Khan (later foreign minister) quietly entered into the game as local associates/agents in offshore exploration business and made their fortunes. That was the beginning of tous in the energy sector.

Meanwhile, for procurement of oil, a high powered delegation led by the foreign minister and accompanied by Mr. S.A. Azim, then General Manager of Jamuna Oil Company, and Mr. Rezaul Karim, a senior foreign ministry official, visited Iraq and some middle east countries.

Iraq's Renulea crude oil was not found suitable for refining at the Eastern Refinery. Chittagong. So, it was excluded from the purchase list for Bangladesh. Only sweet, crude oils were procured at deferred payment, a great relief indeed for a newly independent country. The first oil

shock was faced boldly.

Soon it was found necessary to bring at par the status of the chairman, Petrobangla to that of secretary to the government. It was done. Because of the aid recognition by our first political government headed by Sheikh Mujibur Rahman, the chairman/secretary, Dr. Habibur Rahman could, thus, directly, raise inter-ministerial deliberations to the level of minister(s).

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The question of the president's political obligations

SINHA M A SAYEED

THE words "President" and "Head of State" had first been used in the Constitution of India, that came into force in 1952, to make a clear conceptual distinction between elected and hereditary head of state in a parliamentary system of government.

Article 52 reads: "There shall be a President of India," and Article 54 reads: "The President shall be elected by the members of an electoral college consisting of -- (a) the elected members of both Houses of Parliament; and (b) the elected members of the Legislative Assemblies of States."

Such constitutional provisions for elections to the office of the president of India do not directly call for the president's political obligations, but they clearly indicate the existence of a kind of political obligation of the president to the majority party/coalition in Parliament.

Since independence in 1947, the

Parliaments of India have elected thirteen presidents, including the incumbent Pratibha Patil, and it is on record that they, excepting one or two, more or less listened to the party/coalition that backed them for the august office.

Dr. Rajendra Prasad, the first president, was not nominated for a second term because he was not "responsible nor responsive" to Congress and in particular to Jawaharlal Nehru, the charismatic leader of India in whose hand the leadership of party, leadership of parliament, and leadership of cabinet mingled uniquely.

The same thing happened to Dr. Radhakrishnan, widely known as a philosopher-president, and the worst was the case of President Zail Singh, whose relationship with Premier Rajiv Gandhi came down to the lowest ebb when Rajiv felt that President Gyani Zail Sing was becoming less responsive to his call.

The way the mind of the president worked is revealed in an Urdu couplet, which he recited, entirely out of context, at a farewell meeting with reporters in Bangalore on July 14, 1987:

"Main jin haathon men phool ke guldaste dekar aya tha,
Ab wohi haath patthar le kar meri talash men hain."

(The hands in which I had placed a bouquet of flowers are today after me with a stone).

Similarly, the Constitution of Bangladesh does not contain any article or clause under the heading "political obligations" hanging over the head of the president; but the seeds of such obligations are rooted in Articles 48(1) and 50(2), which, for the sake of clarity, need to be attended to.

Article 48(1) reads: "There shall be a President of Bangladesh who shall be elected by members of Parliament in accordance with law."

Therefore, it is clear that a person, partisan or not, requires substantial backing by the majority party/coalition in Parliament for

necessary reforms in other sectors in the system.

This, in particular, necessitates removal of the concentration of all the three leading offices/leadership in party, leadership in parliament and leadership in cabinet from the hands of one leader.

The one-man show, or so-called charismatic leadership, in our parliamentary system has not allowed for the growth of a viable, strong, institutional model anywhere in our context. Politics within a party is a wonderful, unique, non-competitive playground for him/her; what she/he says is final; what she/he thinks is historic; what she/he orders must be obeyed without question; any sort of deviation amounts to a gross violation, the resultant consequence of which is well known to all.

Therefore, nomination of a president certainly depends on the choice of the charismatic leader of all-encompassing power, and it is vividly conspicuous from the past exercises that hardly any nationally outstanding personality with a high degree of integrity, acceptability, and relevant background was chosen.

We experienced with a sense of frustration that when President Professor Dr. B Chowdhury, founder Secretary General of BNP, perhaps wanted to change things, he had to leave Bangabhaban. The reasons for such a silent departure may be a subject matter for researchers, but, apparently, it was his decision not to face the challenge constitutionally because of Article 52, which deals with impeachment of the president. We have also seen how justice-turned-president Shahabuddin Ahmed grappled in vain with the Hasina administration.

