

Pakistani investigators seek clues in hotel blast

AP, AFP, Peshawar, Pakistan

Pakistani police yesterday pulled bodies from the charred rubble of a luxury hotel in northwest Peshawar after a suicide car bomb killed 18 people in the city troubled by Taliban violence.

A top provincial official said the massive blast at the Pearl Continental Hotel late Tuesday was likely the latest in a string of revenge attacks by Islamist militants over a six-week offensive against them in the northwest.

UN condemned the attack, calling it a "heinous terrorist attack."

Elsewhere in the volatile region, security forces killed 70 suspected militants in an area close to two major Taliban tribal strongholds, intelligence officials told The Associated Press.

No one immediately claimed responsibility for Tuesday's attack on the Peshawar Pearl Continental, but the blast followed Taliban threats to carry out major attacks in large cities to avenge an army offensive against insurgents in the nearby Swat Valley.

Police hunting for the dead moved from room to room in the five-star hotel, large parts of which were reduced to rubble when at least two attackers shot security guards and then slammed an explosives-laden truck into the building.

"The blast is a reaction to the army offensive in Swat and Malakand. The possibility of this type of terrorist attack cannot be ruled out in future," North West Frontier Province information minister Mian Iftikhar Hussain said.

He said the death toll had risen to 18, as police and rescue workers continued to pull people from the wreckage of Peshawar's ritziest hotel.

"I fear that eight to ten people or maybe even more are still trapped under the debris," said Shafiqullah Khan, a police officer at the scene.

Police official Abdul Ghafoor Afridi told AFP that 57 people were injured, including some foreigners who have been taken from Peshawar, the provincial capital, to Islamabad for treatment.

At least three suicide attackers shot their way past guards and set off the explo-

sion late Tuesday outside the hotel, a favorite spot for foreigners and well-off Pakistanis and a site that the U.S. was considering for its consulate.

The attack reduced a section of the hotel to concrete rubble and twisted steel and left a huge crater in a parking lot. Senior police official Safwat Ghayur said counterterrorism experts, police and intelligence agents were combing the rubble for clues Wednesday.

The Pearl Continental, affectionately called the "PC" by Pakistanis, is the ritziest hotel in the rugged frontier city of 2.2 million. Relatively well-guarded and set back from the main road, it is near government buildings and overlooks a golf course and a historic fort.

Security camera footage show the attackers in two vehicles, a white sedan and a small truck. The vehicles pull up to a guard post outside the hotel, with the car in front.

A puff of smoke then appears near the car window, and a guard standing at the post collapses, apparently shot. The vehicles then move into the hotel compound. A



PHOTO: AFP

Pakistani soldiers stand guard as rescue and clean up operations continue at the five-star Pearl Continental hotel in Peshawar yesterday, a day after a suicide blast attack targeted the building. Rescuers have pulled 18 bodies from the rubble of the luxury hotel in northwest Pakistan, as blame focuses on Taliban rebels avenging a military push against them.

few seconds later, a flash and eruption of dust are visible, indicating a blast.

The truck was carrying more than half a ton of explosives, senior police officer Shafiqatullah Malik estimated.

The chaotic scene echoed a bombing last year at Islamabad's Marriott Hotel that killed more than 50 people. Both hotels were favored

places for foreigners and elite Pakistanis to stay and socialize, making them high-profile targets for militants despite tight security.

In Washington, two senior US officials said the State Department had been in negotiations with the hotel's owners to either purchase or sign a long-term lease for the facility to house a new

American consulate in Peshawar. The officials said they were not aware of any sign that US interest in the compound had played a role in its being targeted.

UN Secretary-General Ban Ki-moon on Tuesday condemned the hotel bombing as a "heinous terrorist attack," UN deputy spokeswoman Marie Okabe said in New York.

Budget today

FROM PAGE 1

Another daunting task would be to keep the export wheel moving. Although the overall export figure remains robust at 12.7 percent during July-April, major sectors other than ready-made garments declined. In the face of a lag effect, further demolition of the export indicators may be expected. The remedy should be sought in competitiveness, which also may include looking at exchange rate, market tapping and right stimulus.

The next victim could be foreign aid. For a country that consumes \$1.5 billion (on average in the current decade) in foreign assistance a year and could absorb even more, provided it had the capacity to spend, shrinking aid could create caveats in some vital development areas. Already an uncertainty in availability of aid has been created because of the government's two decisions -- to change the public procurement rules (PPR) and shift away from the poverty reduction strategy (PRS) to five-year planning.

