

La brigade Oil and Gas : réactions fragmentaires aux avancées capitalistes dans la province de Sindh au Pakistan

Aasim Sajjad Akhtar

Résumé

En novembre 2008, la proposition de privatiser le plus grand gisement gazier de la firme gouvernementale Oil and Gas Development Company Limited (OGDCL) a été repoussée par un mouvement composé de travailleurs de l'OGDCL et de militants politiques. Les organismes politiques et l'intelligentsia de la province de Sindh, où les champs de l'OGDL et d'autres gisements gaziers sont situés, ont joué un rôle crucial en forçant le gouvernement à renverser sa décision. Pourtant plusieurs autres sociétés étrangères d'exploration pétrolière et gazière ont manqué à leurs engagements d'embauche locale et de réinvestissements des profits sans s'attirer de protestations significatives de la part des travailleurs et des collectivités locales. L'auteur explore ces réactions contradictoires. La plupart des syndicats pakistanais sont formellement opposés à la privatisation; cependant, les travailleurs et les collectivités locales de Sindh sont prêts à accueillir l'influx des multinationales pétrolières et gazières pour peu qu'elles s'engagent, même théoriquement, à créer des emplois et à réinvestir une modeste part de leurs profits localement. Cette incapacité des travailleurs pakistanais à s'organiser au delà des divisions ethniques pour articuler des prises de positions politiques claires face aux réformes néolibérales permet au capital multinational de se livrer au pillage mercantile pratiquement sans contestation.

The Oil and Gas Brigade: Fragmented Responses to Capitalist Penetration in Pakistan's Sindh Province

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Abstract

In November 2008, the proposed privatization of the government-owned Oil and Gas Development Company Limited's (OGDCL) biggest gas field was repulsed by a movement of OGDCL workers and political activists. Political organizations and the intelligentsia in Sindh province – where the gas field is located – played a crucial role in forcing the government to revoke its decision. Many foreign oil and gas exploration companies are based in Sindh province including, but not limited to, British Petroleum in Badin district and OMV Aktiengesellschaft in Sukkur district. Despite the fact that these companies have not fulfilled commitments with regard to hiring practices and local investment of a share of their profits, they have not faced substantive protests on the part of workers and local communities. This article compares the responses to the announcement of privatization of the OGDCL gas fields to the employment and social practices of the already operating private companies. Formally, most trade union federations in Pakistan stand opposed to privatization, but local workers and communities in Sindh welcome the influx of multinational oil and gas companies if the latter are even nominally committed to providing some employment, and re-investing a small share of their profits back into local communities. The inability of workers to organize collectively across Pakistan's various ethnic divides and thereby articulate clear political positions vis-à-vis neoliberal reforms has left the profiteering of multinational capital largely unchallenged.

Introduction

Oil and gas are arguably the most sought after natural resources in today's world. It is now increasingly being recognized that known reserves of oil and gas in the world have reached a peak level and that in decades to come oil and gas

supplies will not be sufficient to match demand (Hanlon and McCartney, 2008: 648-49). Many First World countries, the United States foremost amongst them, possess both the technology and land to be able to dramatically lessen dependence on fossil fuels to meet energy needs. This would require an investment of more than US\$400 billion – less than the annual US defence budget – over a period of 40 years (Zweibel, Mason and Fthenakis, 2008: 64). Yet the war-making of the George W. Bush years – particularly the Iraq imbroglio – revealed that the political will required to reduce the dependence on oil and gas simply does not exist in the ‘belly of the beast’. Instead, the interests of American (along with other multinational) oil and gas companies seem to be a major determinant in the push to secure exclusive control over increasingly scarce oil and gas reserves (Harvey, 2003: 18-25).

Notwithstanding the considerable emphasis placed on slogans such as corporate social responsibility (CSR), the engagement of multinational oil and gas companies with the local communities that sit atop supplies of oil and gas continues to be determined primarily by the profitability requirements of the former. In the neoliberal epoch, the state has become increasingly willing to facilitate the profiteering of foreign exploration companies in accordance with the wishes of the international financial institutions (IFIs). While the public relations efforts of foreign companies have ensured that major fallouts such as the Shell debacle in the Ogoni regions of Nigeria have become much less common, the social and environmental record of oil and gas companies in the Third World remains dubious (Yusuf, 2008: 56-58).

This article will discuss foreign oil and gas companies operating in the Sindh province of Pakistan with a specific focus on the engagement of workers and local communities with these companies and the government. Local communities and the organized trade union movement are generally unable to compel foreign companies to fulfill formal commitments *vis-à-vis* hiring and training, reinvestment of profits into local communities and payment of royalties. They also have little influence over government policies which tend to privilege the interests of capital over those of labour and local communities. In short, the organized trade union movement lacks political coherence and is organizationally weak.

Notwithstanding the broader context, workers and local communities secured a rare success in November 2008 by forcing the government to retreat on its decision to privatize the public Oil and Gas Development Company Limited's (OGDCL) largest gas field in Sindh. I argue that the anti-privatization movement reflected the claims of a broad cross-section of Sindhi social and political forces that emphasized the claims of Sindhis as an *ethnic* group. In comparison, the *class*-based claims typically associated with labour movements were conspicuous by their virtual absence. Through the course of the article it will become apparent that the dominant idiom of resistance to the state and corporate capital in Pakistan is in fact ethnic-nationalism (of underrepresented ethnic groups) rather than class. Throughout the 1970s, the labour movement was quite well organized and the politics of class was more salient, but in practice political mobilization of working people was informed by ethnicity (and other non-class identities) as much as by class. In recent decades the trade union movement and the political left more generally have fragmented and therefore the language of class has receded into the political background.

