

Big investment proposals

Decisive response needed

We must regard the half a dozen multi-billion dollar foreign direct investment (FDI) proposals that have been on the table for some years now as a tribute to the investment worthiness of Bangladesh. Eagerness on the part of potential investors to put money in a country is reflective of a favourable preliminary assessment of possible returns on investment. At the same time a country like Bangladesh has been in dire need of FDI flows into certain underdeveloped areas of its economy like infrastructure, power, gas and manufacturing sectors.

While we prided ourselves on offers of foreign investment being registered with the Bangladesh Board of Investment (Bol) and liked to showcase them as our turning into an investment destination, hardly any tangible results have accrued from them. The investment proposals of Indian conglomerate Tata, Abu Dhabi Group, UK-based Global Oil and Energy Ltd, Malaysian Azimat Corporation Ltd and Contech Ltd. are cases in point.

Let's not forget that other countries are in a race with us to attract FDIs so that inordinate delay in entertaining proposals could make potential investors move to other economies. On the other hand, if big investors should put money upfront in Bangladesh as sign of confidence in us it would only encourage further investment in the country.

True, we cannot take investment offers on their face value, a whole set of national and economic interest considerations, both medium and long term, would need to be taken into account. But we cannot be indefinitely indecisive about the proposals, leaving the investors in a state of uncertainty.

We do not have any firm and clearly laid out policy framework to evaluate mega project proposals and decide on them one way or the other. This was topped off by political indecision and lack of vision. In actual fact, the absence of policy guidelines translated into greater bureaucratic red tape.

The proposals would be sent to ministries concerned so that there has been inter-ministerial detour of the files. Our suggestion is the much-vaunted one-stop service be introduced immediately to process the investment proposals and a high powered taskforce put in place to accord approvals.

Mocking poverty

Such despicable behaviour calls for tough action

SIJONI Bangladesh and Payatok Bangladesh may not be household names in the country. Even so, they happen to be NGOs which have as part of their agenda certain poverty alleviation schemes. That, at least, is the image they would like to create for themselves. But what happened in Kaliganj upazila of Jhenidah the other day, according to a report in a leading Bangla daily, cannot but boggle the mind. These two organisations arranged a programme, attended by senior government officials, aimed at distributing certain sums of money to a few individuals in order for them to deal with some immediate economic problems. The money, as the recipients were informed, was theirs. They were also told by the organisers not to waste it.

All of this was duly recorded on camera and made note of by the print media. But what followed was as surprising as it was outrageous. Once the programme was over and done with and the government functionaries had departed, the money only moments earlier given to the poor individuals was taken back from them. It was explained to them and to others that the distribution ceremony had been a dress rehearsal for something that might take place later. And there lies the humiliation of it all. By seizing the money back from those to whom they had given it, the NGOs in question not only made a mockery of the poor but also made themselves open to charges of fraud. The government officials who were present surely thought they were providing encouragement to the NGOs by their participation in the programme. Now that the organisers have clearly committed such a despicable act, what will be the response of those officials?

The entire incident calls for a thorough inquiry. That the organisers have committed an act bereft of the high calling of morality has been made obvious. The upazila nirbahi officer concerned has promised to look into the matter. We feel that a much more serious position must be taken here. Poverty ought not to be turned into a photo op. The organisers of the charade need to answer a lot of questions.

Eating out of foreign hands



MOHAMMAD BADRUL AHSAN

I have had eyewitness accounts of how politicians competed with each other for the attention of a foreign diplomat. It went to the extent that one time a politician waited for his colleague to step out of the room for a puff of cigarette. Then he rushed to that diplomat to grab the opportunity and complained against his absent colleague.

For promotion, transfer, complaint, even protection from political fallout, our politicians have turned to their foreign friends. It should not come as a clasp of realization that foreigners have a strong hand in our internal business.

There have been many protests. Sensitive people have made sensitive comments, criticizing foreign interference in our domestic politics. I have never said anything, written not one word against this pathetic trend. I was optimistic like the sensible parents of grownup daughters. If the girls knew how to

behave, the boys couldn't touch them.

Last week, however, when the European troika came to town and some of our politicians met them in the German Ambassador's residence, it shattered my optimism. An embassy is the sovereign territory of a foreign country on our soil.

