

Economic Malaise in Pakistan and India

by Dr. A. R. Chowdhury

Faced with the reality of sanctions and their economic and political fallout, both Pakistan and India have realised that time is not on their side. They must take initiatives aimed at rebuilding mutual confidence. But such initiatives will have to be bold as well as decisive in order to restore confidence, both at the external and internal level.

ON the eve of the summit meeting between the Indian and Pakistani leaders at the SAARC conference at Colombo tomorrow, both countries are frantically trying to find ways to jump-start their economies only weeks after provoking international sanctions following the nuclear weapons tests.

Standard & Poor's, the international credit agency, has downgraded Pakistan's sovereign credit rating and warned that the country was in real danger of facing default by September. Pakistan's ratings were slashed two notches to a rating of CCC, the lowest credit rating of any country in the world. This is one notch below Indonesia, previously the lowest-rated country.

India has not fared much better either. Moody's Investor Service has slashed the country's government-debt rating to speculative, from lowest investment grade. This has left the country with a junk-bond rating.

Pakistan needs more than \$800 million every month to service the interest payments on most of the \$42 billion it owes to official and private creditors. Its foreign exchange reserves have declined from \$1.2 billion in late May to about \$600 million last week. This could hardly pay for a month's import bill. More alarmingly, when most countries try to maintain at least 100 per cent of short-term debt obligation in foreign reserves, Pakistan's reserve account for less than 10 per cent of the country's short-term debt which exceeds \$10 billion.

The country's financial troubles have brought it to the brink of a debt moratorium. Last week, Nawaz Sharif's government was forced to take emergency measures to shore up

its economy. These measures included the raising of petrol price by 25 per cent, new foreign exchange controls, strict tax collection codes, changes in import and export regulations, and unspecified spending cuts.

The government has no alternative but to retreat from most of the provisions included in the June budget announcement. The budget ignored the impact of international economic sanctions on the already reeling economy and failed to acknowledge the shortfall in external financing while over-estimating domestic revenue collection. It appears that Pakistan didn't learn from the Indonesian experience last December when Suharto was forced to renege on his fairy tale budget figures announced weeks earlier.

The country's economic situation took a turn for the worse when the Sharif government terminated contracts with several western electric power companies charging them with kickbacks, over-invoicing and other wrongdoing during Benazir Bhutto's regime. The move sent the Karachi Stock Exchange's 100-share index on a downward spiral leading to an all-time low of 755 on July 14, down from 1400 in mid-May.

The market has lost more than \$4 billion in market capitalisation and has wiped out all the gains earned in 1997. Most foreign investors have bailed out and it would take a lot more than simple persuasion to bring them back.

For Nawaz Sharif, the political

fallout of a default would be disastrous. His popularity among the voters has sunk to new lows due to the economic chaos and mismanagement following the nuclear tests. It is unlikely that he would be able to politically survive any further deterioration in the economic situation.

The government has been counting on support from several Arab countries to help tide it over the immediate crisis. In the weeks following the nuclear tests, Nawaz Sharif and his economic advisers have travelled to the Middle-East looking for short-term credits in hard currency to shore up the foreign exchange reserve or an option to delay payments on its oil import. But the recent disturbances in the international oil markets have left the Arab countries themselves facing an economic crunch. Pakistan failed to receive any concrete assurances of a substantial assistance package from any of these countries, except Kuwait.

There is no doubt that Pakistan's economy can go bankrupt within the next two months unless the external creditors step in with emergency assistance. It would either be forced to suspend payments on its foreign debt or face an economic meltdown by using up the remaining foreign exchange reserve. The gravity of the situation can be understood from the fact that the United States, which has been leading the move to block loans by the IMF and other international institutions, has decided to abstain when the IMF next votes

on loans to Pakistan.

Washington's softening of its sanctions following the visit of Strobe Talbott, signals Pakistan's willingness to sign a nuclear test-ban treaty. It also reveals Washington's concern that a bankrupt Pakistan may be inclined to sell nuclear technology to rogue nuclear nations.

