

# Free Press Doomed at Mid-night

THE Nawaz Sharif government is not standing. It has become a fact for most journalists in Pakistan that the government is anything but press freedom-friendly. In the last one week there have been three attacks on independent, high-profile journalists and another one's car was burnt and his house ransacked. The most scandalous of these attacks has been the arrest of Najam Sethi, editor of the *Friday Times*, a popular English weekly magazine from Lahore.

Again in a mid-night raid at his house early Saturday morning and according to his wife, Jugno Mohsin, beat him up, before taking him away.

"When I asked them where is his warrant, one of them (night-raiders) said, 'you want a warrant, I will give you his dead-body if you want a warrant,'" says Jugno Mohsin. Mr Sethi's wife, also the managing editor of the magazine, who immediately moved the local court against Mr Sethi's arrest. She claims that she herself was locked up in the bathroom and mal-treated.

The next day an official statement was issued to all the newspaper offices which contained serious charges against Mr Sethi. These were based on a speech which Mr Sethi had made in seminar in India's International Centre on April 30th in which he had identified six crises facing Pakistan: crisis of identity and ideology, crisis of law, constitution and political system, crisis of economy, crisis of foreign policy, crisis of civil society and crisis of national security.

The official statement quoted a cable message from Pakistan's High Commissioner in Delhi who in his unflattering assessment of Mr Sethi's speech called it "an act of contempt against Pakistan amounting to treachery." Using

Friday Times of Pakistan suffers government's intolerance.

Syed Talat Hussain writes from Islamabad



Journalists and newspaper workers holding placards stage a protest in front of the Parliament building in Islamabad 11 May 1999. Dozens of Pakistani newsmen and newspaper workers demonstrated against a government campaign to "intimidate" the press, demanding the release of journalist Najam Sethi, and an end to the "harassment" of reporters by the authorities.

this as the ground for Mr Sethi's arrest, the official statement charged that the *Friday Times* editor is suspected to have "some nexus/connection with Raw. He has projected a dismal picture of Pakistan on their behalf to create despondency and doubts in the minds of Pakistanis."

"To unearth such links" the poorly-drafted statement went on to justify Mr Sethi's arrest, "it was considered imperative to investigate him in the matters of national security. Consequently, Inter Services Intelligence Agency (ISI) has taken him into custody. The government's problem with Mr Sethi

has been the editorial policy of the magazine which has been critical of the government policies. Of late, the magazine has been focusing on the issue of corruption of the Sharif family and some of its editorials have openly detailed a recent judgement by a London Court which declared Mr Sharif's

brother and chief minister Punjab Shahbaz Sharif and his father Mian Sharif loan defaulters worth 32 million US dollars.

The most recent editorial was on the government's handed policy towards the Press. Days before his arrest Mr Sethi said in a statement, "My paper has been talking about these things (government corruption) for many years. And since I was a minister in the caretaker government (which supervised the 1997 elections) looking after accountability, it is assumed by this government of Mr Sharif that I have knowledge of many things that have not yet been made public."

Mr Sethi's *Friday Times* also has a back-page column which is a funny reading of how prime minister Nawaz Sharif thinks. Using distorted English and random gossip doing the rounds in town, the column at times highlights issues which can not be touched in straightforward reporting and editorials and columns.

*Friday Times* has been doing this type of investigative, critical and light journalism for all the past seven years of its existence and has not spared any government in power. Aggravating the problem for *Friday Times* has been the Sharif government's fear that Mr Sethi has been talking to a BBC team which has put together a documentary detailing incidents of corruption by the Sharif family. Mr Sethi has been talking to the BBC reporters and the government believes that he may have handed over valuable information to them. It is against this background that Mr Sethi has been arrested sending a peal of fear among all freedom-loving journalists as the government's anti-press drive is now put in the high gear.