As per the Vienna Convention of 1961, so is the ambassador's residence. In effect, our leaders went to discuss the sovereign issues of this country in the sovereign territory of another country. Now I am convinced if girls are taken to coquetry of age, the inevitable has to happen. It doesn't matter if girls go to boys or boys come to them.

First of all it was wrong of the German ambassador to invite our politicians to his house, and it was equally wrong of our politicians to go there. The meeting could have happened in the Election Commission, in the party office or in a hotel.

Of course, politicians can

CROSS TALK

Going back to last October, the parallel is an irony. Our politicians were sacking and pillaging their own country while prostrating themselves before their foreign masters. Recently, a former state minister sang like a canary under interrogation. He gave us revealing information that some of our leaders took money from foreign governments. One shudders in shame how they dragged the honour of this country in the mud.

they always go to foreign embassies for National Day celebration, reception dinners or other ceremonies. But this was not the same thing by all means. Here our politicians wanted to take guidance for domestic politics from foreign visitors.

Nothing is more solemn and sovereign than the political decisions of a country. How we conduct our elections and when we do it, how long we wait before lifting the ban on indoor politics or how we treat our criminals who plundered this country should be our business. Of course, nations have allies like people have friends. A few suggestions and advices are always welcome.

But not at the level foreign diplomats are sweating for us. They are running between top politicians, top government officials, top businessmen, top brass in the army, and the media is following them like paparazzi chasing celebrities. The question is why and how do they get so much access and attention? Is it because

they give us money? Or is it because they know better?

Well, a tiny country like the Solomon Islands had expelled the Australian ambassador in 2006. In 2005, when the Head of European Union Delegation had given an ultimatum to the President of Kenya, the government immediately protested asking all foreign diplomats to keep within the principles of the Vienna Convention.

One can give scores of examples to remind that when foreign diplomats are in a host country, they ought to walk the line. They are our guests and we are bound to treat them with certain immunities and respect.

But guests aren't allowed to walk into the bedroom and tell the host how to make love to his wife. In any self-respecting country, foreign diplomats will be first warned and then expelled if they meddle in internal politics. Then, our case is different. We invite guests to the bedroom and wear their company like a badge of honor. Foreign friends, foreign guests adorn us,

adding special luster to our evenings and events.

I don't intend to go into the sentimental mumbo-jumbos of how we may be locked in the mindset created by two hundred years' of British rule. May be we are a nation of xenophiles. We love foreigners, anything foreign and not long ago an omnipresent ambassador used to cut ribbons for everything from fried chicken joint to boutique shop.

We could be the world's most hospitable nation if not for our obsequious manner. Foreign diplomats are not our custodians and we aren't their protectors. And leaders of a country should uphold that spirit to protect the dignity of their people.

But they aren't alone to blame for it. Recently a demissioned ambassador visited this country and he met with the advisor for Foreign Affairs. Our media took excessive interest and published the news with a photo of the meeting.

One of our former prime ministers often sought foreign assistance to right the wrongs for her. We don't know if she ever realized that leadership is a respectable position, which is embellished by the confidence of people. Anyone who is installed in power by an outsider (even by George Bush!) is never a leader but a foreign stooge.

In 1860 British and French forces sacked and pillaged the

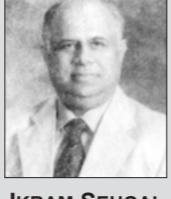
emperor's summer palace and some areas around Beijing. They refused to withdraw until the Chinese court had agreed to receive ambassadors on terms consistent with Western practices amongst other concessions. Until then the foreign diplomats were required to prostrate themselves before the Chinese emperor, which was found humiliating by the West.

Going back to last October, the parallel is an irony. Our politicians were sacking and pillaging their own country while prostrating themselves before their foreign masters. Recently, a former state minister sang like a canary under interrogation. He gave us revealing information that some of our leaders took money from foreign governments. One shudders in shame how they dragged the honour of this country in the mud.

Last week it was the familiar scene of eating out of foreign hands. I would like to ask everyone, please stand up on your feet and act like citizens of a sovereign state. Those foreign hands will not go away until they look foreign to us.

