

People's Power Triumphs Again

MILOSEVIC'S vestigial remnant of a design to melting to power has been swept away like a creeper by the popular upsurge in Belgrade on Thursday. What the presidential election results of September 24 could not *per se* do to seat the winner opposition leader Kostunica in power has been done by a fell stroke of public uprising placing him at the helm of affairs in Yugoslavia. Basically what Milosevic wanted to see as a second round of election, to be somehow able to manipulate his return to power, has recoiled on him as a massive re-assertion of the popular verdict in favour of Kostunica. This was hardly his idea of a run-off election.

For the last few weeks world's attention has been riveted to the unfolding events in Belgrade with Russia persisting in its support of Milosevic. Finally, Russia has sided with world opinion driving the last nail in the old regime's coffin. Now, we rejoice in the denouement, with the rest of the world, made possible by yet another triumph of people's power.

It is heartening to get the proof of the truism once again that dictatorships, however entrenched and diabolically designed they might have been, have to collapse like a house of cards, sooner or later. We have seen how 'awesome majesty of the people' brought down seemingly invincible autocrats like Ayub, Marcos, Ershad and Suharto, to say nothing of others of their ilk who had met their doom before them.

Milosevic's crime ranges beyond his disrespect for electoral results and aborted attempts to spoil them. For, he is a sentenced criminal in the eye of International War Crimes Tribunal in the Hague which found him guilty of genocide. So, no country ought to give him asylum; in fact, he must be handed over to the Hague tribunal to face a full-scale trial for his unquestionable 'crime against humanity'. If he goes unpunished, the world would never be safe from the likes of him.

Let the Belgrade episode hold a timely warning and lesson to those who might try to use state power to manipulate and derail poll results anywhere in the world. Making a short shrift of the people's sovereign right to choose their leader never pays. It is met with spiteful rejection.

Good Police Work

IT does not happen everyday, neither everyone is as lucky as three-year-old Fariya has proved to be. A couple of ungrateful employees of Fariya's father abducted the little girl from Bara Maghbazar on Wednesday last with the hope to become rich overnight. She was then taken to Tungibari thana area at Munshiganj. The kidnappers pressed for a ransom of one million taka from Abdul Hannan, Fariya's father, who wanted the amount reduced but the abductors would not settle for anything less. Their greed was so overpowering that they forgot that this was the person in whose factory they were working for their keeps. Abdul Hannan finally went to the Ramna thana, contacted the officer in charge ABM Sultan Ahmed, and filed a case with him. The police then came into full play. The OC Ramna police station took real interest in the case, thought out some intelligent plans and sought the telephone department's help in detecting the telephone numbers which were being used by the kidnappers to communicate with Fariya's father. By tapping the telephone sets they came to know that 9 am on Friday was set as the deadline for payment of ransom. Accordingly, with great despatch, Ramna thana authorities sent SI Abdun Noor and Saiful Alam to Munshiganj on that day. They raided the house of Akbar and freed Fariya after arresting Ali Hossain. Fariya has returned to her parents unscratched.

The successful rescue operation must go down well as an example of what the police can do with the right kind of motivation and intelligent planning. The crime scenario in the country, particularly in the capital, has turned so vile and despicable that the citizens have almost forgotten when the last good act was done by the law enforcing agency. In a society like ours most people are innocent and law-abiding. It is only a handful of scoundrels that make life miserable for others and we do not believe that police cannot uproot these elements if they want to. Be that as it may, we must offer our sincere congratulations to the OC Ramna police station and his team for conducting a highly professional exercise in rescuing an infant and restoring happiness to a hitherto agonised family. Good work, just keep it up.

Happy Vijaya

MEMBERS of the Hindu community in Bangladesh, as elsewhere in the world, prepare for the moment of immersion of the image of Goddess Durga on Vijaya Dasami, which falls today. This year's festivity is all the more important for Hindus in Bangladesh because they will, for the first time since independence, offer their reverence to the goddess at Ramna Kali Mandir, which fell in disuse following its demolition by the Pakistani occupation forces during our War of Liberation in 1971. This indeed is another step forward in upholding the country's secular image. Bangladesh can be proud of having had religious equanimity and communal harmony. Festival of any religious community ought to evoke respect from another religious community in a civilised society. Be it Buddha Purnima for the Buddhists, Christmas for the Christians, Durga Puja for the Hindus or Eid for the Muslims, people from all walks of life have always been imbued with a festive spirit on all these occasions. Vijaya has traditionally represented the triumph of good over evil, but beyond that it has meant 'a renewal of the humane spirit in each and every individual, a spirit that elevates a person above his or her position to one that enables communion of minds.'