Under this backdrop, this article will highlight the varying responses to capitalist penetration in Pakistan's resource-rich economy. It begins by stating two related hypotheses: first, multinational oil and gas companies (or for that matter, multinational capital in general) will always intervene in Third World societies with a view towards exploiting natural resources to the greatest extent possible. Such a paradigm is harmful to Third World economies and directly affects local communities in the long-run (both socially and in terms of ecological sustainability, or lack thereof). There is no reason why natural resources such as oil and gas cannot be managed locally, sustainably and equitably without condemning Third World economies to a 'resource curse'. Second, the emergence of such an alternative model of resource management is largely a function of the political power of representative organizations of workers and local communities. In other words, empowered social and labour movements are essential if the imposition of foreign capital and the IFIs is to be resisted and the state is to be compelled to protect the entitlements of workers and local communities instead.

A short note on methodology: this article is based on

extensive perusal of the printed materials of the multinational oil and gas companies operating in Sindh as well as interviews with workers and management in these companies. I have also engaged deeply with OGDCL union leaders as well as others who participated in the anti-privatization movement in late 2008. I, myself, was active in this movement.

Labour and Neoliberalism

Labour movements around the world continue to suffer from the concurrent effects of the collapse of ‘actually existing socialism’ and the onset of neoliberalism. In the Third World, in particular, the fiscal disciplining regimes imposed on countries by the IFIs have had profound impacts on the political power of labour. In a minority of cases, labour has mobilized effectively to challenge privatization of state-owned enterprises as well as inflation, unemployment and an overall decline in social and economic conditions. In Latin America, of course, social and labour movements have laid the way for populist – some might argue socialist – regimes to come to power. In most Third World countries, however, labour movements have been unable to halt the neoliberal tidal wave.

In Pakistan, organized trade unions have ceased to exert any meaningful influence in mainstream politics. The labour movement has suffered a precipitous decline, from a peak in the early 1970s, due to suffocating objective conditions² and the inability of trade unions to transcend prevailing patron-client trends (see Candland, 2007). After the toppling of Zulfikar Ali Bhutto and his government in 1977, trade unions have been notably absent in policy debates related to labour, and the economy more generally.

Indeed, major trade union federations in Pakistan acceded to the neoliberal policy paradigm soon after the government of Pakistan signed the first structural adjustment agreement with the IFIs in 1988. In 1991, the All-Pakistan State Enterprises Workers Action Committee (APSEWAC) was formed as a broad coalition of major trade unions to negotiate concessions for workers in public enterprises that were slated for privatization. APSEWAC’s major ‘achievements’ were the retention of all workers for 12 months after privatization and a fairly mediocre compensation package which became known as the ‘Golden Handshake Scheme’ (Candland, 2001: 79-80).

Major trade union federations based primarily in the public sector came together in 1995 under the auspices of the Pakistan Workers Federation (PWF), but both within the federation and outside of it, the prevailing trend is towards pocket unionism in which workers retain virtually no autonomy *vis-à-vis* their employers. Only a handful of unions actually affiliate themselves openly with political ideologies, and the majority of these are associated with the right-wing religio-political organization, the Jamaa't-e-Islami (JI). For the most part, the very concept of trade unionism has degenerated to reflect the patronage-based practices that prevail within the political sphere³. In short, the concept of collective bargaining exists only in principle, whereas in practice trade union leaders are conceived of as individual patrons who can secure access to the state and its resources.

With the adoption of flexible accumulation strategies by both domestic and foreign capital, the organizing of workers in private industry has virtually ground to a halt. Meanwhile, within public sector enterprises that were the heartbeat of the trade union movement, workers have been victims of many draconian restrictions, most notably the Industrial Relations Ordinance 2002 (IRO-2002) which was implemented by the military regime of General Pervez Musharraf (1999-2008)⁴. Under a presidential ordinance that preceded the promulgation of IRO-2002, the government empowered itself to fire workers in the public sector at will, leaving no recourse to workers to defend themselves.

Thus, between 1999 and 2008 when elected rule was finally restored in the country, the already weak and fragmented trade union movement was undermined further. For example, trade unionism within Pakistan Railways, the largest public employer and historically the most vital cog in the organized trade union movement, was virtually eliminated⁵. The one major resistance movement of organized workers during Musharraf's tenure, that of Pakistan Telecommunications Company Limited (PTCL) workers resisting privatization, was eventually defeated due to the isolation of striking workers from the rest of the labour force (see Akhtar, 2005).

As stated at the outset, the purpose of this article is to illuminate the fragmented responses of workers and local communities to capitalist expansion, using the oil and gas sector in Sindh as a case study. Sindh is home to the majority of

Pakistan's oil and gas reserves and a sizeable number of multinational oil and gas companies operate in the province. The majority of OGDCL gas and oil fields are also located in Sindh. In November 2008, the recently elected federal government run by the Pakistan People's Party (PPP) announced that OGDCL's Qadirpur Gas Field was to be put up for sale. The announcement precipitated considerable protest amongst OGDCL workers across the country as well as among broader political and social circles in Sindh. By juxtaposing this anti-privatization movement upon the established patterns of engagement of Sindhi workers, intellectuals and local communities with multinational oil and gas companies, I will draw some inferences about the state of the labour movement in Pakistan. I begin with a brief conceptual discussion about the dialectic of ethnicity, class and state.

