

# Projects of Mass Destruction (PMD) and Asian Development Bank The Case of Phulbari Coal Project

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In a press conference on 27 March 2007, Hua Du, the Asian Development Bank (ADB) country director in Bangladesh expressed ADB's eagerness for the quick decisions in favour of big Indian corporate group TATA's proposals related with gas and coal, and British company Asia Energy's (AEC) Phulbari Coal Project (PCP).

Hua Du categorically stated, 'Business is business. You would have to decide whether to grab it or not'. She also added that, 'the offer of FDI (Foreign Direct Investment) won't wait, they will go away, it is vital to take decision<sup>1</sup>'. The report of leading English weekly further stated, 'In case of Asia Energy, analysts feel that there is little room to say 'yes' as the shady project has already claimed lives of people in Phulbari, the project site in Dinajpur district. Moreover, the proposed coal policy is very controversial. Thus, the incumbent government needs to review the coal policy very carefully before saying anything in final terms.' (Holiday, April 1, 2007)

It is important to note that about seventy thousand people were gathered in Phulbari on 26 August 2006 to protest against the proposed open pit mining PCP. They were bullet shot by government forces while returning from the protest rally. Hundreds were injured, about 20 people got permanent injury and three were killed. Instead of stopping protest people multiplied in road and mass uprising happened. After days of intensive protest participated by Bangalee, Adibashi (indigenous people), women, men, senior and children, government accepted defeat and signed contract with the protestors. That historic social contract stated clearly, among others,

1. 'Phulbari coal project will be scrapped and Asia energy will leave the country.'
2. 'No open pit mining will be allowed anywhere in the country'.
3. 'Steps for coal development and utilization will be taken after proper consultation with the people keeping national interest in tact'.

Meanwhile an expert committee formed by the government submitted its report that opined that the project should be cancelled in environmental, economic and legal consideration. Nevertheless, nothing could change ADB's mindset.

Why Asian Development Bank is on the one hand so enthusiastic to back AEC, and remain indifferent about experts' opinion about the Project or local peoples clear NO to the project on the other? Why profit for a company is preferable for ADB even if it costs peoples lives, livelihood and environmental disaster although their written commitments say otherwise?

## **ADB for PMDs**

If anybody looks at ADB funded projects and their consequences in Bangladesh one should not surprise with its present role on Phulbari project. ADB is generally known as

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<sup>1</sup> Read details about recent FDI disaster in Bangladesh in  
<http://www.countercurrents.org/bangla-anu220906.htm>

the World Bank in Asia, that always goes hand in hand with the World Bank and IMF in neoliberal policies that put corporate profit as the supreme objective at the cost of peoples lives and environment. This may be unknown to the people of developed countries, whose money is spent on these institutions in the name of development and poverty reduction, we find this 'business as usual' practice of ADB, like the World Bank and the IMF in larger scale.

ADB so far has funded numerous projects in Bangladesh. ADB funded project in forestry created deforestation in different places and make forest land a private business. Development projects, for example, in Chokoria, Coxbazar destroyed forest and salinized land in order to give space to export oriented shrimp cultivation. Project in Modhupur turned forests into rubber plantation and land of cash crop, gave business to few and created high insecurity amongst indigenous people (Gain, 1998, 2006).

On March 18, 2007 Choles Ritchil, a leader of the indigenous Garo people living in the Modhupur forest area was killed after barbaric torture by the government forces, another leading person was killed on January 3, 2004 by police firing for opposing an eco-park project. ADB has been involved in forestry projects for social forestry and many other plantation and cash crop projects. These funding and policies towards deforestation, privatization and marketization strengthened market and business orientation. A network of beneficiaries of these orientation want to go further by evicting Garo people in the name of ill conceived Modhupur forest Eco-Park project, under which a wall is being constructed around 3,000 acres of Modhupur forests. This wall will destroy the forest and disrupt the livelihood of the Garo and other indigenous people who live in the area and depend on the Modhupur forests for their livelihood.