Mohammad Badrul Ahsan is a banker.

Budgetary musings



IKRAM SEHGAL
writes from Karachi

EVERY Federal budget is usually better than the previous year, this year even more so. Presented by the Federal Minister of State for Finance, Omar Ayub, on June 9, it had a three-fold purpose, viz (1) to try and alleviate the poverty of the common man (2) to provide incentives for greater investment, and lastly (3) to provide a favourable environment for general elections at the end of this year. Glaring anomalies exist; bigger incentives should have been given to the agriculture sector, the mainstay of Pakistan's economy.

The significant rise in per capita income has largely failed to improve the standard of living of a vast majority of the people, the gains being largely restricted to the already affluent.

With greater income disparities, the government has also failed to stop the sharp increase in prices of items of daily use, double-digit rise in food inflation is making ordinary people spend a greater part of their income to feed their families.

Food price inflation is the core inflation for all intents and purposes. Some consumer essentials will be subsidised through the utility stores to soften the impact of

inflation on the salaried class, but this mechanism cannot fully reach our masses, and a vast majority will continue to suffer.

More concrete measures should have been taken at the wholesale stage to keep essential consumer goods prices within control. In the face of subsidies of almost Rs 100 billion for Wapda, Kesc and PIA just to stay afloat, the Rs 2.5 billion earmarked for food inflation is not enough.

With inflation and unemployment adversely affecting the lives of ordinary people, other factors contributory to their miseries include electricity shortages, lawlessness scaring away investors, and the growing public (and international) perception that the country was drifting in the wrong direction.

To compensate for inflation, salaries have been increased, and the scales of lower grade employees have also been improved, but the prices of essential items need to be addressed for alleviating the sufferings of common people.

One good thing has been the 15% increase in pensions, with 20% for those who had retired earlier. Even though the much recommended formula for equal pensions for all persons equivalent in rank has not been accepted as yet, there is, at least, some relief.

Better coordinated use of various modes of transport would include road, rail, ports and air traffic to reduce the cost of doing business for both domestic and foreign traders

One must prepare for energy

inflation on the salaried class, but this mechanism cannot fully reach our masses, and a vast majority will continue to suffer.

Business leaders are generally upbeat about the 2007-08 budgetary projections, but some are wary of the coming elections, wanting a clear demarcation between politics and the economy in order to take Pakistan's economic growth into the consolidation phase.

Budgetary re-thinking needs to be done to alleviate the sufferings of the textile sector and revive the chemical and leather sectors. A huge development outlay has been made for education, infrastructure, health, port and shipping, communication, transportation and automobile sectors. This is excellent, they needed that monetary infusion, and billions of Rupees have also been earmarked for social sector development.

The Planning Commission noted that, viz:

The existing infrastructure is quite unsuitable, even by present standards, and will have to be updated to international standards in scale, quality and management efficiency within the next five to six years so that it can be used optimally

Better coordinated use of various modes of transport would include road, rail, ports and air traffic to reduce the cost of doing business for both domestic and foreign traders

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efficiencies and other nodal changes that will occur in this century

A comprehensive and integrated transport policy will be developed during 2007-08. Karachi port presently handles about 30 million tons, with Port Qasim handling about 10 million tons, annually. Of the 44 airports maintained by the Civil Aviation Authority, only 25 are operational.

Development of port infrastructure and rationalisation of port charges will cater for transhipment through the landlocked port concept with enhanced private sector participation. Rationalisation of airport charges and the development of airports through the private sector are also planned. The railways are being transformed into a corporate entity, the "Business Plan" envisaging a professional CEO.

The Real Estate Investment Trust (REIT) proposal under the Finance Bill FY08 is very innovative, and is meant to give a kick-start to the economy. Tax-evaded money invested in land and property can be whitened by selling the assets to REITs. No questions will be asked, and there will be no capital gain on the property transaction between a seller and the REIT, with no real cause to hide the difference between the book and

the market value.

The actual monetary expansion during FY05 (Rs 479.4 billion) was worrying. This decelerated in FY06, amounting to slightly higher than Rs 450 billion. With more to go through FY07, incremental money supply during the year has so far risen to Rs 480.3 billion, or 14.1 percent higher, compared with Rs 460 billion, or 13.5 percent, provided in the credit plan for FY07, and Rs 358 billion, or 12.1 percent, in the corresponding period of FY06.