The Trade Union Movement, the Left and Ethnic-nationalism

In theory, Pakistan is a federation in which the central government has limited powers and the provinces are autonomous in matters of resource allocation and administration. In practice, the system of government is federal only in name, the result of which has been substantial political conflict over time. Indeed the permanent institutions of the state – the civil bureaucracy and the military – are the country's dominant political players and have concentrated powers at the centre whereas provinces have generally been financially and politically weak (Khan, 2005).

There are two related aspects to the concentration of powers in Pakistan. On the one hand, federating units, including Sindh, have little power *vis-à-vis* the federal government, and the largest province, Punjab. On the other hand, the permanent institutions of the state are overwhelmingly staffed by ethnic Punjabis, while other ethnic groups, particularly Sindhis, Baloch and Siraikis, are underrepresented. The Pakistani state broke up in 1971 because the then Bengali ethnic majority chose to secede rather than continue to be subservient to the Punjabi-dominated state apparatus. This remains the only instance in modern history of a majority population seceding from a minority (Ahmed, 1973).

Even after the secession of the eastern wing of the country, ethnic-national resistance has remained prominent⁶. Yet in the past, the labour movement in Karachi and other major

urban centres represented an alternative identity – that of class – around which workers could coalesce. In some ways, it can be argued that Pakistan's labour movement has, since the very inception of the state, been involved in a struggle to establish class as a political identity. Even during the major labour uprisings in the late 1960s and early 1970s,

cleavages within the working class itself were just beneath the surface. Difference based on political affiliation, region, language, and ethnicity were dividing Pakistan's working class in this period, even as some trade union leaders and radical political activists made simultaneous efforts to consolidate a united front of working-class rights (Ali, 2005: 101).

There is now a plethora of literature on working-class culture which clarifies that idealized notions of working-class consciousness, uncontaminated by 'primordial' identities, can actually obfuscate more than they illuminate. From the pioneering work of E.P. Thompson to numerous studies on the colonial encounter and the post-colonial conjuncture, it has become clear that working-class culture cannot be choreographed in linear ways to correspond to the expansion of capital across the globe (Thompson, 1991; Ludden, 2003) This general insight notwithstanding, within the Pakistani context peculiar factors have conspired to ensure that a relatively vibrant politics of class has given way to much more parochial forms of politics.

To a large extent, the decline of class politics followed from the collapse of the Soviet Union and the Chinese retreat from socialist economics, events which precipitated an existential crisis for leftist groups that exerted influence on the trade union movement in the preceding decades. Left-wing parties (in Sindh as well as the rest of the country) fragmented, which meant that a large number of radical activists retreated from working-class politics entirely, while many others were co-opted into NGOs⁷. Thus, leftist currents within the trade union movement declined sharply and the challenge posed by these elements to divisive non-class identities within working-class circles faded. As I suggested at the outset, the very concept of trade unionism degenerated, and collective mobilization gave way to patronage and graft.

Candland (2007: 38) appears to argue that patron-client relations between rank and file workers and trade unionists are a structural feature of the Pakistani social formation. At the same time, he recognizes that the “the opposition of the ruling classes – the bureaucratic and military elite – to workers’ organizations is central to understanding why class identities, despite their importance to everyday social relations, fail to be replicated in formal politics” (ibid). A space was created in Pakistan in the 1960s, through the late 1970s, for the patronage principle to be definitively challenged by a politics of class. During Zulfikar Ali Bhutto’s time in power (1972-77), and then more conclusively during the dictatorship of General Zia ul-Haq (1977-88), progressive tendencies within the trade union movement were crushed and/or co-opted and patronage-based exchange was reasserted by the state.

The degeneration of the trade union movement meant that the relatively unified class-based resistance of the past (directed at propertied classes as well as the state) was increasingly replaced by ethno-nationalism which emphasized only the ethnic imbalance in the state. This was the case not only in Sindh but also in Balochistan province and the Northwest Frontier Province (NWFP)⁸. What I want to highlight here is that the ethno-national idiom that has been employed by Sindhi activists in their opposition to privatization of the Qadipur Gas Field and the practices of foreign oil and gas companies is insufficient to produce meaningful improvements for unskilled workers and local communities in their engagement with foreign companies.

Oil and Gas Exploration in Pakistan and Neoliberal Reforms

The Pakistani state created OGDCL in 1961 to stimulate oil and gas exploration. Throughout the 1960s, OGDCL discovered oil and gas reserves throughout Sindh, and to a lesser extent in Balochistan. These discoveries were a fillip to exploration by foreign companies, the majority of which were American⁹. Exploration has continued in subsequent decades and the presence of foreign companies in Sindh is now considerable: at least 12 multinationals operate oil and gas fields in the province. Amongst the more prominent are Shell, British Petroleum, OMV and Tullow Oil Plc.

Sindh produces more than 70% and 56% of Pakistan's total gas and oil respectively, but consumes 30% less than what it produces. Due to a decrease in the amount of oil and gas extracted in fiscal year 2008/09, Sindh was paid PKR 7.7 billion¹⁰ less in royalties than in the previous fiscal year (Daily Kavish, 2009). Sindhi public opinion has consistently asserted that the incumbent state of affairs is exploitative; the 'Punjabi establishment' is the proverbial offender. On the other hand, foreign oil and gas companies in Sindh have been operating in the province for decades and there has never been any major instance of worker unrest or resistance to the companies' operations on the part of communities¹¹. This is despite the fact that foreign companies' contributions to enhancing the welfare of local communities have been limited (*vis-à-vis* positive discrimination in hiring and social investments).