## Manmohan Adhikari, 1920-1999 The Passing of a Communist Veteran

by Kalyan Chaudhuri

MANMOHAN Adhikari, one of the founders of the Communist Party in Nepal, died in Kathmandu on April 26. He was 79. The death of the former Prime Minister and Chairman of the Communist Party of Nepal (United Marxist Leninist) came even as the country was preparing for general elections. His demise is likely to affect the party's prospects in the polls. The CPN(ML) prime ministerial candidate, Adhikari, suffered a heart attack on April 19, while campaigning at Gothatar village in the Kathmandu constituency.

The end came seven days later in a Kathmandu hospital. King Birendra led the nation in three days of mourning with a message of condolence, while veteran Nepal Congress (N.C.) leader and Prime Minister Girija Prasad Koirala said, "A bright star in Nepalese politics has set for ever and I feel very lonely."

Adhikari was given a state funeral and cremated in line with tradition, on the banks of the Bagmati river, flowing through the heart of Kathmandu. He was the second political leader after Ganesh Man Singh, veteran freedom fighter and one of the founders of the Nepal Congress who died in 1977, to be given a state funeral. Adhikari was contesting in two constituencies, Kathmandu I and Kathmandu II. Adhikari's death marked the end of an era. He was the last surviving co-founder of the 50-year-old Communist movement in Nepal.

The Communists under the leadership of Adhikari played a vital role in a popular democratic movement in 1990, which ended Nepal's partyless panchayat system and forced the King to restore multi-party parliamentary democracy. During the course of the democratic movement, Adhikari's Communist Party of Nepal (Marxist) merged with the country's other leading Leftist party, the Communist Party of Nepal (Marxist Leninist), to form the CPN(ML).

Adhikari was elected the new party's president. Fondly called the Bheeshma Pitamah of Nepal politics, he was a sobering influence on some party hardliners. In the 1994 snap elections, the CPN(ML) emerged as the single largest party in a hung Parliament and came to power with Adhikari as Prime Minister. In September 1995, Adhikari resigned after a nine-month stint when the Pratinidhi Sabha or the House of Representatives passed a no-confidence motion against him. On his recommendation, King Birendra dissolved Parliament, but a Supreme Court verdict reinstated the House and paved the way for the N.C. for ming a coalition government with the active support of parties other than the CPN(ML).

Born in 1920 in a wealthy landowning family of Biratnagar in southeastern Nepal, Adhikari never compromised with pro-monarchists. He entered politics when he joined the struggle for democratic rights against the authoritarian Rana regime in the late 1940s. India was close to Adhikari's heart when he began his political career. As a 22-year-old science graduate from Benaras Hindu University, Adhikari took part in the Quit India Movement in 1942 and was imprisoned for nearly two years. Later in 1947, Adhikari participated in trade union movements in Biratnagar and was jailed for three years. From 1942 to 1946 he was in the forefront of workers' and students' movements. He was elected general secretary at the first convention of the Nepal Communist Party in 1953 and was imprisoned for nine years after the first-ever popularly elected government in Nepal was dismissed in 1961 and a partyless panchayat system was introduced.

After the 1961 event, the Communist Party split into more than half a dozen factions and Adhikari stood with the veteran Marxist leader, Pushpa Lal. During the 1960s and 1970s, when globally the Communist movement tended to acquire a Russian or Chinese orientation, Adhikari's party followed the middle path.

Adhikari headed the underground Communist Party of Nepal (Marxist) during the panchayat regime. His party took part in the People's Movement of 1990 as a constituent of the United Left Front, before the party merged with the CPN(ML). In the first multi-party democratic elections in 1991, the CPN(ML) emerged as the main Opposition party to the ruling N.C.

An asthma patient for the last four decades, Adhikari went to China after he contracted tuberculosis. He stayed there for four years for treatment. Political observers in Nepal believe that the death of Adhikari is a major loss for the party. After the split in March 1998, when the CPN(ML) was formed under the leadership of Bhandari Gautam and Sahana Pradhan, Adhikari's sister-in-law, Adhikari had acted as a stabilising force in the struggle for power among different factions within the CPN(ML). The problem in the CPN(ML) is not the scarcity of capable leaders but that of a leader acceptable to all factions.