ADB funded projects in water and irrigation gave business to local-foreign consultants and contractors a good business but created permanent water logging in different parts of the country. In southern part of Bangladesh, the success and failure of project put lives of about 2 million people in a horrible situation (Islam and Kibria 2006).<sup>2</sup>

In education sector ADB projects created path for privatization, high corruption and disastrous reform. Protests from teachers and students compelled previous government to stop from implementing reforms but huge money wasted in the process. ADB was successful in lending, but Bangladesh became indebted for creating mess.

In energy sector, ADB has been involved since early 1980s in formulating policies to privatize common property and to create favourable path for foreign corporate. Along with the World Bank, projects of the ADB helped MNCs to grab natural resources in terms and conditions very unfavourable for people of this country along with dismantling of national institutions and erosion of capabilities (Muhammad, 2003).

How did that happen? Let me point out the steps taken by the ADB and the World Bank regarding this sector as follows:

Step 1: Study on Energy by the ADB and the World Bank provided a policy prescription to restructure and downsize public sector organizations in order to create space for foreign private sector (since 1982).

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<sup>2</sup> For projects on irrigation read, <http://www.countercurrents.org/en-muhammad310704.htm>

Step 2: Argument followed that the foreign private investment would provide an inflow of foreign currency, would ensure remarkable development of the energy sector and would contribute to develop other sectors as well. Precondition of this was to downsize or dismantling public institutions (1980s).

Step 3: Constant advocacy by the ADB and the World Bank for rising price of gas and electricity (since 80s).

Step 4: Gas blocks awarded to the Multinational Corporations. As a result of the contracts Bangladesh became trapped to purchase its own gas with triple of the price from local company and with foreign currency. National exploration agency has been kept idle. Budget deficit and negative effect on foreign exchange reserve increased due to obligation to foreign company. Similar things happened in power sector since 1993.

Step 5: Further increase of the price of gas and power along with export of gas have been prescribed by the ADB and the World Bank to avert further crisis and to ensure further development since 1997.

The results of these steps have been disastrous for the economy and the people. Because, (1) price of gas and power on a continuous increase, as a result of that (2) cost of production at every level increased that resulted fall in competitiveness of Bangladeshi product; (3) hard earned currency are being used to purchase gas and electricity which could be bought with local currency at a much cheaper rate; (4) dismantling of local production skill and exploration establishment; (5) financial losses of state agencies, as a consequence, reaches huge; (6) common property becomes private property being used to maximize corporate profit and (7) public non-renewable resources like natural gas becomes huge liability<sup>3</sup>.

The same instruments and similar arguments are being used to rationalize further grabbing of coal and gas resources by Indian big corporate body TATA and British company Asia Energy Corporation (now named as Global Coal Management) in multiple disastrous projects. ADB is still using its power and influence derived from public money to serve companies at the cost of people and environment.

This is a 'road map' to ensure gravitation of businesses to big corporate bodies and yet creating and trumpeting a myth that these are for development and poverty reduction. People in Phulbari gave their lives to stop PCP, one of such projects and gave signal that people will not accept FDI that goes against national interest and creates disaster for present and future generations. ADB makes its stand clear against peoples' verdict.

## **Natural gas, Coal and Oil resources: Constraints for Bangladesh**

In order to ensure energy security of a country like Bangladesh and to find the best possible path to explore natural resources we need to keep following constraints in mind:

1. Oil, gas and coal are non-renewable resources, cannot be reproduced;
2. These resources are limited, while domestic demand is growing;
3. Global uncertainty and conflicts on oil, gas and coal mark insecurity for the weak countries;
4. Energy price rising and becomes unpredictable.

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<sup>3</sup> For further discussion on the issue see, Anu Muhammad: "Foreign Direct Investment and Utilization of Natural Gas in Bangladesh" in [http://www.networkideas.org/featart/jul2004/fa26\\_FDI\\_Gas.htm](http://www.networkideas.org/featart/jul2004/fa26_FDI_Gas.htm), 2004

To ensure best possible utilization of energy resources in present and future, every steps concerning exploration, production and utilization of these resources should be transparent. The contracts patronized by ADB or World Bank-IMF has always been secretive. To ensure energy security:

- The sector should be organized with an objective to fulfill energy demand (present and future) of people and the productive sectors;
- Peoples ownership and authority over their own resources must be ensured;
- Development of national institutions and capability must be get the highest priority.