We wish Happy Vijaya to all.

Will the Euro Intervention Succeed?

Euro is declining in value more due to long-term capital outflow than from speculative behaviour. If these outflows continue in the near future, and all indications are that they will, the European Union will have to run a corresponding current account surplus to finance them.

would significantly bolster the currency.

The question that has intrigued everyone is the decision by the Federal Reserve Bank to sanction intervention to weaken the dollar six weeks before the November presidential election. A weakened dollar could force up both US inflation and interest rates and jeopardize voter's stock market investments. An answer to this question can be found in the circumstances leading to the market intervention.

In many instances, speculation by foreign and domestic investors lead to a decline in the value of a currency. A recent example would be the episode in 1997 when a sudden shift in the speculative behaviour of foreign investors led to the dramatic collapse of several Asian currencies including the Thai baht, Indonesian Ruppee and the South Korean won thus precipitating a financial crisis. However, the fundamental reason for the euro's fall is not currency speculation, but the long-term capital flows out of the euro zone and into the US. Driven by the promise of higher returns, European com-

panies and equity investors have been attracted to the US market thereby funding our current account deficit, which is now running at around 4 per cent of US gross domestic product. Last year, the net capital outflow from the euro-zone was about \$124 billion, and so far this year net equity and foreign direct invest-

ment to cut the unemployment rate and generate economic growth in both Italy and Spain.

The decline in the value of euro has posed a major problem for several reasons. It is exacerbating the inflationary impact of rising oil prices on the European Union. It has also imposed undue pressure on the external balances and

welcomed the intervention by the central banks. The US decision to intervene was taken when Treasury Secretary Lawrence Summers became convinced that euro's relentless decline risks destabilizing world financial markets and increasing threats to economic growth in both Europe and the world. This is specially so given the ever-increasing oil prices. However, to keep market jitters under control, Summers has insisted US commitment to a strong dollar.

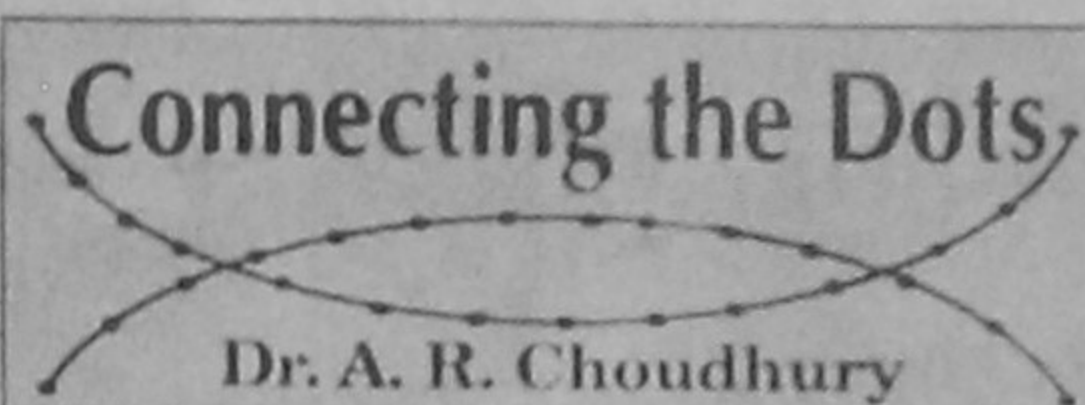
Given the mixed record of coordinated central bank interventions in recent years, questions can be raised whether the latest intervention will succeed in the long run. Past experiences have shown that central bank interventions succeed when it can punish speculators by forcing them to quickly unwind highly leveraged bets. But in case of the euro, speculative behaviour in the market is not the reason for its current precarious condition. The pressure on the euro has been mainly caused by long-term investors.

The extent of initial intervention in the market has been, at best, too little. Published reports suggest that the amount of euros

bought by the central banks ranged between five and six billion dollars. This, according to a recent study by two Berkeley economists, could only lead to a 2 per cent appreciation in euro. Indeed, the value of one euro jumped from \$0.85 before intervention to about \$0.88 a day after intervention.

There is no doubt that the euro is about 20 per cent undervalued against the dollar. It is also clear from the above discussion why the authorities intervened. But having started, they must now succeed in stabilizing the euro. This would require the countries in the European Union to formulate and present their economic policies more coherently. Euro is declining in value more due to long-term capital outflow than from speculative behaviour. If these outflows continue in the near future, and all indications are that they will, the European Union will have to run a corresponding current account surplus to finance them. The lower value of euro would then be the mechanism through which this surplus will be achieved. Alternatively, the European Central Bank can sell a portion of its huge reserve of gold and foreign currency to finance much of the capital flow.