A senior CPN(ML) leader said: "Manmohan Adhikari had everything that the young CPN(ML) leaders lack. After the sudden demise of the charismatic Marxist leader Madan Bhandari, it was Adhikari who was entrusted with the task of leading the fractured Communist movement in the country."

By arrangement with the Frontline magazine of India.

## In the Name of the People

Whoever fools around with the people's mandate in India comes a cropper some time or the other, says

Ranabir Ray Choudhury

WITH elections round the corner, political parties have once again begun invoking the name of the people, in a flood as it were. To take two important examples: On May 6, the Congress(I) president, Mr. Sonia Gandhi, said the BJP's decision to target her personally "only betrays their fear and insecurity. I have full faith in the ability of our people to distinguish between right and wrong, between truth and falsehood."

Incidentally, there is a special reason why Mrs. Sonia Gandhi should treat the 'people' with some care. One remembers the popular retribution visited on her mother-in-law in 1977 when she was voted out of power in the elections that followed Emergency which had shackled the nation for two years since 1975.

The other important example is that of the Prime Minister, Mr. Atal Bihari Vajpayee, who said on April 26 that he was not surprised that most MPs were not happy with the BJP's performance in the 12th Lok Sabha because they had come back after 13 months, adding, "but return to the voters with confidence. I am confident people will return us with a comfortable mandate."

The BJP vice-president, Mr. Sunderlal Patwa, was more earthy when he said (in Bhopal the same day) that the people would teach a lesson and give a befitting reply to those leaders and parties responsible for forcing an untimely and premature election.

Clearly, both Mr. Vajpayee and Mrs. Sonia Gandhi cannot be right at one and the same time because, first, both cannot win simultaneously in the event of a clear-cut decision and, second, the electorate could again return a fractured verdict, in which case the 13th Lok Sabha would again be plagued by a fresh bout of debilitating political instability. It may, in fact, be argued that no one should take political predictions of this sort seriously because their sole objective is to influence the voter to be on the 'winning' side and not to give a realistic picture of the prevailing state of affairs. Thus, Mr. Patwa expressed the glib hope that the BJP would be returned with a two-thirds majority "so that the next government could be free even to amend the Constitution."

Of perhaps more interest is the prediction made by Mr. M. Venkaiah Naidu on February 21 last year - during the run-up to the 12th Lok Sabha elections - that the BJP would "sweep Uttar Pradesh, Bihar, Madhya Pradesh and cross the magic figure of 300, including 70 new seats from the southern and eastern States." Mr. Venkaiah Naidu was, of course, talking through his hat (a habit he is yet to give up), but what is disappointing is that politicians generally tend to assume that

the electorate has a short memory and that, therefore, they can with brazen impunity spin similar yarns repeatedly without getting caught.

Talking about the 'mandate', the BJP-led Government won in 1998, the point bears repetition that there was no such thing at all in the conventional sense of the term. Simply put, the issue boils down to the question: Did the electorate vote for the BJP-led coalition after considering its poll manifesto (if there was one)? There was, in fact, no such mandate because the coalition (which formed the government under Mr. Vajpayee) was cobbled up after the election results were announced. The National Agenda for Governance was written after the elections and after the President had invited Mr. Vajpayee to form the government.

More important, the Vajpayee Government did not enjoy a majority in the House when it was asked to form a government by the President, Mr. K. R. Narayanan. The communiqué issued by the Press Secretary to the President on March 15, 1998, read in part: "The number of MPs supporting the formation of a government by the BJP now comes to 264."

This number - 264 - remains short of the halfway mark in

the total House of 539. However, when seen in the context of the BJP's decision as conveyed to the President by Shri Chandrababu Naidu to remain neutral, the number of 264 does cross that mark. The communiqué said that Mr. Chandrababu Naidu had informed the President that his 12 TDP MPs would remain neutral in the House.