Foreign debt servicing is expected to go up by 16 percent to Rs 56.4 billion, against Rs 48.4 billion this year. Similarly, foreign loan repayment would increase by 16.5 percent to Rs 62.9 billion next year, in contrast to paying back Rs 54 billion during the current year.

The massive increase in debt servicing is mainly because of the 67 percent increase in the servicing of domestic debt, which increased from Rs 191 billion in budget estimates of 2006-07 to Rs 318 billion in budget estimates of Rs 2007-08.

The scope of activities and operations of the Central Board of Revenue have been enhanced by giving appropriate autonomy, and reconstituting it as the Federal Board of Revenue.

The FBR would implement tax administration reforms; promote voluntary tax compliance; adopt modern tax administration methods, information technology systems and policies in order to consolidate assessments; improve processes, organise registration of taxpayers, widen the tax base, and make departmental remedies, including enforcement, more efficient.

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The shortfall in customs duty and sales tax collections, over Rs 60 billion during the current fiscal, was bridged by the robust growth of 50 percent plus in income tax collection.

The tax collection target of Rs 835 billion set for this fiscal year is expected to be achieved by the end of June. The budgetary measure will help enhance the tax-to-GDP ratio, broadening the tax base and improving the documentation of the economy.

Budgetary measures relating to sales tax and federal excise aimed at providing relief to the taxpayers by rationalising tax rates, thereby creating a conducive and business-friendly environment.

The government calls it a "people-friendly investment-oriented budget," the opposition calls it a "Budget for the rich at the expense of the poor." While it is economically not feasible, even in socialist economies, to make the rich richer, the government has done as well as it could within its resource constraints.

Other than pointing out shortcomings and contesting the statistics, no concrete remedial measures or proposals have been made by the government's detractors. The federal government has tried to balance the two extremes. An "A" for effort!

Ikram Sehgal is an eminent Pakistan columnist.

Seething anger in a broken Middle East



My conversations with a broad spectrum of the public and civil-society leaders convinced me that, without pressure from the international community, Arab and Muslim regimes will resist reform. Since the invasion of Iraq and subsequent devastation, Muslims have no serious regard for the Bush administration's rhetoric on democracy, widely perceiving it as a ploy to subjugate the Muslim world.

FAWAZ A. GERGES

MARKING 40 years of Israeli occupation, Palestinian President Mahmoud Abbas warned that his people are on the verge of civil war. Infighting between Islamist Hamas and nationalist Fatah is worse than living under Israeli military rule, stated Abbas.

Similarly, Lebanon faces grave crises, pitting the pro-Western ruling coalition against the Hezbollah-led opposition. The Lebanese army against Al Qaeda-inspired factions like Fatah al-Islam and Jund al-Sham. The nation is also a battlefield with a fierce struggle waged between the US and its allies on the one hand, Iran and Syria on the other.

The Middle East is boiling, and not just in Palestine, Lebanon and Iraq. What official Washington views as "clarifying moments" are deepening institutional crises shaking the

foundations of Middle Eastern societies.

I focus on three pivotal faultlines: The first is the widening socio-economic divide between a tiny elite and critical segments of the Arab population. On average, up to 40 percent of the Arab population lives below the poverty line. In poverty belts surrounding Arab cities, from Egypt to Sudan, millions of young Muslims struggle to subsist, with no stake whatsoever in the existing order.

Several developments make this widening socioeconomic gulf between the haves and the have-nots dangerous: obsessive consumerism, the new media that reach into every corner of the Arab and Muslim world, and the declining social functions of the Arab state.

Militancy migrates into these poverty belts. Since its inception in the mid-1970s, the jihadist or militant Islamist current has basically

revolves around the increasing legitimacy gap between the Arab ruling elite and the population. The vacuum of legitimate political authority has never been so wide, exacerbated by the dismal economic performance of the Arab state and widespread perception that the Arab rulers are subservient to American foreign policy.

A consensus exists, outside the ruling circles, that the status quo is no longer viable. Moderate voices call for civil disobedience. Radical and nationalist