However, main features of government policies derived from ADB, WB support to date are:

- There has never been any attempt so far to have comprehensive energy policy and related steps that is consistent with national interest and energy security of the people.
- Non-renewable resources have always been considered as something tradable.
- Privatization and commercialization of gas, coal and oil has been on the top priority.
- Global agencies systematically worked to grab the resources in favour of global corporate. Foreign aided development projects were utilized to formulate policies in this regard. Energy sector study project of 1982, Energy regulatory commission in 1993, Gas sector master plan and Coal policy in 2006 are some of the examples where World bank, Asian Development Bank were involved.
- Dismantling of national agencies, undermining national capabilities, ignoring national needs in short and long term have been common.

### **Phulbari Coal Project: Why people and experts oppose?**

The Phulbari coalfield was the latest discovery among the big four coalfields found in Bangladesh since independence. In 1994 the then government signed agreement with the BHP of Australia, in 1998 BHP transferred its right to one year old British- Australian company Asia Energy Corporation (AEC).

The AEC was preparing itself for open-pit mining. It said in its documents, 'Mining by the open cut method is new to Bangladesh, but it is a proven and highly productive and safe method in similar geological and hydrological conditions in other parts of the world such as Australia, India, Indonesia and Germany.' It goes without saying that projecting such a sweeping comparative statement as expert opinion is ill motivated. Leaving aside other criteria, the population and water aspect in Phulbari is entirely different from the reality in other countries like Australia or Germany even India or Indonesia.

The AEC further stated in defense of open-pit mining: 'Adoption of this method will permit the fullest extraction of coal resources, and will augment duration of the mining period and thus enhance socio-economic opportunity, income prospects and gains for the Bangladesh economy.' It was not made clear who would bear the cost and who would be the beneficiaries of this 'fullest extraction'! We know the beneficiaries are company and allies while losers are the people and the country.

Key points of the Project are:

- The latest figure for the extractable quantity of coal in Phulbari is 572 million tonnes. Besides coal, the mine contains high-grade silica (sand), ceramic clay, Madhupur clay and gravels and rocks of high quality.
- The coalfield will extend over 135 sq km. Again, the area, which can be affected directly or indirectly during the mining operation including de-watering, will be nearly 656 sq km.
- This area is very fertile, paddy output is high, and nearly all the land yields three crops per year!
- The business activities in the non-agricultural sector are also expanding fast.
- The density of population is very high, 4245 per sq km.
- The company says, as the mine advances during the first 5 to 10 years, between 15,000 and 20,000 people will have to be resettled, and over the 30-year life of the mine, the total number of people resettled could be 50,000. According to the local sources, the affected number of people may go beyond 2,00,000!
- Because of the coal-mining operations, the production activities of the entire area in agriculture, livestock, fisheries and forestry will be totally destroyed and will remain unproductive for an indefinite period! The products here include Aman, Aus, IRR1 and Boro varieties of rice, wheat, mustard, potato, corn, banana, sugarcane, jute, chilli, garlic, onion, vegetables of all varieties, and numerous fruit-bearing and timber trees.
- There are also rivers and canals, beels, and fish farms numbering over a thousand, and farms that rear ducks, hens and cattle, etc. Besides the above, there are many shops, and business and commercial houses. Economic activities in the entire area will come to an end.
- Desertification will ruin lives and livelihoods in greater area beyond mine site.
- Water contamination in the mining area may affect total water system of the country because of its network.
- AEC stated that ‘during the operation of the mine, 2,100 short-term and 1,100 long-term positions would be available for employment’. AEC has been deafeningly silent about the fact that livelihood of over 2,00,000 people will be destroyed by its operation.
- If we consider only coal in the mine, AEC could make profit Taka 1,500 billion (more than US\$ 200 billion) in thirty years.
- On the other hand, Bangladesh could receive, by way of 6 per cent royalty and taxes, \$7 billion or Tk 48,000 crore in thirty years, little over Tk 1,500 crore per year. In this context, it should be noted that currently the export earning of Bangladesh has exceeded Tk 60,000 crore per year. Bangladeshis working abroad send foreign exchange remittances worth around Tk 30,000 crore per year.
- According to company’s account, considering the adverse effect on production and economic activities, the total loss for Bangladesh will be Tk 1,800 crore per annum! So net loss per year would be 300 crore taka in addition to loss of coalfield and environment.