It is against this backdrop that one needs to put into perspective the insistence of the IFIs that substantial change needs to take place within a sector, which until 1999, the "government tightly controlled". In particular, the emphasis is on moving towards what the World Bank describes as a "largely privatized oil and gas sector" in which the government's "primary role [is] that of a policy formulator to ensure a level-playing field". This classic neoliberal prescription is to be expected from the World Bank, and especially in the oil and gas sector, which "attracts by far the highest level of foreign direct investments into the country" (IBRD, 2003: xi)¹².

OGDCL holds 36% and 50% of the country's remaining recoverable gas and oil reserves respectively; it has the most substantial exploration and mining infrastructure and access to most known oil and gas sources. It is thus not surprising that the IFIs would want to privatize it¹³. Indeed, the attempted sale of Qadipur Gas Field was not the first initiative in this regard. Merrill Lynch was appointed as Financial Adviser (FA) to the government in 2001 to map out the privatization process. In late 2003, the government divested 5% of its shares through the stock exchange. In late 2006, another 10% of shares were divested. In short, the government has been attempting to fulfill its commitments to the IFIs consistently for the better part of a decade.

Privatization in Pakistan

The Pakistan People's Party (PPP) came to power in February 2008 after winning the general election. The PPP had been out of power since 1997 and its resurgence was all the more significant in light of the political victimization of democratic forces that was the conspicuous feature of the Musharraf dictatorship. For the purposes of this article, it is important to bear in mind that the PPP's major support base is in the province of Sindh¹⁴.

While in power twice between 1988 and 1997, the PPP towed the line of the IFIs and privatized a number of industries (the economic policies of the PPP and the Pakistan Muslim League (PML) which alternated terms with the PPP were virtually indistinguishable). A study on privatization in Pakistan between 1992 and 2002 indicates that of 88 companies for which data could be compiled, only 18 (22%) enjoyed enhanced performance after privatization while 44% operated at the same level and 34% suffered a decline in efficiency. Twenty units, including cement factories, fertilizer plants and various agri-food processing industries, shut down altogether (Khan, 2002: 5). As mentioned at the outset, the organized trade union movement did not oppose privatization per se and, as was consistent with the prevailing intellectual and political climate at the time, often described it as being necessary for growth and development.

Importantly, privatization throughout the 1990s was restricted to relatively small-scale manufacturing units. While conditionalities that came with IMF and World Bank loan agreements stipulated that many of the commanding heights, and particularly the Water and Power Development Authority (WAPDA), should be privatized, no attempt to do so was made in this first phase, ostensibly because neither the PPP nor the PML were willing to deal with the political fallouts of the privatization of such major enterprises.

The Musharraf military regime was not subject to public accountability at the ballot. It signed multi-billion dollar agreements with the IFIs and committed to privatization of the big public sector enterprises, proclaiming that it would not waver like the elected regimes of the 1990s. The first large privatization undertaken was that of the Karachi Electricity Supply Corporation (KESC) – a subsidiary of WAPDA – in early 2005. This was then followed by the sale of PTCL in June 2005 and the

Pakistan Steel Mill (PSM) in early 2006¹⁵.

Again the organized trade union movement was, at best, unable to generate countervailing opposition to privatization and, at worst, complicit in the process. In each case, pocket unions were instrumental in undermining resistance to privatization and convincing workers that their interests were best served in accepting termination and compensation packages¹⁶. Nevertheless, there was dissent voiced by a cross-section of political forces, intellectuals and some trade unionists. In comparison to the first wave of privatization in the early 1990s, by this time the triumphant proclamations of neoliberalism were starting to ring hollow. Moreover, the Musharraf military dictatorship was becoming increasingly unpopular and privatization of the commanding heights brought disparate opposition forces together. Importantly, both left and right-wing forces, as well as some 'civil society' groups opposed privatization, often for very different reasons¹⁷.

The Curious Case of Qadirpur

When the PPP came back into power in 2008, it reaffirmed its commitment to the neoliberal policy agenda. It signed a massive loan agreement with the IMF and soon announced an extended list of public enterprises that were to be put up for sale, including OGDCL and Pakistan Railways (See IMF, 2008). The sale of Qadirpur Gas Field, which contributed 14% of total gas production in the country in 2008/09, was to be given first priority (See APP, 2009). This sparked a movement which started slowly but eventually engulfed most of Sindh as well as the OGDCL workforce and an assortment of social and political forces.

Qadirpur is the name of a gas field about 80 kilometres north of the town of Sukkur in Upper Sindh. Initial discoveries of gas were made in 1990 and since then the field has emerged as the single largest source of gas in Sindh. All of the Sindhi intellectuals and political activists with whom I came into contact were convinced that Qadirpur Gas Field provides a substantial quantity of gas to the federal government (without possessing specific figures). In general, both in Sindh and Balochistan, there has historically been considerable resentment against the federal government for extracting more resources than Sindhi and Baloch ethnic-nationalists believe is legitimate. It was not surprising,

therefore, that the response of Sindhi intellectuals and political activists to the announcement of the sale of Qadirpur Gas Field was immediate.

Firstly, the OGDCL collective bargaining agent (CBA) was quite active in raising the profile of the issue. It organized token two hour strikes on a daily basis as well as rallies in the federal capital and in and around Qadirpur Gas Field. There were some very innovative forms of protest initiated in Sindh and the Siraiki belt of Punjab in which workers' families participated. For example, one of the protests involved workers and their entire families doing *dharnas* on major thoroughfares while sitting on *charpoyas* (a *dharna*, popularized by Gandhi in the anti-colonial movement, is a peaceful sit-in; *charpoyas* are traditional beds that are made with a wooden frame and knotted ropes).