The changed circumstances have raised the likelihood of new international aid to Pakistan. IMF is sending a team to assess the economic condition. Any new international bailout package would definitely include drastic economic restructuring measures. Pakistan will have no choice but to swallow the bitter pill by signing a nuclear test-ban treaty and adhering to the strict conditions that the IMF would attach to any new loan proposal.

After the initial hype following the nuclear blasts in May, the BJP government in India has found itself deluged by political business and foreign criticism for lack of coherence and policy direction. Open feuds among the members of the coalition government have threatened its existence. Cabinet ministers are openly conceding that, after about four months in power, they have not achieved anything much.

The turning point after the nuclear tests in India came with the announcement of the June budget. Contrary to market expectation, it was filled with tax-and-spend measures and a return to more protectionist policies. The lackluster budget with no new reforms left many foreign

investors disappointed. To make matters worse, the international credit rating agency Moody's downgraded India's debt, leaving it with a junk-bond rating. This has led to an immediate reversal of capital flow.

Foreign institutional investors have withdrawn more than \$500 million from the debt and equity markets. The pullout has been hastened by the requirement that foreign institutional investors can hold only a certain percentage of non-investment grade stocks. The revised rating also means a higher cost for overseas borrowing by local investors. These investors are now relying increasingly on domestic credit thereby pushing up the domestic interest rates.

So severe has been the market reaction to the budget, that the government was forced to retreat from some of its budgetary announcements. Interestingly, the market considered this retreat as vacillation rather than responsiveness.

Several other macroeconomic variables have also deteriorated in the last few weeks. Inflation has increased to about 7 per cent while the value of rupee has fallen 6 per cent against the dollar since May. This has made imports more expensive, prompted exporters to hold back earnings and discouraged non-resident from sending remittances.

The Bombay Stock Exchange Sensitive Index has lost about 20 per cent of its value in the last three months. The only

silver lining in this scenario has been the huge foreign exchange reserves of the State Bank of India. Although the reserves have shrunk by almost \$2 billion since the May tests, it stands at a formidable total of \$27 billion.

The latest spate of bad economic news has eroded the "safe haven" status that India had gained during the early days of the Asian currency crisis. From an economic point of view, this may be the greatest loss for the Indian economy in the foreseeable future.

BJP leaders are gradually becoming aware that they must act to address the economic malaise and the sense of drift that has engulfed the entire Indian political scene. There is little sign of any clear foreign policy strategy to counter the negative international impact arising from the nuclear tests.

The business of managing the coalition has also proved to be a formidable task for the BJP. Moreover, strong disagreement over economic reform policies among the coalition members is also preventing the government from providing a clear economic message.

Faced with the reality of sanctions and their economic and political fallout, both Pakistan and India have realised that time is not on their side. They must take initiatives aimed at rebuilding mutual confidence. But such initiatives will have to be bold as well as decisive in order to restore confidence, both at the external and internal level. A positive start would be the signing of a nuclear no-first-use agreement when the two nations' prime ministers meet at the Tenth SAARC Summit.

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Bring It into the Open

Prime Minister's assurance of independent judicial probe, as distinguished from a corralled self-same departmental inquiry, into the tragic Rubel murder in a Detective Branch workshop of devils, could not have come a day earlier. The outrage has only received a balm. Its sheer magnitude and depth compounded by his being pummeled publicly in front of his house on top of the shocks of sudden arrest and hard interrogation he had been through, despite parental entreaties for a let-off, need to be mitigated by an expeditious institution and completion of the judicial probe.

Government's credibility cannot be seen in isolation from police reputation which is at the lowest ebb — thanks to the serial custodial deaths coming to no end.

The judicial inquiry is widely expected to bring into open every shred of details relating to Rubel's murder and suggest ways of stemming its recurrence. What is the mandate of the Detective Branch of the police force and what are the procedures they are legally authorised to follow while interrogating suspected offenders?

We know that DB people quite often have to work under cover to keep a tab on the criminal world but over the years their preventive role has been largely replaced by arbitrary activism based on either pure suspicion fed by information from dubious sources or inspired by self-motives. A post facto hype is occasionally observed too.