Further (and this is what some in the BJP would do well to ponder over), the votes cast in the polls for the 12 TDP MPs were directly influenced by the United Front manifesto, the TDP being a member of the Front and Mr. Chandrababu Naidu its convener. Since the BJP had its separate manifesto, it can be assumed that those who voted for TDP candidates in Andhra Pradesh were consciously opposed to the BJP as well as the Congress(I) candidates who stood against them.

That the 12 TDP MPs should have remained 'neutral' in the 12th Lok Sabha - by virtue of which Mr. Vajpayee enjoyed a majority in the House - was actually a triumph of Mr. Chandrababu Naidu's personal agenda guided solely by the requirements of AP politics. It can also be argued that, by enabling Mr. Vajpayee to wield power, the TDP MPs actually betrayed the trust reposed in them by the voters who had

specifically preferred TDP candidates to their BJP opponents. There was, therefore, no 'popular mandate' for the BJP-led Government. And if there was no such mandate, the question of a 'betrayal' engineered by the Congress(I), among others, does not arise. Mr. Chandrababu Naidu has made it abundantly clear that his party has 'ended' its support to the Vajpayee Government following the dissolution of the 12th Lok Sabha. By virtue of this act alone, whatever 'mandate' the Vajpayee Government had (according to its apologists) has now been further eroded.

It passes comprehension how such a regime, which is now not accountable to Parliament (which in any case does not exist at this point of time) but solely to the President because it is he who, in the exercise of his constitutional powers, asked Mr. Vajpayee (on April 17) "to continue in office till alternative arrangements are made", can loudly proclaim that there is no difference at all between its status and that enjoyed by a government functioning in normal circumstances, the clear implication (stated publicly) being that it can take any policy decision it likes without any hindrance whatever. Whoever fools around with the people's mandate comes a cropper some time or the other. The salafin party should see the writing on the wall before it is gets slapped in the face.

By arrangement with the Business Line of India

## Congress Still Showing Its Clay Feet

ONLY after 13 months of BJP rule at the Centre India's 13th Lok Sabha, the lower house of the Parliament, became an inevitability last month with no option left to prolong the life of the last one. Following the fall of the incumbent government led by Mr. Atal Bihari Vajpayee the Parliament was dissolved throwing the country in doldrums. Setting at rest all speculations about an alternative to the BJP-led government, the election commission has already declared fresh election in September this year.

Since 1996 it will be the third parliament in the country after the next election and fifth government at the Centre. An exasperated public worries not so much about what the country's politics have already wrought when it is still more in the store. Because the electoral mood could not have changed in such a drastic way in so short a time to make the election verdict any different from what it was a year ago. If the fractured verdicts of the last few elections are indeed repeated, more instabilities and public miseries are likely to be the result of it. Although the people pin their hopes in two major political formations of the country, the BJP and the Congress for a stable government at the Centre the tilt is obviously for anything that goes against the incumbency.

Even if there could not be an alternative government within the framework of 12th Lok Sabha the idea of it persists as a logical corollary of the political events since the election in early 1998. The last election produced a hung Parliament from which the BJP with its largest allies stitched together a coalition to rule the country. But in a country immersed in the Nehruvian tradition of multiculturalism, the BJP's Hindutva government, even if cloaked under a 'national agenda' was not considered anything more

than transitory. It was genuinely hoped that the political aberration brought about by the country's communal forces will be challenged in due course of time and the country put back to the track chosen by its founding fathers.

These hopes were reinforced by the way the BJP made mess of its governance. Its highly projected prime minister who, it seemed, wanted to keep his fractious coalition together more with the politics of stunt, set his own priorities and choices for statecraft. He kicked off enervating dust of controversy across the world with his bomb while ignoring the hard issues of the polity: the price, law and order, healthcare, drinking water and so on. He subjected his impoverished people to international economic sanction and cynically built up a security bogey vitiating the neighbourhood afresh.

On domestic front the government remained bogged down with the management of its unruly allies. As a result the prices of the essentials soared, the country's internal order rumbled and inter-community tension surfaced. The Sangh Parivar was virtually at war with the country's minuscule Christian community. The economy went into deep recession.