The OGDCL CBA was also able to generate nominal support from the Pakistan Workers Confederation (PWC) and other public sector trade unions which amounted to the issuing of press statements and token representation at protests organized by OGDCL workers. More important was the opposition of much of OGDCL's management to privatization, ostensibly because it felt that post-privatization retrenchments would affect not only workers but also some managers. Managers did participate in some protests, but mostly expressed their opposition to privatization in less direct ways than workers. This included go-slow days, as well as making opinions known to the powers-that-be through friends and colleagues in other government departments. The OGDCL CBA general secretary Aqleem Kham intimated in an interview that this opposition within the state bureaucracy was formidable and one of the major reasons the government could not follow through on its commitments to the IFIs.

However, the tone of the Sindhi press immediately after the privatization announcement reveals that the major reason why the PPP government was eventually forced to repeal the privatization announcement was the vociferous opposition it faced from within Sindh. Editorials in the main Sindhi language newspaper, *Kavish*, for at least a week after the announcement emphasized the fact that the decision to privatize the Qadirpur Gas Field was made without any concern for *Sindh's* interests (as opposed to the interests of the working class or even communities in the vicinity of the field). Within a few days of the privatization

announcement, a wide cross-section of political forces in the province became active. The Sindhi nationalist parties in particular were very vocal in their opposition; the leader of the Sindh Taraqqi Pasand Party (STPP), Dr. Qadir Magsi, strongly condemned the PPP for “mortgaging Sindh’s assets”¹⁸.

As suggested above, oil and gas royalties accruing to Sindh, as well as consumption levels relative to production, are so low that they fuel a sense of deprivation that runs deep within society¹⁹. Clearly, the Sindhi nationalists viewed the furore created by the privatization announcement as an opportunity to undermine the PPP’s popularity in Sindh. Historically, while Sindhi nationalist parties have been able to mobilize fairly large numbers on political issues such as the provincial allocations of water and finances, the PPP has remained unchallengeable at the ballot. After yet another electoral victory for the PPP, the Sindhi nationalists were keen to reassert their credentials as genuine representatives of the oppressed Sindhi nation.

The protests within Sindh were widespread, limited not only to Qadipur and its environs but extending to all major urban centres of the province. The press was up in arms, as was the intelligentsia. Commercial groups were also co-opted when it was announced that a province-wide shutter-down strike²⁰ would be held on November 16, 2008. It was this substantial opposition from within Sindh, the PPP’s base of power, which forced the government’s hand.

The government officially announced that it was suspending the privatization of Qadipur Gas Field in mid-November, only a few short weeks after it announced the move. If nothing else, the government’s retreat reflected just how much difference there is between an elected and a military government – the latter refused to budge on the privatization of PTCL in the face of a much stronger worker’s movement and eventually sent in paramilitaries to subdue workers’ peaceful resistance. The elected government’s announcement was a victory for progressive forces even though privatization was not stopped by a coherent and organized labour movement, but rather by a combination of factors, foremost amongst them the specifically Sindhi opposition to privatizing “Sindhi” resources.

Foreign Company Practices

The very pronounced “Sindhi” discourse heavily colours the exchanges of workers and local communities associated with foreign oil and gas companies. I should point out that there are no registered trade unions or even associations of workers in any of the foreign oil and gas companies operating in Sindh. This is not a coincidence: the Government of Pakistan – like many others in the Third World – offers guarantees to foreign companies that they will not be made to abide by regulations guaranteeing labour rights. Thus, the only meaningful organized lobbying that takes place in the relatively rural localities in which oil and gas exploration takes place is that by local communities, and Sindhi nationalists tend to be extremely active in such mobilization. These nationalists are typically predisposed to confrontation with the non-Sindhis who are employed by oil and gas companies, claiming that the latter are stealing jobs from Sindhis. Non-Pakistanis constitute a very small proportion of companies’ workforces, and are all executives or very skilled engineers.

Since Pakistan’s creation, most of the working class in Sindh has been Urdu-speaking, and to a lesser extent Pakhtun and Punjabi, a fact that has enraged Sindhi nationalists (Alavi, 1989). In recent times, however, the picture has become more nuanced. In the particular case of foreign oil and gas companies, I was informed by the well-respected intellectual Jami Chandio that the number of Sindhi employees as a proportion of the total has increased over time. However, Sindhis take up low-skilled jobs while non-Sindhis – mostly Punjabis and Urdu-speakers – occupy technical and some management positions. Public relations spokespersons for Shell and Jura told me that the dichotomy is not a function of discrimination but rather the fact that Sindhis – and particularly members of local communities – tend not to possess the vocational skills required for relatively higher positions in the company hierarchies.

In sum, the figures tell their own story: in replying to a question in the National Assembly on April 14, 2006, the federal Minister of Petroleum and Natural Resources said that out of a total employment of 11,613 in one gas company operating in Sindh, only 1,653 had their domicile in rural Sindh²¹. While the *occasional* Sindhi is employed as a technician, the dominant trend gives Sindhi nationalists the opportunity to gain the support of local communities; in demarcating clearly between skilled

(non-Sindhi) workers and unskilled (Sindhi) workers, the nationalists preclude the possibility of building *a* labour movement.

Even when there is a chance that ethnic divisions can be transcended on matters such as employment conditions and welfare contributions, local community mobilizations tend to target the federal government rather than the companies. This is understandable insofar as all decisions to invite oil and gas explorations and the terms of agreements made with companies are the exclusive preserve of the federal government with little or no input from the provincial authorities and local communities.