How dare they act god with civic life and human rights picking up a person at will on pure suspicion? There have been too many spooky pick-ups in recent times. They have allegedly abused Section 54 of the CRPC which allows arrest without warrant but under certain conditions which are seldom fulfilled in letter and spirit. It is reported that sometimes on the basis of information from fixed sources an innocent person could be targeted, bargaining might ensue about him and he might be released or entangled depending upon the result of the exercise. An overriding safeguard against arbitrary arrest is embodied in Article 33 of Bangladesh Constitution. Under this the cause of arrest must be made known at the earliest to the victim or members his family and he shall have an inviolable right to be represented by a lawyer of his choice. All that is a matter for writ petition.

Why must not we be able to guarantee civic rights against police excesses on a day-to-day basis by means of an autonomous institutional mechanism that can demand and enforce accountability among policemen subject to periodic evaluation by an appropriate parliamentary committee?

Now Act Wise

Finance Minister SAMS Kibria and his predecessor Saifur Rahman are not exactly known for their conceptual accord. Political differences apart they are both individuals with flair for scathing criticism of each other's opinion on matters of financial management. But even these two traditional rivals agreed in Sunday's Centre for Policy Dialogue (CPD) arranged discussion meeting that the present political culture is the main obstacle to good governance. They categorically stated that our politics has to renounce its acrimonious and confrontational nature if Bangladesh has to make any headway in its developmental quest. While Kibria put the accent on the necessity of a minimum political consensus to carry forward reforms, Rahman was more specific in citing the area of darkness saying political adversity holds key to the haemorrhagic legacy of loss by the state-owned enterprises. Every time the government takes a step to come down on the factors responsible for misgovernance, opposition gums up the works to make political mileage out of it. It is about time political parties reversed the trend or at least learnt the art of disengaging purely political issues from those having to deal with the country's economy.

We welcome this unity of thinking. But will it lead to a change of heart in the attitudes of the party in power and the party in opposition? There is no denying we want this wisdom and good sense to prevail. The onus is of course on the government. Having made a kickstart with the decision-making part of the job at hand it has shown a very disappointing and strange want of tough political will that is needed to plug the loopholes in the economic sector. Opposition for its part is yet to show any sign of its understanding of the fact that economy has to be kept above political convenience.

The truth is political parties have to decide once for all what is more important to them; party or country? If they are really committed to put the country ahead of party there is no reason why an atmosphere cannot be created where a semblance of operational cooperation can be guaranteed.

Passing of a Pioneer

Sixtyseven is premature for one to die, specially if society has to gain much from one's continuing to live beyond that. But those who knew M A Beg from close would perhaps say this pioneer of photography and father of education in photography had squeezed more than a hundred years' toil and achievements in his just-closed life's book. He was a never-tiring teacher and a very gentle and decent soul. His art and his character equally attracted all around him particularly the young. And the young only returned the love with esteem expressed aptly in their calling Beg 'Daddy'.

Beg is known to have pioneered creative photography in Bangladesh. But in this he had a peer or precisely a predecessor in Amanul Huq who had art in his eyes as well as in execution and love for man and social commitment at his heart. But he has been a recluse nonpareil. And Beg shared his travails and his achievements with all. The institute he founded 30 years back continues to be the only one of its kind in Bangladesh.

Only the other day photography here was an amateur's way of picture hunting with a Baby Brownie. It has travelled far and fast from the scratch. A newspaper now cannot be imagined without photos on each of its pages. But then there are lots of grounds yet to be covered. Portrait photography is unknown in Bangladesh — we do not even dream of some Yousuf Karsh rising from unknown any time too soon. We do a lot of landscapes but Ansell Adams is a far cry and will be so for long. Yes, there has been some interesting work in situational, some of them full of wit. But a Henri Cartier-Bresson is still being awaited.

We grieve at MA Beg's parting and send our condolences to his bereaved family.

THE phone rang. The Bangladesh ambassador to Madrid Mr. Mizanur Rahman was on the line. He had sent me an invitation to attend a lecture to be given on Saturday, the 25th August, 1998. "Are you coming to listen to Prof Yunus?", he queried. "Professor who?", I asked. "Prof Yunus. He is the Managing Director of the Grameen Bank", the ambassador replied. I was not very impressed by these credentials. Having remained disconnected from Bangladeshi affairs and lived in a sort of cocoon for a long time, I did not know what the Grameen Bank was. So I thought it was going to be a well-intentioned blurb of some kind by a frustrated academic or an ambitious banker.