If the PPR is changed to ease competition in tender participation and to let inexperienced firms take part in bidding, this would lead to legal problems with all ongoing donor projects. Donors simply cannot lend money for terms they did not sign agreements for. Disbursements from ongoing projects may grind to a halt. Secondly -- and this specifically applies to the World Bank, the largest multi-lateral donor -- as the government plans to move into five-year planning sooner than anticipated, it would not have a multi-year planning to show to the Bank for budgetary support right now. And the World Bank cannot support any programme that is not anchored in a multi-year poverty reduction strategy and its country assistance strategy ends this month.

More than anything, if budget is for growth and development, the fulcrum of that goal will be governance and reform issues. On both counts, the five months of the government did not reflect enough change that was expected of the new government after five years of corruption-driven tyrannical rule and two years of thoughtless regimentation. The ethos that the AL's election manifesto was based on is not fully reflected in the actions -- one simple example is the AL's second promise of fighting corruption and it is anyone's guess how much of it would be fulfilled. The local government system has all but turned like Chinese Democracy. As it seems now the government's outreach to the various stakeholders in the society is still weak and development management risks of not being all-inclusive.

But the tug of the political economy might even be more difficult to balance. Great expectations have been created in the election manifesto of the Awami League and the party in power will now have to deliver on its promises. The party gets a satisfying relief in the fact that its priority one

promise to bring down prices has been materialised as the global commodity market plummeted from the brutal highs. The government set in motion some perception that it is serious to tackle price inflation. But the situation is changing fast with the oil price again creeping up -- it has already reached the \$80 level -- and fuelling speculation of a commodity price rise as well. Non-food inflation has increased from 4.8 percent in December to 6.6 percent in April. Voters would not like to plunge back into a high-price regime. Here, the government has to set its strategy clearly for the future threat. Do not take low inflation for granted.

As a logical continuation of this threat, the government will have to seriously address its other promise -- to reduce poverty by way of boosting agriculture. This was a good year for agriculture with an 8 percent higher food grain production, thanks to a good weather and a full-throttle effort of the government to reach inputs to farmers at an adjusted rate. But the real challenge lies in augmenting output through research and development.

A worry already voiced around is that seed development is too slow and current seeds are losing productivity. A new variety needs at least seven years to develop. Unless the challenge is taken seriously and new technologies like GMO are introduced, agriculture may falter with decreasing availability of farmland and stagnant yields. And despite its shrinking foothold on the national GDP -- it accounts for about 20 percent of the economy -- shrinking agriculture would mean loss in employment, an increase in inequality and, of course, facing a food insecurity.

But the question of modernising the economy is equally important. This requires a new lifeline to manufacturing and services sectors. Both now look glum -- manufacturing growth has declined by 0.86 percentage points and services by 0.24 percentage points. Other than the global recession, a lot to do with such declines can be attributable to a lack of confidence among the investors as legacy of the two years of the caretaker government's, or rather the military's purge on corrupt businessmen and politicians that at one stage went overboard, instilling a sense of widespread insecurity.

The BDR incident followed by some off-track remarks by some ministers on various economic issues has not helped restore confidence. And in this confusion, investors are confused about who the real policy actors are and who holds what prerogatives. The external environment lurking in the background always dampened spirits of entrepreneurs. But investment is needed badly and in incremental amount as capital productivity, as the Centre for Policy Dialogue points out in its analysis of the economy, has declined for a third con-

secutive year this time. Unless more money is invested this year's equivalent growth will not come, let alone higher figures.

But energy, another priority promise of the AL, will remain a lingering problem in achieving this higher investment. The country is already reeling under a persisting gas and power crisis, which is affecting productivity and acting as a disincentive for investors. Even the efforts to set up new power plants this year would not be enough to ensure comfort for investors to set up new establishments. This year's load-shedding, which is now 2000MW, will increase in the coming years unless the government ensures adequate new power projects. The country's gas crisis is also set to increase in 2011. While the new power projects totalling 5000MW capacity in the next five years demand several billion dollars of investment, the government would also have to ensure alternative to gas, which is traditionally the key source of power. Ensuring this alternative would mean the country would either tap its own coal resources by heavily investing in mining, or build nuclear power or it would have to import coal or oil. Either case demands billions of dollars of investment and proper project implementation.

