

Nixon to China, Bush to India



FAREED ZAKARIA

writes from Washington

years of lectures on non-proliferation and sanctions have done nothing to stop, slow down or make safer India's nuclear program. Most important, it recognized that India was a rising and responsible global power -- India has never sold or traded nuclear technology -- that could not be treated like a rogue state. So the administration has proposed reversing three decades of (failed) American policy, and aims to make India a member of the nuclear club.

The benefits for the United States -- and much of the world -- are real. This agreement would bring a rising power into the global tent, making it not an outsider but a stakeholder, and giving it an incentive to help create and shape international norms and rules. For example, India is becoming more worried about a nuclear Iran for this reason, and not because it is being pressured to do so by the United States. When India was being treated like an outlaw, it had no interest in playing the sheriff.

Of course, some non-proliferation ideologues in Washington view the administration's shift with great skepticism. For them, it rewards India for going nuclear and sets a bad precedent. But the truth about nuclear weapons is that there has always been an exception for major powers -- Britain, France, Russia, China. The only real question is, does India belong in that group? Also, what is the alternative policy toward India that has any chance of changing its status -- more lectures on non-proliferation? It is this logic that has apparently persuaded Mohamed El Baradei, the world's non-proliferation czar, to support this

deal once it has been negotiated.

But the agreement would yield far bigger benefits for India. India's nuclear program has grown in total isolation. Now it would get integrated with the world, gaining access to materials, technology, know-how and markets. The agreement would open up new worlds of science and energy. It is not an accident that Jacques Chirac is arriving in India this week, hoping to begin nuclear cooperation with it, if the US-India negotiations succeed.

But India has many more ideologues, who are fighting against its forward-looking prime minister, Manmohan Singh. First there is the Foreign Service bureaucracy, which seems stuck in the 1950s -- using stale concepts like nonalignment, colonialism and Third World solidarity. (No, this is not a joke, they really do think this way.) Add to them India's nuclear scientists, who have gotten very comfortable in their cloistered world. As in any protected industry, the scientists don't want to be exposed to international transparency, largely for fear that it would reveal that their products and

processes actually are not cutting-edge. Then there are India's communists, who are in some ways stuck in the 1850s, when Karl Marx was writing his tracts on class conflict, for whom reflexive anti-Americanism is still a guiding principle.

There are technical issues that divide the Indian and American negotiating teams, largely relating to the separation of India's civilian and nuclear facilities. But these details can be sorted out. The administration's point man on this issue, Under Secretary of State Nicholas Burns, an excellent diplomat, will visit India this week in the hope and expectation of being able to resolve the differences. "We're 90 percent of the way there," Burns told me last week. "We've got just 10 percent to go. This has been a uniquely complicated negotiation between two equal parties. But we are committed to it. And as long as both of us show flexibility in the details, I'm confident that we will come to an agreement." Many in India are worried about American pressure to take a stand against Iran. I asked Burns about any "linkage." "We're well beyond all that,"

said Burns. "India joined with the majority of the board of the Atomic Energy Agency (to censure Iran), including a majority of nonaligned countries -- like Brazil, Egypt and Sri Lanka -- to vote as it did. And we are all now focused on a diplomatic path to address Iran's violations of its treaty obligations."

India at the highest level -- Burns' counterpart, Shyam Saran, is an equally able diplomat -- speak with a similar sense of strategic vision. But on both sides, strategists battle their own ayatollahs. It might be worth remembering all the costs that the US and China had to deal with in 1973. For the US, there was the sell-out of Taiwan and the reversal of decades of American policy. On the Chinese side, there was the abandonment of the basic ideology and strategic posture of the communist revolution. And yet, both sides saw the benefits and moved forward. And look at how it changed the world.

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THIRTY years of lectures on non-proliferation and sanctions have done nothing to stop, slow down or make safer India's nuclear program.

There has been remarkably little discussion in the United States of what is perhaps the major strategic initiative of the Bush second term. The administration is pursuing an objective, which, if successful, could bear some similarities to Nixon's opening to China in 1972: a proposed nuclear agreement with India. This might sound like an esoteric issue for policy wonks, but it is a big deal. If successful, it could well alter the strategic landscape, bringing India firmly and irrevocably onto the world stage as a major player, normalizing its furtive nuclear status and anchoring its partnership with the United States. But the policy, which is currently in some trouble, has to succeed. And for that to happen, strategists on both sides will have to prevail over ideologues.