Saturday is a special day for me. I try to keep it free of business or social engagements. It is reserved for tennis. I get up early and after a quick breakfast, leave for country cottage which is approximately thirty miles away from Madrid. There, far away from the hustle and bustle of my life, I get together with my friends for a game of tennis, read the newspapers and generally putter about the place. It also gives me an opportunity to gather myself together.

The conference was not only scheduled on a Saturday, but also at a place which is far away from my home in Madrid and would involve considerable city-driving, which I hate. So altogether it was not a very happy prospect. In an attempt to avoid making a firm commitment to attend the lecture I asked, "What is this Grameen Bank?" "This is a bank of the poor and for the poor. It is a novel idea. You should come", the ambassador concluded. I thought it was probably some kind of non-governmental organisation.

To the Editor...

The Kashmir issue and nuclear insecurity

Sir, Many analysts suspect that the Kashmir issue between India and Pakistan had been kept alive since the second phase by the big western powers as a divide and rule policy, and to keep South Asia weak. If the Kashmir issue could be solved today, South Asia will quickly develop into a powerful economic region, with a seamless market of one billion consumers. There is no shortage of natural and human resources and weaknesses in the vertical tiers of management.

The question is how long the SAARC region will be kept divided; and how long the SAARC members themselves would keep mum and deny the people from enjoying the fruits of fast development. Internal regional consensus is not enough, as outside powers are very much interested in Asia and South Asia for exploitation of the markets and the untapped natural resources, providing the industrialized world *daal-bhat* for 100 years!

The current UN/Western sanctions might bring about a thaw in the Indo-Pak confrontational stance. This is a timely opportunity and the risk for peace is worth taking. The political leadership of the emerging countries has displayed statesmanship rather sporadically. The average rating in the SAARC region is not high. Scientifically, propped-up stances cannot last endlessly — the artificial potential level needs to be replenished

Since in my younger days I was closely associated with War on Want, a London-based charitable organisation founded by the late British Prime Minister Harold Wilson, I still have a soft spot for these outfits, although I am not quite sure of their effectiveness in eradicating poverty in the so-called third world countries. Also the ambassador is a kind soul.

So, finally moved more by a sense of solidarity than anything else, I decided to sacrifice my Saturday morning and attend the lecture. In any case, I remained utterly convinced that what I was going to hear would be a jargon full of unpronounceable terms and incomprehensible theories interspersed with casual names dropping.

Having accepted the invitation, I felt I should find out a little about this "uncertain figure" — Prof Muhammad Yunus, before I attended his lecture. Who is he? Where was he born? What sort of family does he come from? Where did he study? What is his professional background? What is he after? Is he after money or power or both? Has he got anything new to offer as far as economic theories are concerned? Is he genuinely interested in the poor? In the short time available before the meeting, I dug up some information on him. He was born in 1940. His birthplace is Chittagong. His father is still alive and in accordance with our tradition exerts considerable authority over all impor-

tant decisions concerning the family. Qualifying for a Fulbright scholarship in 1965, he enrolled at the Vanderbilt University, where he received a Ph. D. in Economics in 1970. From 1969 to 1972 he taught Economics at MTSU, Tennessee, USA. On his return to Bangladesh in 1972, he joined the University of Chittagong as an Associate Professor and Head of the Department of Economics.

So far so good. Nothing very spectacular about his career. He fits the pattern of so many middle-class Bangladeshis with an above-average academic background who go to the UK, USA, or Canada for higher studies and then after the successful completion of their studies come back home to become members of the foreign-educated elite. So what makes him different from the others? What is so special about him? I continued with my research.