All foreign oil and gas companies involved in onshore exploration sign so-called petroleum concession agreements (PCAs) with the federal government (See GoP, 2009). In successive petroleum policy documents, the first of which was made operational in 1991, the government has set a fixed royalty amount that the company must pay to the district in which exploration is taking place. There are also numerous other obligations that the company must fulfill, including training and hiring of local workers and the allocation of ‘production bonuses’ (stipulated sums of money paid to the government in accordance with production levels of the company).

In the latest PCA, that was prepared in 2009, the royalty amount is 12.5% of “the Value of Petroleum produced and saved” (GoP, 2009: 25). However, while in principle, the royalty should accrue to the district from which oil or gas is being extracted, the PCA notes only that royalty will be paid to the ‘government’. The PCA clearly stipulates that the company “shall ensure employment of unskilled workers of the area, at local/district level, to the extent of at-least 50% of their unskilled workers category” (GoP, 2009: 40). The document is vague concerning the use of production bonuses: “[p]roduction bonuses will be expensed on social welfare development projects in and around the Area, as per Guidelines, issued by the Government from time to time” (GoP, 2009: 46).

In practice, the province of Sindh receives royalty payments from oil and gas exploration in revenues *vis-à-vis* the federal government. I was unable to find verifiable figures that disaggregate revenues on the basis of district or individual oil and gas companies. In any case, even if the province does receive its share of revenues, districts in which the companies operate are

rarely transferred money and/or have little or no control over how to use this money²². I found that most Sindhi nationalists were unconcerned about this; their primary gripe was the fact that the royalty amount received by Sindh province was far too low, and that even 12.5% was not received in full.

The controversy over royalty amounts and whether even the amounts agreed upon are actually paid to the provinces is a very significant one. In the other gas-rich province, Balochistan, a conflict between the government and the chief of the Bugti tribe over royalty payments for gas extracted from the Sui area of Dera Bugti district actually spiraled into a major confrontation between the state and Baloch nationalists (Akhtar, 2007). While such a confrontation is unlikely in Sindh, considerable mistrust exists between ethnic-nationalists and the federal government due to the latter's high-handed attitude towards regions and communities rich in natural resources.

Beyond royalties, there is no conclusive evidence about the utilization of 'production bonuses' at the local level. Unfortunately, the nationalists who spearhead community mobilizations tend to rely on slogans and rhetoric and do not possess figures to counter the claims of the foreign companies. Jami Chandio noted that sometimes nationalists exaggerate the extent of exploitation, but he quickly reasserted that the basic grievance *vis-a-vis* the federal government is valid.

Yet it is the foreign companies that are supposed to actually make a financial commitment to local communities. For their part, the companies very elaborately lay out online and published material about their contributions to the local community in the form of social investments²³. Projects include provision of education and health facilities through local non-governmental organizations (NGOs), as well as the construction of roads and communications infrastructure. While some projects are very conspicuous, it is damning that major gas and oil producing districts, towns, and villages have the lowest indicators of human development in the province. These jurisdictions include Badin district, Ghotki district, Nara in Khairpur district, Thano Bola Khan and Sehwan in Jamshoro district and Johi in Dadu district.

Activists of the STPP and *Awami Tehrik* – both Sindhi nationalist organizations – insist that none of the guidelines of the PCA are being honoured. At the very least, it is impossible to

verify the extent to which the companies are observing their commitments, whereas nationalists are adamant that none of the clauses which related to the welfare of local populations are being applied in letter and spirit. Nevertheless, some of the foreign companies claim that they are doing more than is required under law. For example, Tullow claims that 80-90% of its field workers are locals whereas British Petroleum also claims that it has allocated more than 50% of unskilled jobs to local workers²⁴. These companies do not, however, have any published figures that can corroborate the claims of their press relations office.

In August 2008, the provincial Assembly of Sindh passed a resolution asking the central government of Pakistan to enforce regulations to ensure that the oil and gas companies operating in the province meet the commitments of investment in social development of the areas surrounding the oil and gas fields. I found that ordinary people in towns such as Ghotki were convinced that the central government in collusion with the oil companies has refused to enforce these regulations²⁵.

It is important to ask why the federal government is almost singularly attacked as being responsible for this state of affairs, while the companies that are clearly violating the regulations of the PCAs are not subject to pressure from the local communities. This targeting of the federal government reflects the feeling of local community activists that no attempt has ever been made to involve them in decision-making about oil and gas exploration at any stage, whether in bilateral or wider consultations (ibid). Oil and gas royalties, company employment practices and reinvestment of profits into the local community are issues that are considered symptomatic of a larger problem, that of the federal government's refusal to include Sindh (and other politically weak but resource-rich provinces) in basic decision-making affairs.

The basic demand of ethno-nationalists is for the federal government to devolve more power to the province (and ostensibly local communities). However, there is no meaningful questioning of the development paradigm that sees multinationals descend onto local communities to pillage their natural resources and exploit local workers. Instead, the present politics of ethno-nationalism simply revolves around the question of *who* should negotiate with these multinationals. As such, therefore, ethno-nationalists welcome foreign companies under the guise that they

will provide employment and other benefits for local Sindhis, and dispute only the fact that the federal government exclusively negotiates with these companies²⁶. Their argument appears to be that the federal government has not negotiated a fair bargain for local communities and workers. So, for example, many activists appear to be concerned with how royalties are spent – thus calling attention to the role of the federal government – as opposed to the fact that royalties in Sindh (and Pakistan more generally) are much lower than what oil and gas corporations pay elsewhere in the world. Of course both the government and foreign companies are responsible for the pitiful state of local workers and the boundless exploitation of local resources; it is this dialectic of state and capital that labour and social movements must comprehend and challenge.