The Bush administration has been farsighted on this issue. With China rising and Europe and Japan declining, it sees India as a natural partner. It also recognized that 30

Coal policy an exercise in excellence

AKM SHAMSUDDIN

VERSION 3 of the draft Bangladesh Coal Policy is being compiled now after taking into cognizance the outcome of the workshop held on February 8. Members of civil society, academia, coal industry investors, business, industry associations, and chambers of commerce participated in the workshop. Salient features of the policy were also revealed to the press on February 19. Version 3 will soon be submitted to the Energy Division, and distributed to other ministries for analysis and comments. A second workshop will then take place involving government officials only. Version 4 will then be compiled for final analysis by the Energy Division and its agencies. Thus the final draft that will be given to the authorities will actually be Version 5.

The process that the draft policy has and is going through is transparent, participatory in nature, and stakeholder driven. It is not known if any government policy, ever in the past, followed such a professional and open approach. I, therefore, call the draft policy an exercise in excellence not just for rhetoric but for cause.

Not just the process, but the content of the draft is also rich in many respects. It incorporates innovative features like market-driven variable royalty provision, export volume tagged to local market exploitation, respect for opinion of the people living in the coal zone, protection against environmental hazards, development

of a coal fund, capacity building, and many similar aspects.

Criticism from some quarters

News has recently appeared in a Dhaka daily that some people have found flaws in the draft coal policy. Although the comments of Barclays Capital were general in nature, the CEO of Asia Energy Corporation (AEC) expressed concern that the policy is going to be "over regulated," "too restrictive," "not sufficiently driven by market forces," etc. Barclays Capital praised aspects like "declaration of a coal zone," "provision of open pit mining," and "mine site power stations." But the AEC chief finds problems with mandatory mine site power plants, he dislikes tagging export to local market development, variable royalty provision, and payment in taka for domestic sales.

I am not surprised at these reactions, because the potential investors did not expect such a professional approach on the part of the government of Bangladesh. They were hoping for a literal walkover, perhaps exploiting the inept bureau of mines. Our country has been at the receiving end when it came to contact negotiations because of lack of expertise in this area. The good news is the much needed expertise is slowly but surely developing and that is what some outside investors are scared of. A look at the proposed provisions vis-a-vis the concerns of the AEC chief will clear this aspect.

Provision of mandatory coal mine site power

Both the country and the operator will be required to pay a royalty on coal produced from the mine site power plants.

plants

The draft coal policy mandates that the coal mine operators will construct a mine-mouth power station of capacity based on mine size within two years of commercial operation of the mine. The mine operator can use this for captive power, stand-by power and sell as IPP. This provision serves a number of purposes. This way the domestic utilization of coal will go up, thereby ensuring quick development of the sector. It will hasten power supply in the power starved west zone and lower electricity transmission losses. The operation of the mining companies will remain uninterrupted because of power outages, and the cost of power generation will stabilize because of payments to be made in taka. It is a win-win situation for both the country and the mine operator.

Tagging coal export to development of local market

Based on the experience of the oil and gas sector, the draft coal policy proposes a number of energy security measures. In that context the policy states: "Exports are to be regulated by linking with the coal that is utilized locally by the investor. A higher local coal use will allow a higher level of export of coal." This is an excellent proposition. The mine operator will be allowed to export more coal based on the local demand he can muster. This is again a win-win situation both for the country and the operator. All major countries of the world have energy security policies. The

United States of America, despite the fact that the country has huge domestic deposits of oil and gas, depends mostly on imports as part of energy security policy. Bangladesh lost out with its gas resources; it cannot afford to do the same again. It seems natural that we should have our own energy security policy too.

Variable royalty payment provision

In the case of export of coal, the draft policy proposes a two part royalty payment to the government by the operator -- a variable and a fixed part. The fixed part is a flat 6 percent and the variable part is based on the difference between the export price and a base price of \$25 per ton, but not less than zero.