In 1975 he became a full professor at the University of Chittagong and at the same time Director of Rural Economics Programme, Chittagong. I wondered what this Rural Economics Programme was. No additional information was available on this subject. I was not satisfied. So I shifted my attention from his professional career to his other interests in life. So I read on. All of a sudden, I came across two names — the village of Jobra and Sufiya Khatun. Jobra was at a stone's throw distance

products and by-products of severe moral degradation. FDA suggests that to curb and combat this dangerous crime situation an all out and vigorous moral development programme and its proper practice is a must.

Prof Dr Abu Obaidul Huque Founder President of the FDA.

Tunnel of death?

Sir, Undoubtedly, the DCC warrants admiration for constructing underpasses for the safety of pedestrians on some critical crossings. This process, on one hand, decreases road accidents and also makes scope for underground shopping complex.

But the reality does not reach so far as we can anticipate with romantic calculation. Almost all the underpass tunnels are incapable of ensuring safe crossing for want of sufficient light and security. Sanitation is not properly taken care of by the nonchalance authority. And the worst thing is that whenever I go to Gulistan, I see the tunnel closed for some unidentified reason. Besides, I was passing through Kawaran bazar underpass and faced an abrupt turmoil following a hijacking from too ladies. There was nothing to do as the tunnel then sank into pitch gloom.

A batonless seep was drawing at the gate and could do nothing. My request to the DCC is to solve these problems.

Arun Kr. Biswas 329, Jagannath Hall, DU

OPINION

Lest We Forget

by Shamima Islam

Little Abul Khair is lost — hopefully temporarily! The strange thing is that there is not much hue and cry about the news. Probably the news escaped not only people's attention, but also failed to attract media's eyes. Let us search our own mind — why is it so?

Abul Khair, a tiny six-year-old boy from a very ordinary family from Chandpur who saved a full running train and hundreds of passengers' lives merely by dint of his own presence of mind, deserved to be remembered in Bangladesh — for the years to come. The story of tiny Abul Khair is not a fairy tale. It is the tale of a village boy who lives far away from the capital city of Dhaka, but dared to stop a running train to save people and the national property like a train from a devastating experience of a major accident. It is truth and nothing but truth. Passengers of the train offered him much money, but he did not accept that. Later, he was given reception by Shishu Academy and lump amount of money was given by Railway and other authorities for his proper upbringing and help. Probably that's all and the nation finished its duty.

I wonder, in later time, did we ever enquire about that su-

per-intelligent boy? Merely providing a lump amount of money is not enough. Who helps him for his proper education? Who helps him in his day-to-day school lessons? Who ensures his health, food, nutrition, education and other requirements that a normal child should aspire for?

On top of his own parents, a dedicated care-taker is needed on behalf of the government for proper upbringing of Abul Khair. Let us ask ourselves — have we done it? The story and news of the boy who never cared for people's praise appeared like blooming 'night queen' which attracted attention and faded by the end of night!

Needless to say, the (recognized) bravery of a child, Abul Khair, fails to enter the formal school text-books for elementary classes in schools in our country. Unnayan Prochasta-O-Karjakrom (UPOK) highlights Abul Khair's tale of bravery in its book '*Andhare Alo*' which its own children use as reading material. The piece is named 'It is Not a Fairy Tale'. They are children from Bangladesh. I strongly feel that our children should be taught about bravery of Abul Khair in

regular school programme. This book '*Andhare Alo*' may be immediately introduced as a 'Rapid Reader' in schools.

On Children's Day, Abul Khair should be regularly present in programmes and be in the forefront. Dhaka-based organizations, the majority of children's organizations should not forget this child's contribution and try to arouse the conscience of the nation about its role in helping the child to take leadership. The proper upbringing of Abul Khair should be ensured because we owe him a lot.

The news item that says 'Abul Khair cannot be traced' (Janakantha, 2nd July, 1998) disturbs my mind. I am anxiously awaiting to see a second news item 'Abul Khair is back' which will bring peace in my mind. Have I skipped the news? Otherwise why newspaper fails me every day? Or is it because the boy leaves away from Dhaka and even media finds him out-of-sight, out-of-mind? I desperately hope that he can be traced. Let media comfort our mind saying 'Abul Khair is back'. Let all of us sincerely think that we all have responsibilities towards Abul Khair. We must see that he grows in the right direction.