The fact that there is no unified labour movement that can articulate holistic demands on behalf of workers and local communities means that local activists are prone to co-optation; for example, whenever the PPP is in power there are expanded patronage opportunities within Sindh (in accordance with the fact the province is the PPP's power base). After the PPP victory in the general election of February 2008, many local activists have been co-opted by the PPP through offers of employment for themselves. Some have even become middlemen – virtually jobbers – who enhance their reputation as patrons by granting ordinary people access to the state.

Environment and NGOs

I wish to highlight here another response to foreign oil and gas companies in Sindh to reinforce my broader argument, that of city-based NGOs lobbying on environmental issues²⁷. Recently, there has been a great deal of environmental activism in NGOs that has forced oil and gas companies to be more careful about the negative externalities of exploration. However, it is not possible to effectively challenge oil and gas companies and the state by taking up environmental issues separately from the concerns of labour and local communities.

In 1997, the government of Pakistan issued a concession for the so-called 'Dumbar Block' to British multinational Premier Oil for exploration in Sindh²⁸. Ninety-five per cent of the area that was designated for exploration in the license fell within the confines of the Kirthar National Park, home to the largest wildlife

sanctuary in the country. Kirthar is also the oldest protected area to be listed in the United Nation's compilation of protected sites. The fact that the government was contravening its own laws *vis-à-vis* protected areas to award an exploration license to Premier Oil did not go unnoticed (Qadir, 2001). Led by the Karachi-based NGO *Shehri*, a group of NGOs initiated the 'Save Kirthar' campaign and proceeded to raise the issue in the media and lobby government officials for revocation of the license.

The 'Save Kirthar' campaign culminated in the filing of a public interest writ in the Sindh High Court to cancel the exploration license. The writ petition did not yield any results, but in 2001, Shell pulled out in the face of pressure from international environmental groups such as World Wildlife Fund (WWF) and the International Union for the Conservation of Nature (IUCN). The 'Save Kirthar' campaign was dubbed a success and the NGOs moved on. However, the exploration went ahead without Shell. The fact that the hue and cry eventually died down despite the exploration continuing revealed that the NGOs did not possess the requisite political clout to compel political decision-makers to reverse their decision. There can be no replacement for a mobilized and ideologically coherent labour movement when it comes to resisting neoliberalism and negotiating with multinational capital and the state in the interests of workers and local communities. Indeed members of the 'Save Kirthar' campaign noted that there was no resistance to the project locally and in fact it appeared as if local residents welcomed Premier Oil under the guise that jobs would be created.

Conclusion

This article has discussed the engagement of foreign oil and gas companies with the government as well as local communities and workers in the Sindh province of Pakistan. Despite the relatively recent success of a movement opposing privatization of the largest government-owned gas field in Sindh, established foreign oil and gas companies in the province continue to exploit natural resources and the surplus labour pool in the province. To the extent that the exploitation of oil and gas resources as well as local communities and workers is challenged, the state is held almost exclusively responsible, whereas the foreign companies are made targets of protest only to a minimal extent. In general, local communities and workers – often divided

along ethnic lines – are concerned with employment and some reinvestment of profits and do not question the dominant development paradigm which mandates completely unsustainable levels of drilling and extraction.

This state of affairs reflects the state of the labour movement in particular, and progressive politics more generally. First, there is a lack of clarity and commitment on whether and how to resist neoliberal economic policies. While established trade unions are at least rhetorically opposed to privatization, liberalization and neoliberalism more generally, they are just as often co-opted by the state into accepting neoliberal dictates. The trade union aristocracy thus ensures that the scattered elements within the labour movement and outside of it that seek to build a genuine challenge to neoliberalism are isolated. The second and related point is that ordinary workers have come to believe that trade union leaders are individual patrons that can help them secure individual benefits. Collective ideologies of radical change have been virtually eliminated from the trade union movement. Finally, this article has emphasized the complex dialectic of class, ethnicity and state which is operative in Pakistani politics and makes the building of a labour movement extremely difficult. In particular I have noted that the ethnic imbalance within the Pakistani state has meant that ethnic-nationalism has remained the dominant idiom of resistance within the country while a politics of class has been conspicuous by its absence since the 1980s.

What this means is that even though the objective conditions to resist the impositions of the IFIs or the exploitative practices of foreign oil and gas companies exist, there is no unified constituency of workers and communities capable of doing so. Latin American countries provide an example of the manner in which social and labour movements can come together to pose a meaningful challenge to multinational capital and the IFIs. Indeed, in Latin America, labour and social movements have not only resisted neoliberalism but have also started delineating a 21st century alternative to the brazenness of capitalism by capturing state power through the ballot. These movements have celebrated their ethnic and other differences and made diversity into a strength²⁹. There is little chance of similar upheavals in Pakistan in the foreseeable future.

The primary goal must be for the labour movement to reorganize and rehabilitate itself. In particular, it is important to note that the retreat of the left created a vacuum which was filled by ethnic-nationalists. If the left is able to reassert itself within the labour movement and in struggles of local communities resisting corporate capital, there is every reason to believe that a more coherent resistance can be forged. In my interactions with workers and ordinary people, both Sindhi and non-Sindhi, I did not get the sense that there exists an irreconcilable ethnic divide. The successful repulsion of OGDCL's privatization has provided a boost to those within the trade union movement committed to resisting neoliberalism. Time will tell whether they are able to build on this momentum.