For domestic use the royalty is a fixed percentage of sales. When the price of energy goes up in the international market, the mine operators make windfall gains. It is only natural that the government, as owner of the asset, will ask for a part of it. If the international price remains at the base level, the operator pays no extra royalty. This is a fair basis and cannot be called too restrictive. Moreover this is in line with the present production sharing contracts with the international gas producers in Bangladesh. Petrobangla is obliged to purchase, under the production sharing contract, at current international price. Then, why can't the government tag royalty payments with current international price of coal?

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The proposed policy stipulates: "All local use coal is to be sold in Bangladesh taka." This again is fair and equitable. Anyone who is familiar with the problem of payment to the IPP and gas producers whose contracts mention sales prices in US dollars will find this more practical. Unlike electricity or gas, coal will be sold to a number of distributors across the country, and taka being the currency of the country should naturally be the legal tender.

We are not accustomed to hearing

of many good developments in Bangladesh. In the midst of so many negatives, the proposed coal policy is surely a silver lining on the horizon. Admittedly, there is nothing that cannot be improved and it is only natural that a national policy such as this will be subjected to scrutiny, both positive and negative.

But our policy makers should be alert that this praiseworthy initiative does not succumb to international trade politics. After all, the policy draft has been prepared entirely by local experts and without World Bank, IMF or ADB assistance. Therefore, there may be subtle manipulative attempt to impose foreign consultants who will sing their songs to the detriment of our national interests. We must guard against such attempts.

As a son of the soil, I feel good about the proposed coal policy. Who doesn't?

AKM Shamsuddin is Chairman of E-Zone Limited and a past president of FICCI.

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Forcing the gates



IKRAM SEHGAL

writes from Karachi

HERE can be no approbation strong enough for the demoniac act of the cartoons caricaturing our beloved Prophet (pbuh). The Muslim reaction is only a reflection of the deep-rooted suspicion that other religions have ganged up in a well-thought out conspiracy, the disrepect for our Prophet (pbuh) meant as a deliberate provocation.

An idiot of an Italian minister wore the despotic cartoon on a T-shirt, very correctly (and swiftly) the Italian PM and his cabinet sacked him. Before enraged protestors could overwhelm and burn the Italian consulate in Ben Ghazi, Libyan internal security forces killed eleven (including some foreigners among the Libyans).

The crowds mouting Muslim anger all over the world are genuine in their anguish over the desecration. Disparate (and desperate) polititians acting on their own

individual agendas have converted what should have been peaceful protest into unrestrained violence, agent provocateurs seizing the opportunity for their own motivated interests.

At times the violence was accidental, as when a private security guard at a bank branch on the Mall Road in Lahore fired into unruly crowds intent on damaging the premises, and killed two protestors, that bloody sight turned the crowd into an unruly mob, a tiger became a "man-eater."

One can understand the mob venting its anger at western interests, what about the elements within the crowds acting on their aims and objectives? The seething anger has been intelligently exploited in Pakistan into an anti-government challenge. Following the mishandling of the protests in Islamabad and Lahore, one expected that Peshawar being MMA territory, the protest would

be disciplined and peaceful, that it turned violent was a major surprise.

Credit has to be given to the authorities in Karachi for keeping the protest, except for a few stray incidents, generally peaceful. If the situation could be handled in a normally volatile city like Karachi without provoking trouble, it could have been so done in other cities as well. What the government has to do is to realize the gravity of the situation inflaming religious sentiments and keep assorted macho spokesmen, bent on making a prime-time display to the president of their "loyal" commitment to him, from provoking the masses by bravado statements.

Regretfully by doing so they are undercutting the foundations of the president's goodwill among the masses, goodwill built over the years by the many tangible things he has done for Pakistan. For them it doesn't really matter, they have

served other masters in the past, and barring those very closely identified with Gen Musharraf, will happily (and loyally) serve other masters in the future.

There is uncanny resemblance at places to previous disturbances that have brought down regimes in Pakistan. A sugar crisis started in 1968 out of nowhere, simultaneous agitation in (then) East Pakistan led by the Awami League culminated against the concept of the Federation, "gherao and jeho" movements affected industrial units throughout (then) West Pakistan. By the beginning of 1969, Ayub Khan had had enough and made no protest when the Martial Law meant to be imposed by him in fact deposed him.