If the goal of any economic policy is achieving high growth -- although high figures necessarily do not mean reduction in inequality -- the finance minister will have a lot to worry about. Bangladesh has been on the over 6 percent growth path for quite some time. But the trajectory has levelled out and is in fact declining. GDP growth is expected to come down to 5.88 percent this fiscal year. This means the economy needs some magic actions to break through the 6 percent limit. Sadly, public investment is on the decline and private investment stagnated.

From this angle, a big ADP planned for this year may look logical, matching with a planned moderately expansionary policy. But logical as it may be, implementation of Tk 30,500 crore in development programme planned for next fiscal year looks absurdly unlikely as this year's spending capacity may hardly reach Tk 19,000 crore.

Capacity does not develop overnight and any radical reforms are not in the horizon. And if that is the case, a lot of the political vision may remain on paper or may be risked in squandering. A bigger ADP may bring in the risk of high bank borrowing despite the government's plan for financing through savings instruments, which are non-inflationary in nature but highly demand driven and may not be successful.

In that scenario, two things will happen -- crowding out of the private sector and inflationary pressure. Both prospects are disastrous for growth and development, especially when the global market is projected to heat up, again.

US hails India as key partner

AFP, Delhi

US envoy William Burns on Wednesday hailed India as a key partner and promised warmer ties between the two nations as he met with government ministers in New Delhi.

Burns, the US under secretary of state for political affairs, began his three-day visit ahead of a possible trip by Secretary of State Hillary Clinton next month.

He said he had been dispatched by Washington with "a very straightforward message (that) India is a major foreign policy priority to the United States."

"We consider India to be crucial global partner in 21st century," he added.

Burns held talks with Foreign Secretary Shiv Shankar Menon in the first senior-level contact between New Delhi's recently elected government and President Barack Obama's administration.

He also met Foreign Minister S.M. Krishna and Home Minister Palaniappan Chidambaram and is due to call on Prime Minister Manmohan Singh on Thursday.

The United States has been encouraging India to restart dialogue with Pakistan, after the talks stalled over November's attacks on Mumbai in which 166 people were killed.

Nepali govt to back President's move

ANN, Kathmandu

The government is set to endorse the president's move of May 3 and reinstate Rookmangud Katawal as Chief of Army Staff, scrapping the Maoist-led government's appointment of Lt Gen Kul Bahadur Khadka as acting chief.

Today's cabinet meeting is expected to endorse the presidential decision asking Katawal to continue in office and revoke Khadka's appointment, Defence Minister Bidhya Bhandari told the Post. Katawal had met Bhandari on Tuesday.

The Cabinet on Friday extended the tenure of the eight brigadier generals pensioned off by the previous government. According to a source, President Dr. Ram Baran Yadav had expressed concern over delay in revoca-

tion of the decision to sack Katawal.

According to a source, Katawal also briefed the minister on Tuesday about the recommendation of Principal Staff Officers (PSO) and the Legal Department on departmental action against Khadka for violating the chain of command of the institution.

The PSOs had submitted a written request to Katawal last Thursday demanding action against Khadka; and the Legal Department had submitted its report on Monday recommending a probe into his activities through a court of inquiry.

"We have concluded that additional investigation should be conducted in this case," said B.A. Kumar Sharma, the Chief of NA's legal department. "The additional investigation process has not started yet."

Death toll in Afghan insurgency up to 52

AFP, Kabul

Security force assaults on insurgents in Afghanistan have killed 47 militants while five Afghan police and soldiers have also died in an intensifying insurgency, authorities said yesterday.

Afghan and international security forces, who have stepped up operations ahead of August 20 elections, meanwhile destroyed Taliban heroin labs that bankroll the militants, the NATO-led force announced.

The US military said it had killed a Taliban commander with reported links to Iran's Revolutionary Guards and up to 16 militants with him in a precision air strike in western Afghanistan on Tuesday.

The strike was called in against Mullah Mustafa, who commanded about 100 men, as he travelled in the western province of Ghor, it said in a statement.

"Determining no civilians would be endangered, forces

used precision aerial munitions to strike the group, killing Mustafa and as many as 16 other associated militants," it said.

Afghan officials however said they had reports that civilians may have been killed. They said they could not confirm the targeted commander was among the dead but they were investigating.

The US statement said the commander "had recently met with senior Taliban leaders, and reportedly had connections to Iranian Islamic Revolutionary Guard Corps -- Quds Force."

The Quds Force is accused by American commanders of involvement in Iraq's bloody sectarian conflict.