Endnotes

1. Assistant Professor of Political Economy, Quaid-e-Azam University. The author also works closely with trade unions and other working-class organizations in Pakistan. Email: aasim@lums.edu.pk. The author would like to acknowledge the research assistance of Aisha Ilyas.
2. From 1977 onwards, the Pakistani state was at the 'frontline' of the war against communism; this allowed the country's ruling class to crack down upon the labour movement and undermine class politics.
3. Mushtaq Khan (2000; 2005) provides a good analysis of patronage as a structural feature of South Asia's political economy.
4. The very first Industrial Relations Ordinance was promulgated in 1969 under which workers were given the right to elect a collective bargaining agent (CBA) to negotiate formally on their behalf. IRO-1969 was promulgated in the wake of a nationwide mobilization against General Ayub Khan's government and was viewed as a means of watering down labour radicalism. Successive IROs have deprived workers of many rights that they were granted in IRO-1969.
5. The man who became Railways Minister in 1999 after the military coup, Lt. Gen (Retd.) Javed Ashraf, was formerly the head of the notorious Inter Services Intelligence (ISI) and instituted a 'vigilance cell' in Railways to monitor the activities of trade unionists.
6. See Alavi (1989) for a general discussion on why ethnic-nationalism has been the prominent idiom of resistance to the state.
7. This phenomenon has been widespread and has also affected new generations of activists. See Akhtar, 2006.
8. Throughout the 1970s, leftist political forces and ethno-nationalists were strategic allies. Most came together in the National Awami Party (NAP) which was often decried by the Pakistani establishment as a front for Soviet and Indian interests. This symbiotic link

between ethno-nationalists and the left meant that class and nation were viewed dialectically and political positions adopted in the labour and other social movements were much more holistic than following the collapse of the consensus between the left and ethno-nationalists in the late 1980s.

9. The government had already executed agreements with numerous American companies in the 1950s following the cementing of a significant security pact between the two countries in 1954.
10. US\$92, 771, 084 - the current conversion rate (as of June 2010) is US\$1= Pakistan Rupee (PKR)83.
11. The only noticeable instance of community opposition was to a Pakistan oil and gas company, Mari Gas Company Limited (MGCL) in Ghotki in Upper Sindh. The protests were fleeting and there was no meaningful support offered by political or labour leaders from surrounding areas. See Daily Dawn, 2003a; 2003b.
12. Domestic demand for natural gas greatly exceeds supply in Pakistan, and is expected to continue to do so for the foreseeable future. Energy Information Administration (EIA) reports and Pakistani sources confirm that future commercial discoveries will have a ready market at favorable pricing.
13. Of the commanding heights that have been privatized (or slated for privatization) in Pakistan since the onset of structural adjustment, only OGDC, PTCL and Pakistan State Oil (PSO) have operated at a profit over a consistently long period of time.
14. The PPP is widely considered to be associated with the Bhutto family which has dominated the leadership of the party since its inception in 1967. The Bhuttos are a powerful landowning family hailing from central Sindh and cultural symbolism continues to sustain the PPP's special relationship with Sindh and Sindhis.
15. PSM's privatization was annulled by the Supreme Court later that year, the first sign of a conflict between the superior judiciary and the executive that eventually culminated in the deposal of Musharraf's regime. For a summary of this sequence of events, see Akhtar, 2010.
16. Following PTCL's privatization in 2005, massive retrenchment took place under the guise of the 'Voluntary Separation Scheme'. At least half of the company's more than 60,000 workers were let go with compensation packages.
17. Over the past few years, the term 'civil society' has been popularized in the media and public discourse. Generally, 'civil society' refers to the educated and urbanized elite that has had an ambiguous relationship to democratic causes. See Zaidi, 2008.
18. I was present when Qadir Magsi spoke at a public rally in Hyderabad city on 11 November 2008.

19. As a comparison, Canadian provinces have negotiated a share of royalties not less than 30.5% of gross revenues. Sindh's share is 12.5% (See Daily Kavish, 2009)
20. A shutter-down strike takes place when all commercial entities 'shut-down' for a specified time period (usually a full business day).
21. The main offices of almost all-major oil and gas companies are located in large cities like Karachi, Lahore, and Islamabad, where very few Sindhis are hired.
22. District administrators in Ghotki shared this information with me on the condition of anonymity.
23. See for eg. BP, n.d.; OMV Group, n.d.; Shell, n.d.
24. On the other hand, Shell and Jura press relations officers indicated during interviews that they do not give preference to local candidates when hiring.
25. This view is corroborated by the intelligentsia and activists. See DAWN, 2008.
26. Indeed, given the high levels of unemployment in poor provinces like Sindh, and a massive supply of surplus labour, foreign companies are unlikely to be opposed on any account. As such, the major constituency to oppose foreign companies, or at least their hiring practices, is educated youth who are unemployed and feel aggrieved that most skilled jobs are given to 'outsiders'. The lack of bargaining power of unskilled labour is very evident here.
27. I should note that the left in Pakistan, like elsewhere in the world, has been slow to take up environmental causes. Thus, it is important for the left, within the labour movement and otherwise, to be 'green' and 'red' at the same time.
28. Shell later on joined Premier Oil and the concession was officially entitled "Premier-Shell".
29. See the special issue of *Socialism and Democracy* 23(3) entitled *The New Neoliberalism and Popular Mobilization*.

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