Similarly, the April 9, 1977 disturbances on the Mall Road in Lahore fueled the fire that swept through the land that eventually brought down Zulfikar Ali Bhutto less than three months later. The

exploiting of religious sentiment that took place in 1977 (PNA's Nizam-e-Mustafa movement) is now being repeated in 2006. As a political animal par-excellence, Bhutto recognized the dangers to his PM-ship and backtracked very smartly, almost bringing it off by compromising and entering into an agreement with PNA. The Pakistan Army unfortunately had other plans.

Besides the political reasons, in 1969 and 1977 Pakistan was also immersed in economic problems. Politically we may need some mending today, economically Pakistan is on a high and the boom is not easing off. Geo-politically we are in an extremely stable condition, it would be a tragedy if all this thrown is to the wolves. Make no mistake, they are at the doorstep.

No one likes military rule for an extended period, resorted to for the "salvation of the country," it must remain in place for the shortest

possible time before giving way to democracy. This is the norm, unfortunately the norm cannot be applied to Pakistan given the geo-political, political and economic crises we are straight-jacketed in. Most crises are of the making of our rulers, they usually escape accountability, so do their advisors who continue to mislead the public in semi-retired life in both the print and electronic media.

Have we taken to task those who made money for themselves out of the ill-conceived nationalization of the early 1970s? Have we taken those bureaucrats to task who looted the nationalized units after the political government fell in 1977? Have we taken to task those who made money out of the privatization of the nationalized units (and other public sector units) after the political forces came back into the seat of power in 1988?

While continued wearing of the uniform does take the shine off and Musharraf's rule, imperfect as it may have been, it has been very successful for Pakistan. His successes easily overcome in public perception the known failures. In Musharraf's defence, these mistakes have not been of intent but compromises made because of "special interest groups," that be-devil any democratic government.

His detractors say he does not want to give up power, unfortunately the Nelson Mandelas of the

world are few and far between, are in fact a rarity. Which ruler gives up power voluntarily, particularly a military one? That abomination aside, Musharraf has been very good for Pakistan, particularly when you take into account the mess we had got ourselves into between 1988 and 1999 politically and economically. Have people got such short memories?

Has he been the most benign of military rulers, martial law was never declared and the trappings of military rule have not been in evidence. People have not been dragged off to military courts or subjected to summary punishment by military justice. His economic performance has been outstanding even if his political initiatives have produced a mixed bag. His greatest performance has been on the geo-political field. Pakistan now has a place in the sun. You had to mingle among the world elite in Davos to believe he now comes across as a superstar, and that Pakistan is taken as a major player in the region.

We have our internal travails, the FATA situation keeps on simmering even though it is now mostly under control. Balochistan cannot be compared to East Pakistan in 1971. In East Pakistan, the rebellion was widespread and involved the whole of the province. In Balochistan, the trouble extends to two districts (out of 26), Bugti's

tribe is divided. Well-armed, well-trained hard-core guerrilla group have set off bomb blasts far and wide to disrupt the socio-economic infra-structure such as electricity, gas, etc throughout the province. One way well ask why is Balochistan if Bugti has widespread support among the Baloch? With lack of public support, how long before they are caught?

There is a saying that those whom the gods want to destroy they first make them mad, it would be more correct to say that they first make them stone-deaf. Can anyone among those in authority hear the growing murmur from the streets turning into a roar? A lot now depends upon the real friends of the president, those who have his ears and can tell him, without losing their heads, that his detractors have taken a religious issue and are intelligently converting it into an anti-Musharraf campaign, helped no end by some on his own team who must qualify as morons for not understanding the gravity of the situation.

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Cambodia, the art of the possible

VERGHESE MATHEWS

FOR a country that often gets bad press, sometimes of its own making, Cambodia demonstrated in the last fortnight the old adage that in politics, anything is possible, and that in the practice of politics that there are no permanent friends or enemies, only permanent interests.

In a heady week in Phnom Penh, proposals and counter-proposals moved with the proverbial speed of summer lightning -- apologies were rendered, apologies were accepted, royal pardon was sought and readily granted, prison gates were opened, and an embattled prodigal party leader found the confidence to return to the embrace of his loyal supporters.

Detractors, who only a month earlier had noisily condemned Cambodia going the Myanmar way, were among those most