In fact, application of Article 48(1) is the sole jurisdiction of the chief of party, wearing three caps together. For better functioning of the office of the president of our hand-earned Republic, this article needs to be changed to the effect that: "No person shall hold at a time more than one of the three offices of leadership, leadership

ship of party, leadership in Parliament and leadership of cabinet." Yes, it is, in the context of Bangladesh, an urgent, unavoidable, necessity indeed.

Article 50(2) reads: "No person shall hold office as president for more than two terms, whether or not the terms are consecutive."

It is also understandable that a president, sitting or past, cannot further be supported to continue for a second term without the confidence of the majority party/coalition in Parliament and, truly speaking, such a confidence depends on his overall loyalty-based performance either as immediate past president or past president, not as a president who showed his excellence otherwise.

No person has yet been nominated and elected for a second term as president, although the BNP-led alliance had been voted to power for a third term after the farcical so-called victory in the 1996 voter-less elections to the sixth parliament.

There was a strong rumour in 1996

that Abdur Raman Biswas, then president of Bangladesh, had been tempted by the ruling BNP for a second term to the presidency, provided he followed what it said. Perhaps, it is also true that he followed accordingly; but due to the 24-month long-standing crisis that took the country almost to the point of collapse, the newly constituted BNP government was so short-lived that the possibility of President Abdur Rahman Biswas of being nominated and elected for a second term could not be tested.

But, had things been otherwise, there was such a possibility! Therefore, a constitutional provision must be made to the effect that: "No person shall be president for more than one term." Or "No person shall be president for two terms consecutively."

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'Nobody wants to lose'

ROYA WOLVERSON

LACKAWANNA, N.Y., exudes the tranquility of old Americana. In its tidy rows of modest homes, neatly mowed lawns and mom and pop stores, there's a feeling that everybody is a neighbor.

Residents of the Buffalo suburb, perched on the shores of Lake Erie, are quick to boast of a long history of diversity and quiet, small-town living. Elders recall the days when everyone, regardless of ethnicity, earned the same wage at the local steel mill.

But ever since the September 2002 arrest of six Yemeni-American men, who later pleaded guilty and were jailed for training in Al Qaeda terrorist camps, Lackawanna wants nothing more than to forget what happened on the rustier side of the town, across the railroad tracks, in the heart of the Old Ward's Muslim enclaves.

The city's residents especially those in the tight-knit Yemenite community take to the words "Lackawanna Six" like fingernails to a chalkboard. "Anytime anything happens, the Lackawanna Six story gets revived and repeated, even if an

issue is not related to it," says Dr. Khalid Qazi, president of Western New York's American Muslim Council. "We are consumed by describing who we are not rather than who we are." The town's mayor, Norman Polanski Jr., adds, "We're beat down by the Lackawanna Six."

Muslim families, mostly Yemeni, began pouring into the town to work at Bethlehem Steel in the 1930s, which for years gave backbone to an otherwise dreary economy. While the industry shrank in the 1980s and employment dwindled, the Yemeni community continued to grow, numbering around 4,000 today in a city of 19,000.

These days, their biggest grievance doesn't seem to be the still depressed economy (not unlike much of upstate New York) or the neighborhood's steadily troubling poverty rates (around one third in Yemenite areas, according to the mayor's office). Many seem more worried that their children will never live down the community's past connection to terrorism.

A flare up last October involving the Lackawanna High School varsity soccer team illustrates how the terror

case still vexes the entire community. After losing a playoff match against Akron (a whiter, wealthier nearby town), Lackawanna players spit and swore at the other team, according to reports filed with the Lackawanna School District.

Some of the players even turned on their own coach and athletic director, directing abuse at both. One team captain was arrested on harassment charges for allegedly shoving an official, according to The Buffalo News, but the charges were eventually dismissed.

In November, the Lackawanna School Board voted unanimously to suspend both the varsity and junior varsity programs for a year, tacking on 3 years of probation after that.

While some players involved accepted responsibility for their actions, many felt that the punishment was unduly harsh particularly the decision to suspend the junior varsity team.