The country has been stumbling from crisis to crisis since 1998 when the Congress after its uninterrupted rule - of course with brief Janata interregnum - fell and an assortment of coalition and minority governments started ruling India robbing it of its democratic stability of the decades. BJP's brand of governance only exacerbated that situation. As the people hungered for stability and minorities under BJP's wobbly government a turning point came in November last year when the electorate in several Indian states gave their thumping 'no' to the party. The

by Brig (Retd) M Abdul Hafiz

Congress stole the show by winning those states in a clear upsurge for the first time after Sonia Gandhi took the helm of the party in March last year. Earlier she had been the star campaigner for the Congress in 1998 Lok Sabha election but failed to create a 'swing' or 'wave' in favour of the party. She, nevertheless, stopped its further precipitation. The Congress was saved from sure disintegration after she appeared on the political scene early last year. However the political observers refuse to grant that the party is on the comeback trail. Although many in the Congress ranks are fond of taking Sonia as a new avatar of India Gandhi she is nowhere near the latter's skill and political acumen except her only strength lies in the matrimonial link with Gandhi family. On the contrary Indira Gandhi knew and applied *realpolitik* ruthlessly and sometimes dumbed even her father's condescendances without a trace of remorse. But after a year in the office of Congress President Sonia had been remarkably streamlined the party with total grip over it in spite of her elegant non-challance to organisational nitty-gritty. She lets nobody take her for granted.

On national issues however Sonia continues to show her clay feet. Under her the party played a responsible role in the Lok Sabha by spurring all suggestions about gently nudging Sonia had been categorical that she would neither bring down the government, nor pick up the pieces after it. But when it really came, her clumsy handling of the situation arising of it disappointed many. She, on occasions, asserted that power must not come by default, it must be earned through ballot. After having taken this stand the Congress attempt to pick up the scraps pointed to some of its many inner contradictions.

Congress' another fatal mistake has been its decision to revive the Latoo-raj in Bihar. This has returned the party to the same precarious position that it occupied in the company of the United Front since 1996. The Congress decision on Bihar will not stop at the restoration of Rabri Devi government at Patna it will ensure the end of the last traces of Congress from the state. In spite of the party's row to go all by itself in 13th Lok Sabha poll the Congress would have to settle for the politics of alliance in Bihar or be finally banished from the state. Ironically Congress helped restore the Rabri government when it was making some headway in recapturing its umbrella base.

The Congress is still vulnerable in entire core-belt, particularly in Uttar Pradesh which returned Sonia empty handed in last election. The party's prospect in the state are still bleak with the electorate polarised around empowerment and social justice. In UP where there is a large concentration of the Muslims and Dalits, Sonia with her inherited mantle of the Dynasty drew crowds but no votes. There is little improvement in the situation. Because it was during the Congress rule at the Centre that the Babri Mosque was demolished. Notwithstanding, the Congress government's repeated promises the Mosque was never rebuilt during the entire tenure of Narasimha Rao. While Muslims are in real dilemma about their electoral choice, the Dalits, disenchanted with Congress' empty promises for decades, have already turned their back to Congress.

The unquestioned dominance the Congress exerted during its heydays rested, apart from the leadership charisma also on prestige it retained from its role in India's independence movement and intricate patronage network that stretched

from New Delhi to tens of thousands of villages. The arrangement, in turn depended heavily on the deference that the Congress party's allies, India's reveal elite could still command from their social inferiors. Neither that arrangement that traditional deference of vast exist any more. With the spread of the egalitarian and democratic ideas any party has lost that *en bloc* vote base.

In the wake of the final phase of the breakdown of Congress system in the '80s there was rapid increase in the politicisation and democratic consciousness in the states. The regional disparities and political mobilisation on the basis of territorial identities also generated fresh demands for further decentralisation. That led to the end of one party dominance, fragmentation of party system and proliferation of regional parties. Why should they allow even a national party to intrude into their respective boroughs? Mulayam Singh, for example will never concede to give a share of its own Lok Sabha seats to Congress even if there is a political understanding between them.