**Problems, Flaws and Irregularities with the project:**

1. The contract signed with the Asia energy shows royalty to be paid to the government of Bangladesh as 6 per cent of the production, although the original contract with BHP had been 20 per cent.
2. The coalfield was transferred from BHP to AEC in 1998, but no gazette notification was served at the time.
3. Submission of development plan as PCP needed a deposit of 3 percent Bank guarantee but no deposit was made.
4. Mines and minerals Rules 1968 (amended in 1987 and 1989) According to clause 41, it allows only 400 hectares for open pit, but the AEC's project is for nearly 6000 hectares. The land allocated for the mine was more than 10 times than the existing law permits.
5. According to clause, 43 leases can be made only for 10 years and extension can be made upon review but in AEC's case, it is for 35 years.
6. According to international law, practices and convention, any development project requires consent of local people where the project is to be implemented. Asia Energy has made lies and false campaign on this claiming people have consent on the project.
7. The company did not publish its plan and document to the people of the area and did not go for circulating. Only thing they circulated is a propaganda sheet hiding consequences and glorifying the project.
8. UN convention categorically stated that if any project area has indigenous inhabitants than it is mandatory to have full consent from them. The PCP was advancing completely against the opinion of indigenous people.
9. After obvious failure to convince people on the project Asia Energy was engaged in bribing people with cash and kind to become informer against agitating people, they also tried to terrorize people by hiring and organizing mastans and goons.
10. Long before getting final work, order Asia Energy started mobilizing capital from London stock market. `Some 48 million shares were floated in 2004, rocketing up to a price of 900 pence a share by March 2005, for a total market capitalization of over \$800 million, six months before the Department of Environment of the Government of Bangladesh granted Environmental Clearance for mining on 11 September 2005. Asia Energy envisioned a \$1.1bn (£578m) investment and was negotiating for backing from the Asian Development Bank and the US Ex-Im Bank.' (Analytical monthly review, 15.10.06).

## **Conclusion**

If AEC and its local commission agents and collaborators could succeed in implementing their sinister plan, the foreign company would leave Bangladesh after grabbing an astronomical sum as profit, and the sycophantic agents and devious politicians would be bloated by commission money gorged by them, and today's green, living and thriving Phulbari would be permanently consigned to the status of a disfigured wasteland. No one can predict what would be the condition of the people remaining in the region.

Therefore, the Phulbari project is nothing but a project of mass destruction and genocide. It is economically irrational, environmentally disastrous to a scale unprecedented in the country. It is legally flawed, corrupt and deceptive.

People of Phulbari by sacrificing lives halted this project. They have written peoples verdict in blood:

- People will not accept any FDI that goes against interest of the people and the country;
- People will not honour any contracts secretly signed by the commission agents, keeping people in the dark and against their will;
- Natural resources are common good; this cannot be privatized for corporate profit that must be used for people's need and development.

We must recall that in 1964 USAID funded a Hydroelectric project in Chattagram, south east of Bangladesh, that evicted nearly one hundred thousand indigenous people. Most of them are still not resettled, not being compensated. Although that project generated some electricity, but permanent conflict created by the project till today cost Bangladesh went beyond benefits decades ago. Power generation also now facing crisis. Meanwhile whole peaceful and beautiful landscape turned into an area of conflict, gave birth to insurgency, resulted militarization, caused regular casualties and drainage of public money. Distrust, violence, blood bath all continues. USAID was successful in project sense; generations in the country are paying for their sin.

Comparatively, Phulbari coal project is much more disastrous in many ways. Nevertheless, ADB is showing determination to go with the project. If this can make a success TATA will come with another open pit for Barapukuria, adjacent area.

People in Phulbari area showed their determination to protect their lives and national interest. If anybody now goes with the project, in another way, asks for genocide in different forms. Now people of countries that dominate ADB have to take a decision whether they want to see their money being utilized to invite genocide, mass destruction, environmental disaster just to satisfy vulgar greed of a company.