If the authorities concerned fail to take any of these steps, the intervention is quite likely to fail to reverse the euro's slide.



ment outflows from the European Union have totalled \$110 billion.

The lack of sufficient political integration in the European Union has also contributed to the euro's problem. Although there has been substantial economic integration, countries within the Union are constantly found addressing common problems in different ways. Some policy makers within the Union may actually prefer a lower value of euro. For instance, a weak euro has helped

internationally exposed sectors of the European economies.

In recent months, however, the European Central Bank had been trying desperately, including several interest rate hikes, to reverse the downward slide in euro's value. The final straw that led the monetary authorities to decide in favour of intervention was the perceived risk that the falling euro could pose to world economic growth.

Most politicians in Europe

Indian Scenario: Mending Walls with Mamta?

Mamta Banerjee sought to whip up popular sentiments on the issue. She knows that the leftists are quite popular in the rural areas where the people continue to show their confidence to the Front because of its sincere efforts to alleviate their sufferings. But with the state elections getting nearer, some felt that Mamta is resorting to gimmicks to garner commoners' support.

FINALLY, the stand-off between Mamta Banerjee and Prime Minister Atal Behari Vajpayee has been temporarily resolved, as Banerjee said she would withdraw her resignation. She did so after an assurance from the prime minister that her demands will be considered.

The tussle between Mamta and the government over the issue of price hike in petroleum products has been a major political issue in India for last few days. A truce between the two sides seems to have come as a relief for the government. Mamta told a press conference in Calcutta on Friday that she is going back to the federal government as the railway minister and expressed the hope that PM Vajpayee would roll back the new prices of petroleum products after he has assured her in a letter to 'relook' the issue. Mamta said she expects some steps in this direction after Vajpayee returns to New Delhi from Mumbai where he is undergoing a knee operation on October 10.

Tensions and speculations on the issue have temporarily been put aside. But it would be difficult for the government to withdraw its decisions, because seldom in a democracy such steps are taken unless become unavoidable. Arguably, any government is aware of the hardship of the people as a result of such decisions but has to go for them considering the pros and cons of the economy. Vajpayee government, too, must have taken this unpleasant decision to hike the petroleum prices because of international prices and the huge consumption of petroleum products at home. But Mamta, a federal minister, immediately protested it, saying that the decision would come down heavily on

the poor. Mamta and her party colleague, Ajit Panja, state minister for external affairs, tendered their resignations. But the PM did not accept the resignations and urged them to think about the compulsions under which the increases were made. But Mamta was unrelenting and gave the government initially three days - and later another three days - to either accept the resignation or withdraw the decision of price hike.

On the fifth day, she received a letter from the PM 'assuring' her that the decisions will be reconsidered. Mamta said he is going to resume work as minister. This has come as a sigh of relief for the government, at least for the time being. Mamta's Trinamul is a constituent of the National Democratic Alliance (NDA) and her party has eight members in parliament - all from the West Bengal. Her's is an essentially break-away organisation from the original Congress which is now in doldrums in West Bengal and the Trinamul Congress is the second important political force after the ruling Left Front. Although Trinamul is a West Bengal-based party, Mamta has proved herself important for the federal government. The Bharatiya Janata Party (BJP) - the main party in the ruling coalition found a foothold in the state because of Mamta, whose party helped the BJP to win Lok Sabha seats in recent polls. In turn, she and Ajit Panja were made ministers.

But of late Mamta was at loggerheads with the Vajpayee government on two issues. First, she wanted the dismissal of the rival Left Front government in West Bengal citing 'alarming' deterioration in the law and order situation but the demand was not accepted by the federal government although it castigated communist Jyoti Basu's ruling Left Front in the state. Then came her

opponents with great interest. Observers were wondering whether Jyoti Basu's government was dismissed and a federal government's authority was going to be effective in the state. Finally, the NDA government decided against dismissing the West Bengal considering that the steps might be fraught with severe political consequences although it was under constant pressure

implications of imposition of president's rule since the action may put the Vajpayee administration may run the risk of greater rupture within the coalition. The situation put Vajpayee government in a kind of dilemma and eventually a decision was taken which spoke of wisdom for the government since it did no go for removing the democratically elected state government. Interestingly, Mamta's Trinamul is known to be a secular party but it allied with the BJP on strategic reasons. The Trinamul, having found both Congress and the Left Front as its adversaries, was left alone in national politics despite its good showing in Lok Sabha elections in the state particularly in the Calcutta city. So, it aligned itself with the BJP evidently to have an ally at the national level and is supporting the NDA government. Mamta, already angered by Vajpayee's failure to dismiss the West Bengal authorities, now picked up the gun against federal government on the prices of petroleum products. Her priorities are different. Although a federal minister, she is eyeing on forming next government in West Bengal and her intentions have been reinforced by recent success in Calcutta municipal polls. Her party is now controlling the city administration. With the main Congress being in disarray, the fight is now between the Left Front and the Trinamul. She is quite popular in some places in West Bengal but fact remains that she tends to rely

on 'populism' and this was adequately reflected in the position taken by her on the petroleum prices issue.