Given this background when most of the states are the carefully guarded boroughs of the regional satraps it is inconceivable how Congress would go about its 'go alone' strategy. Four long months that still lie ahead before the polls are unusually long time to introduce many new dynamics in the country's electoral politics. But looking at its performance just now few are convinced that the masses would buy the party's stability plank. It would be certainly redolent of the stability the party provided in the past which will also bring back to the voter's mind the party's emergency, broken promises to the backwards, Babri Mosque demolition with Congress rule at the Centre, Bofors, Hawala scandals and many more sleazes.

## Pak Economic Lethargy

Bureaucratic solutions to Pakistan's fiscal problems continue, Viqar A Khan analyses

It is heartening that since the present PML government has been in charge, there have been hardly any incidents of political office bearers' worth mentioning. Issues of financial governance of a state require the highest level of professional competence with a happy blend of moral rectitude. The effort of the government in the form of selective relief packages to take the country out of its economic lethargy speaks of its good intentions, to genuinely come up to the confidence reposed in it by the electorate.

However, solutions requiring a macroeconomic approach are being handled in a microeconomic way, taking a short term view and tackling each problem in isolation. Disjointed fiscal measures which are not part of the whole scheme of things would not prove effective over the long run. Bureaucratic solutions to fiscal problems continue. Trying to thrust the policy maker's view without first taking the taxpayers into confidence, reflects that our methodology of framing fiscal policies has not changed in the last 50 years.

**Crisis of confidence**  
To obtain obedience and compliance from the subjects of a state, any policy of national importance has to be framed by strictly adhering to the basic principles of justice and fair play. In human dealings, wherever we tend to drift from the path of justice and fair play, the instinct of self preservation is activated.

In such a situation, it is very difficult to penetrate the defences that have been erected. It is naive to think that over a protracted period of time, the subjects of a state can be coerced into paying taxes which to their minds is not fair. In the great scheme of things, an honest businessman has to feel justly appreciated and rewarded while a dishonest businessman/bureaucrat should get ample stick. This is the message that has to be given to make a beginning for forming a nation of 'willing tax payers.' The fiscal policies of the government and its transparency is highly questionable, to say the least.

**Unfulfilled promises**  
The promised nominal reduction in the tax rates of the corporate assesses has been held in abeyance for one year. The extreme disparity in tax rates in the organized sector which ranges from 33-55 per cent compared to the maximum tax rates of the unorganized sector at 20 per cent still further compared to 3-5 per cent cost of whitening black money through FEBC encashments and encashments of remittances into foreign currency accounts continues.

As if this is not enough, another money laundering scheme for investment in the new investment policy announced in November 1997 and for assets sold by the Privatization Commission has been given. The proposal of reducing import duties on smuggling prone items while retaining the punitive tariff on capital goods shows the naivete of the policy maker, when at the alter of short term gains the long term approach of reducing the cost of industrial development is sacrificed. The proposed levy of GST at big retail outlets is extremely discriminatory and again reflects the psyche of the policy maker to nab whosoever gets caught in the tax net and to beg compliance from those who manage to pass through the sieve laid out by the tax collector.

alizes that expensive normal tax regime and cheap money laundering schemes cannot go hand in hand for an indefinite period. This anomalous situation would never create a healthy environment for compliance of fiscal levies.

In such a quagmire, unfortunately, the secret to financial success would be measured by the degree to which an entrepreneur is able to successfully evade taxes. In the federal budget of 1998-99, excise duty is expected to generate Rs 69.5 billion. It is interesting to point out that 82 per cent of the revenue generated from only 11 items whereas the levy is on 100 odd items. In spite of the fact that the government had substantial time to study the multiplicity of taxes (which it considers one of the main causes hampering development) and its rationalization but it has considered it sufficient to give a statement that it is being studied and more time is required.

Allocation to education is comparable to the same measly figures of the previous years ensuring that our level of education remains stagnant. No nation can grasp an opportunity to develop with an illiterate populace. There is no effort to induct our workfolk productively in the economic building of the country, thus depriving the nation of 50 per cent of its work force.