Western officials have said Tehran may also be involved in the conflict in Afghanistan, where thousands of US troops are based, perhaps by supplying weapons to the Taliban or allowing them to transit through Iran.

NEWS IN BRIEF

Sri Lanka detains Canadian MP

AFP, COLOMBO: A Canadian MP was detained on arrival at Sri Lanka's international airport yesterday and could be deported for allegedly having supported the Tamil Tiger rebels, officials said.

Bob Rae, a Liberal member of parliament and outspoken critic of the Sri Lankan military's offensive against the rebels, was stopped at Bandaranaike International airport and barred from passing through immigration, a foreign ministry official said.

"There are allegations that he was supportive of Tamil Tigers," said an official, who asked not to be named.

Malaysia rescues 70 Indonesians from boat

AFP, KUALA LUMPUR: Malaysian authorities said yesterday they had saved 70 illegal Indonesian immigrants from a ship that was in danger of sinking as its passengers tried to sneak back into Indonesia.

The rickety vessel had left from an illegal jetty in central Selangor state when it was spotted by authorities, a Malaysian maritime official told AFP.

Southern Region Commander Che Hassan Jusoh said 70 illegal Indonesian immigrants were found aboard the cramped vessel, which was not even seaworthy, was badly overloaded and was taking on water.

Quarantined US mayor stuck in Shanghai

AFP, SHANGHAI: New Orleans Mayor Ray Nagin, who had been due in Australia for a speaking engagement, instead remained in quarantine in Shanghai yesterday over a swine flu scare, his spokesman said.

Nagin, who was detained Sunday after a fellow passenger on his flight fell ill with a suspected case of swine flu, has missed several meetings in the Chinese business hub since being quarantined, spokesman James Ross told AFP.

"Mayor Nagin, his wife and executive protection staff are all doing very well. They are feeling fine and they have no symptoms of illness," he said.



PHOTO: AFP

A Hello Kitty character wears a tartan check dress next to its designer Yuko Yamaguchi (L) and a British Embassy secretary (R) as Japanese character giant Sanrio unveiled a new tartan collection for the celebration of her 35th anniversary at a press conference at the British Embassy in Tokyo yesterday. The pinkish tartan was registered as "Hello Kitty" at the Scottish Register of Tartan as official and certification documents are seen framed (C).

Indian colleges ban jeans to 'protect' girls

AFP, LUCKNOW: Colleges in the Indian state of Uttar Pradesh said yesterday that female students would be banned from wearing jeans and other Western clothes to halt sexual harassment by male classmates.

"Girls who choose to wear jeans will be expelled from the college," Meeta Jamal, principal of the Dayanand girls' college in Kanpur city told AFP. "This is the only way to stop crime against women."

But many of the students, who are aged between 17 and 20, said the new rules punished innocent females rather than tackling the men who treated women badly.



PHOTO: AFP

Sri Lankan opposition politicians and media activists stage a demonstration in the capital Colombo yesterday. The activists are denouncing the wave of physical attacks against independent journalists and media rights activists in recent months and the latest attack earlier in the week against Poddala Jayantha, a key activist who has been fighting for media freedom.

Maoists kill 11 policemen in India

AFP, Ranchi

Suspected Maoist guerrillas in India killed at least 11 policemen yesterday by blowing up a security vehicle in the eastern state of Jharkhand, officials said.

"Eleven policemen have been killed in the blast," Vishnu Dayal Ram, the director-general of Jharkhand police, told AFP.

Six other policemen were injured in the landmine attack in Chaibasa, 200 kilometres from the state capital Ranchi.

First swine flu case in Vietnam capital

AFP, Hanoi

Vietnam has recorded its first case of swine flu in the capital Hanoi, a doctor said yesterday.

An initial test found the man positive for the A (H1N1) virus, Nguyen Van Kinh, director of the Hanoi tropical disease hospital, told AFP.

"A second test will be done on Thursday" to confirm the result, he said.

Earlier Wednesday the health ministry had recorded 16 cases, all in the southern commercial capital of Ho Chi

Minh City.

State radio reported that the Hanoi patient is a 27-year-old businessman who returned from California on June 5.

Vietnam reported its first swine flu case on May 31.

The World Health Organization (WHO) warned on Tuesday that the world was on the verge of a swine flu pandemic.

Keiji Fukuda, the agency's assistant director general, said 26,563 infections including 140 deaths have been reported to the WHO from 73 countries.