Mamta clearly sought to whip up popular sentiments on the issue. She knows that despite her good showing, the leftists are quite popular in the rural areas where the people continue to show their confidence to the Front because of its sincere efforts to alleviate their sufferings and running a relatively honest administration. With the state elections getting nearer, some felt that she is resorting to gimmicks to garner commoners' support in West Bengal while her growing popularity is also clear.

Vajpayee's letter to her avoids any categorical commitment that government would roll back the increased prices. 'It cannot be disputed that the hike does cause hardship to people' - the letter said but fell short of withdrawing them. Vajpayee is keen to keep Trinamul in the NDA but it is not a must because the withdrawal of support by Mamta will not jeopardise his government since the majority in parliament will not be affected. Mamta said she would take next step after watching what the government did on her demands. 'I am not interested in the fishes and loaves of ministerial position,' she said. But clearly she is seeking to demagogue with the hope this would bring people closer to her against the Left Front in one hand and the federal government on the other. Her calculations are based on upcoming state polls in West Bengal. It remains to be seen, to what extent Vajpayee can placate her and whether her politics will help her to come to power in West Bengal.



clash with Vajpayee government on the issue of price hike in petroleum products. Tensions were palpable between the federal government and the administration in West Bengal.

The NDA is not in good terms with state governments that are not governed by same or allied political forces and this is natural in such a political system. So, the government of Atal Behari Vajpayee faces occasional unease with the Marxists-led state government in West Bengal. But what brought the centre-state issue to the fore recently was the speculations that the state government might be dismissed since its ties with the government in New Delhi reached almost lowest ebb. Political circles, press and others watched these devel-

from Trinamul for such a harsh step.

Mamta was urging the government to remove the state government by applying Article 356 of the constitution. She said law and order in several districts of West Bengal totally broke down and the situation warrants direct rules from New Delhi to save the state from further slide. Mamta, whose aversion for leftists and the state government is well known, pressed the federal government for quick actions and even threatened to consider her support to Vajpayee government unless she is taken seriously. Obviously, she enjoys tremendous clout on the NDA and it is needless to say that her demand cannot land on deaf ears. The federal government has to weigh carefully the possible

Defence Purchases

In a vacuum of both information and knowledge, false accusations can be made, some may well be exaggerated. When he says publicity is meant to malign the army, the CE may well be right, but failure to take action against the handful of corrupt is also not being fair to the honest, silent majority of uniformed personnel. The matter must be handled maturely.

Singh Pal, Arms Procurement and Decision-making, Volume I, pertaining to India, China, Israel, Japan, South Korea and Thailand, he identified, 'four damaging consequences of excessive confidentiality in decisionmaking a) insufficient examination of the rationale for weapon system procurement, b) greater likelihood of corruption in arms procurement, c) inadequately analysed procurement policy leads to inefficiency and unhealthy consequences for national security, and d) opacity in decisionmaking processes damages public confidence in the armed forces which are consequently subjected to needless controversies. The military's professional credibility and objectivity of government claims consequently suffer.'

One of the world's foremost anti-corruption experts, Joe Roebor of Transparency International, has done pioneer work in unearthing corruption in arms trade. Prosecution of corruption cases in arms trade can be equated to that of rape. Most countries have enacted laws (or are in the process of enacting them) making it obligatory for the prosecution not to identify the victim in public since the victim has already suffered considerable physical and mental anguish at the hands of the perpetrator/s. Held up as an object of shame in some callous societies, she could very well suffer death for having 'shamed the tribe'. Who but the armed forces are the victims when kickbacks

are given arms procurement? While the guilty certainly have to pay for their crimes, national security reasons require it cannot be done by public trial except behind closed doors by Account-ability Courts specially constituted by the military themselves. But the guilty must not be allowed to hide behind the mantle of 'national security'. Exposure of defence deals 'may be motivated to malign the army' but that is a Catch-22 proposition. Under this fig-leaf camouflage, do the corrupt have a God-given right to defraud the army and the nation?