**Reliability of statistical data**

The overview of the performance of the economy for ten months ending April 30, 1998, as given by the finance minister, gives a reasonably rosy picture. The GDP growth is shown to recover from 1.3 per cent in 1996-97 to 5.4 per cent in 1997-98 but falling short of meeting the 6 per cent growth target. This rosy picture is at a tangent to the general public apprehension that the economy was sluggish and was heading for a nose dive. Reliability of data on which the overview has been given has to be evaluated. The methodology of collection and its transparency is highly questionable, to say the least. The possibility of playing with the figures to suit the political dictates cannot be ruled out. These are the areas which contribute to build or erode investor confidence. Reliance on statistical data of the economy can only be placed, when it is collected, compiled, analyzed and dispersed by an independent body composed of public and private sector participation which ensures that the source of information, methodology of collection, composition of data and the basis of analysis is freely accessible to the general public.

**Reliance on appeals**  
During the last budget speech, the finance minister appealed to the conscience of the general public and promised resort to administrative measures for recovery of overdue loans and to curb the menace of smuggling. Staying within the realms of reality and our encounter with the promise by the leaders of the trading community in early 1998 to generate Rs 2 billion from fixed sales tax during the fiscal year 1997-98, on the success of the appeal by the worthy finance minister is all too apparent. Resort to administrative measures would only strengthen the hands of the bureaucracy in which the trading community will be harassed, the tax collector would gain financially and the state, as always, would lose.

**Critical area**  
In the post-nuclear blast scenario, it is ever so important to be self-reliant and not be prone to financial blackmail. In the budget for the financial year 1998-99, the revenue receipts cover only 74 per cent of the revenue expenditure, whereas 26 per cent of the revenue expenditure and 100 per cent of the development expenditure is to be financed by other sources.

The budget is silent as to the identity of this 'other source' which in all probability would be the 'bowl' which the government had ventured to break and undue reliance on the international financial institutions is expected to continue. In an economy as fragile as ours with the inflow of direct investment and remittances by non-resident Pakistanis drying up, red alert should be announced.

There appears to be a dichotomy between the national agenda as given to the nation on June 11, 1998, and the budget for fiscal year 1998-99. Fulfilling international financial obligations by obtaining more loans makes a mockery of the much trumpeted trust reposed by the nation in the slogan of "self-reliance" when people donated generously to the national debt retirement fund and subsequently the self-reliance fund.

Technically, the government defaulted on its financial obligations by freezing the foreign currency accounts on May 28, 1998. However, the foreign currency reserves have managed to edge upwards following the partial refund by USA of the payment made by Pakistan for military hardware. In the third week of January 1999, after obtaining acceptance of tough conditions, IMF released US\$575 million under the enhanced structural adjustment facility (ESAF) and compensation and contingency financing facility (CCFF) out of the US\$1.5 billion economic package to Pakistan. Subsequent instalments are expected quarterly. Pakistan has negotiated a structural adjustment loan of US\$350 million from IMF. On the January 31, 1999, Pakistan has been able to clinch rescheduling of foreign debt of US\$3.5 billion on soft terms from creditor governments of major industrialized countries called the 'Paris Club'. The 'beggar's bowl' has come to our rescue and the imminent default situation seems to have receded.

The supposed catastrophic doomsday prediction has subsided. Our fiscal policies still lack direction. Misplaced luxuries of the public functionaries continue and the extreme dichotomy between words and deeds of the policy maker persist. Crises of investor confidence continues. The chances of artificial boost to economy as shown by less than wise financing of unviable projects in the early '90s are remote because of a large bad debt portfolio and the expected privatization of the main financial institutions, but not the least, due to the nuclear deterrent, Pakistan can now defend itself without foreign help, lending considerable assurance to the prospective investor. On the economic front, in all likelihood, no dramatic developments for better or for worse, are expected. In the short and medium term, our economy is expected to plod the same path which it has tread for the last 50 years.

Courtesy: The Dawn of Pakistan