At the school board hearing in November, according to the Buffalo newspaper, team member Ali Albanna said, "I want to apologize on behalf of my teammates and myself ... Looking back at that day, I feel

foolish and deeply regret it, and I am sure my teammates feel the same way. My teammates and I accept any punishment we get, but don't make the younger kids pay for our mistakes."

Abdul Noman, the team's coach, thinks the punishment is more severe because of the terror case. "After Lackawanna Six, people started picking on us. This is nothing more than racism," he tells Newsweek. But Paul Hashem, superintendent for the school district, says the incident was merely the "last straw" in a long history of bad behavior by the soccer teams.

According to Hashem, the regional high school league, Section 6, was primed to issue more severe punishment to both teams long before the school board's decision. "If the school board did not take action, the league was prepared to take more drastic action and more years (of punishment)," he says.

Still, Lackawanna players and some community members insist they're being unfairly discriminated against because of race and the Lackawanna Six. It's common knowledge among opposing teams and

referees that several of the men who pleaded guilty once played on the Lackawanna high school team and went on to the adult league of Lackawanna's Yemen Soccer Club, which also houses the high school teams.

Lackawanna players say opposing fans have been known to call their teams "Home of the Lackawanna Six" and taunt players with quips like, "Go back to Yemen" and "You're terrorists." Opposing player Stephenolley, 18, from North Buffalo, says outsiders often teased him to watch out for the Lackawanna team. "Ever since 9/11 a lot of things have changed, and just because of their ethnicity they get a hard time," saysolley.

These unfair associations are complicated by the fact that Coach Noman is actually the uncle to one of the Lackawanna Six, Yasein Taher. "My nephew, yes he went to the (Al Qaeda) camp, but he didn't know what he was doing," says Noman, who was quoted frequently in the media after the arrests of the six local men.

Of course, having a blood relative who's pleaded guilty to a crime doesn't make a person guilty of anything. And just because a former teammate or coworker is a criminal doesn't mean you're one too. Authorities have never suggested that Coach Noman or any of the current soccer players have had any involvement with terrorism.

While the "terror taunts" aren't fair, there's no denying that Lackawanna plays a rougher game. According to Section 6, the team has accumulated more red and yellow cards than any other program in its league over the past six years.

"I don't know if it's a cultural thing, because soccer's not like that for the US," says opposing coach Jim McCready of the Tri-Town United team in neighboring Elma. Noman doesn't dispute that claim. "Soccer is the only sport in Yemen," he says. "Yemenite youth take it seriously because nobody wants to lose. We start them at age 5. We go hard to the ball."

That aggressive style may antagonize some referees, some of whom have very pointed views about the Lackawanna team. John Kramer, who refereed the playoff game that got the teams suspended, describes how

players treated their female athletic director that day. "You know the Arab community. They do not like women with authority," he says, adding that the team's behavior is "unnatural" and that, at a certain age, the players "become indoctrinated" and come back from trips to Yemen "as crusty as ever."

Kramer also expresses frustration with Lackawanna's fans. "All the women fans sit in one corner, because, you know, they can't sit with the men, and they make that Arab sound," he says. "I can't imitate it. And I'm thinking, 'My God, what is this?' he says, referring to the women's ululating, a high-pitched, singsong wave of the tongue common to Middle Eastern celebration.

Back at the Lackawanna Yemen Soccer Club's clubhouse, it's not hard to see why soccer is so important to the Yemeni community. Noman pours his life into the club and strives to make soccer the centerpiece of his players' lives. The clubhouse is a sight to behold.

The first floor teems with kids at Internet-ready computers, foosball tables, ping-pong matches and video games. Club jerseys hang high in the

stairwell, some in Arabic, some English, some both. Upstairs hangs a Yemeni flag, complemented by an American flag on a juxtaposing wall and framed by rows of trophies.

Soccer "makes us stay in school," says JV center offense player Nayef Al-Hajjaji, 14. "We stay out of the streets." The boys and young men spend "all night, all day" at the club, says star varsity player Hamud Alasri, 17. Alasri, a rising senior who was hoping for a college soccer scholarship, says he no longer has that opportunity due to the suspension.

But Alasri, like many of his teammates, says he is still proud of his country despite differences with the school board and others in his community. "I love being an American," he says. "This doesn't change the way we feel about the US, just the school district," adds junior varsity goalkeeper Mana Mosen, 14. Because above all, says Alasri, "We were born here. We're the same as anybody else. I guess some people just don't want to know that."