Defence purchases in Pakistan from abroad normally stipulate that no commission should be paid. Where commission is to be paid, it is declared as a very small percentage of the actual sale price, disbursed on a pro-rata basis in Pakistani rupees along with the encashing of L/C. In theory, this makes the person liable to pay taxes and also makes it difficult for him (or her) to disburse large sums of money (kick-back, bribes, etc) from the books of accounts without accounting for them. Therefore acting as an agent of an arms and/or equipment manufacture is legitimate if the rules are adhered to, one

cannot call every agent or consultant a crook. Obtaining the General Staff (GS) requirements and creating 'test and trial' reports in his own hand for the user units is not a legitimate part of such business.

Take the example of a person acting a sales consultant for a sniper rifle (cost about \$3000). With commissions closer to 20 per cent, i.e. \$600 per unit (or Rs

lac a month as 'kitchen money' for expenses, he would still have well over \$1.5 million (over a 10 years period) not counting the sales to police, and other paramilitary forces. Consistent in his rhetoric condemning corruption, this 'patriot' could well be the very re-incarnation of Jesus Christ the Second.

Unfortunately because of the double standards inherent in our culture, he 'belongs'. So it is no surprise he became a 'High Priest' in NAB, never officially, as anonymous as the 'Letters to the Editors' he churns out under different names. So what if he is guilty of bribery, corruption, tax evasion, foreign exchange violations, perjury, etc., his friends will shield him. That such a person is supervising accountability of others sums up not only lack of the credibility in our accountability process but to an extent our dilemma, who is to cast the first stone?

Fortunately for Pakistan, the people involved in such corruption are only a handful and if the keepers of our conscience do not apply selective standards they can be taken to task. On the same logic that protects rape victims we need to protect the real victim of this rape, the Pakistan armed forces. Subjecting the uniformed lot to defamation and ridicule, and making ourselves the laughing stock of the world can be avoided by creating a special cell pertaining to corruption in

defence purchases since some issues may well transgress national security. And making sure the cell is not staffed by cronies as is the 3rd floor of NAB. Adverse publicity will invariably be used by the enemy, this has to be avoided. Only those found liable should be brought before a closed-door Military Accountability Court headed by senior retired military officer appointed as adhoc High Court Judge by the Chief Justice of the Supreme Court from a panel of non-controversial retired officers of known integrity, competence and impartiality. Like in rape cases we have to protect the victim, in this case the Armed Forces from being 'raped' by motivated media attention.

In a vacuum of both information and knowledge, false accusations can also be made, some may well be exaggerated. When he says publicity is meant to malign the army, the CE may well be right but failure to take action against the handful of corrupt is also not being fair to the honest, silent majority of uniformed personnel. The matter must be handled maturely, in a controlled transparent manner and in a balanced, sensible way that will preserve the fabric of integrity that holds the armed forces and the masses together.

Any person who has secreted money abroad through commissions out of defence purchases is a traitor, so is anyone who protects him from retribution. As much as someone would like, public school moralities do not apply here, real-life integrity at the national level is a different ball game. Samuel Johnson rightly said: 'Patriotism is the last refuge of the scoundrel'.

AS I SEE IT

Ikram Sehgal writes from Karachi

vated to malign the army' but that is a Catch-22 proposition. Under this fig-leaf camouflage, do the corrupt have a God-given right to defraud the army and the nation?

Defence purchases in Pakistan from abroad normally stipulate that no commission should be paid. Where commission is to be paid, it is declared as a very small percentage of the actual sale price, disbursed on a pro-rata basis in Pakistani rupees along with the encashing of L/C. In theory, this makes the person liable to pay taxes and also makes it difficult for him (or her) to disburse large sums of money (kick-back, bribes, etc) from the books of accounts without accounting for them. Therefore acting as an agent of an arms and/or equipment manufacture is legitimate if the rules are adhered to, one

36,000 at today's rate of exchange), sales of several thousand units would gross almost Rs. 13 crore in commissions and that too only one item of purchase. This amounts to \$2 million in a secret account abroad. One particular hypocrite who acts as the conscience of this army (and the nation) operates under the camouflage of a very miserly existence to foster this sophisticated deception, this martyr 'works out of sheer patriotism' and 'love for the armed forces'. Garnering sympathy from former military associates and friends, he utilises it to get 'access' while generally avoiding the dishing out of large sums of money as bribes. This also helps to avoid taxes in Pakistan, and for that matter in UK (or elsewhere). So if the person has \$2 million in a UK account, and remits to himself only Rs one