

Visit injects optimism into bilateral ties

BARRISTER HARUN UR RASHID

THE three-day visit of S. M. Krishna from July 6 is considered to be productive and has ushered in high optimism for resolution of most of all bilateral issues, plagued for years between the two nations.

Somanahalli Mallaiah Krishna, the US-educated civil lawyer, is a veteran political leader and served as state minister with Prime Ministers Indira and Rajiv Gandhi.

In recent times, he was chief minister of Karnataka state and Governor of Maharashtra state until 2008. Thereafter he re-joined active politics and became a member of Rajya Sabha. In May 2009, he was appointed as Minister for External Affairs replacing Pranab Mukherjee and at the age of 79, he appears to be the oldest member of the cabinet.

The visit took place in the backdrop of the controversy triggered by Dr. Manmohan Singh's off-the-record remarks on June 29 to a group of editors in New Delhi with Krishna himself denying suggestions that his trip was being undertaken to repair the damage to bilateral relations following the prime minister's remarks.

Meanwhile, the two countries have downplayed the remarks and on July 4 Dr. Manmohan Singh spoke to Prime Minister Sheikh Hasina indicating that he was looking forward to his visit to Dhaka in early September.

S.M. Krishna, on his arrival to Dhaka, said at the airport "a prosperous, stable and democratic" Bangladesh was in the interest of the region and underlining New Delhi's resolve to deepen ties with Bangladesh.

He said, "I am confident that through a forward-looking, progressive and pragmatic approach based on understanding and cooperation, we can achieve a mutually rewarding relationship that brings a brighter future, prosperity and development to the people of both the countries."

During talks with the Bangladesh leadership, Krishna has reviewed the entire gamut of bilateral relations ahead of Prime Minister Manmohan Singh's visit on September 6.

The bilateral issues at the level of foreign ministers included security, border management, boundary demarcation, trade and economic, connectivity and transit, water resources management, power, culture, education, people-to-people con-



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tact, visa and consular ones, and regional and sub-regional interests.

During the visit, two accords were signed. One was the agreement on standard operating procedure for movement of Bhutanese vehicles between Indian and Bangladesh local customs stations and the other was the exchange of instrument of ratification of the India-Bangladesh agreement on promotion and protection of investments.

India would introduce 'non-lethal weapons' to deal with border intruders from Bangladesh but expects both countries to take "responsibility" to bring killings to 'zero level', SM Krishna said to a group of editors on July 6 evening.

He added "We'll have to deal with the border issue in a humanitarian manner. At the same time, border management is the responsibility of both the governments." We welcome the introduction of non-lethal weapons and wait to see its implementation on the ground.

It is important to note that Krishna has met the leader of opposition and former Prime Minister Khaleda Zia, whose BNP and allies Jamaat-i-Islami parties oppose some of the deals made by Prime Minister

Sheikh Hasina with India last year.

The meeting appears to signal a shift of policy for India to involve the opposition leader and its party in the parliament on the benefits of India's cooperation with Bangladesh for the mutual benefits of the people of the two nations as well as for the region. In their earlier visits Indian ministers or top officials did not call on the leader of the opposition.

Bilateral ties have made major strides since Bangladesh Prime Minister Sheikh Hasina visited New Delhi nearly 18 months ago which ushered in a new era of bilateral relations. Krishna summed up rightly the state of bilateral relations when he said that they stood 'at a momentous juncture' and the visit of the Bangabandhu (in 1974) and that of Sheikh Hasina were 'constant reminders' for India to reciprocate.

Given the changed scenario of political environment, there were reasonable expectations that long-standing bilateral issues, such as water-sharing, border demarcation and exchange of enclaves, stoppage of border killing and a regional framework of interconnectivity /transit or transhipment would be resolved but

regretfully the implementation of the bargain on the Indian side has been lost in Delhi's bureaucratic maze that can defeat even the most purposeful political directives.

It is good to note that Krishna's visit has been a part of efforts to do the spade-work for working out the 'deliverables' by India during Singh's visit to Dhaka when New Delhi is reportedly expected to come out with a raft of agreements, including Teesta water-sharing, an agreement on border demarcation and adversely-held enclaves and further easing of Bangladeshi textile exports to Indian market.

His visit has injected high hopes for resolution of most pressing bilateral issues. We have now to wait for the visit of the Indian prime minister in early September to witness the concrete results on the ground.

India is an emerging power. What is desirable for India is to adopt a regional approach on issues, such as, energy, food security, water resource management, counter-terrorism, and environmental security where all its neighbours are on board for commonality of interests.

Bangladesh, at the same time, has to live with a reality that the country cannot remain insular from developments in neighbouring countries and Bangladesh, being sandwiched between India and China, must explore and make use of the advantages of its strategic geographical position for its benefits.

Sub-regional cooperation is based on proximity of areas, common economic interests and interconnectivity. It is suggested that Bangladesh, Nepal, Bhutan and the Northeastern states of India should be constituted as a sub-regional economic group, sharing resources for mutual benefits.

The sub-region could be made an engine for economic growth, enabling to fully use resource endowments of the region -- natural and human resources. Thereafter the region will be easily get linked by multi-modal transport with China and South East Asian region. This is the vision for the eastern region of South Asia in the future and all countries must realise that in the days of economic globalisation they must stand together to meet the challenges of the time.

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Intelligence agencies

at a glance

SHAMSHER CHOWDHURY

OUR intelligence agencies at best could be described as investigation agencies of sorts. Frankly if you take a closer look, there is hardly any qualitative difference between the intelligence and other regular law enforcing agencies like the police.

Without any exception, intelligence agencies like DGFI, NSI, CID, etc. are nothing but instruments at the disposal of respective governments being used and abused as desired. We have seen time and again how intelligence reports have been manipulated and twisted to suit the purpose of whoever is in power.

This state of affairs had been persisting for decades. As a result people are deprived of justice. One must realise that if the process of gathering someone in the intelligence is faulty its impact also falls on the entire Judiciary and ultimate dispensation of Justice.

It is our impression that the whole lot of intelligence agencies is also as corrupted as any other wing of the administration; although they are not as exposed as the other organs of the government due to the statutory provisions connected with their operations.

On the other hand, people in general are unaware as to the jurisdictions and limitation of the individual intelligence agencies. For instance, many have questioned DGFI for its alleged involvement in investigating or interfering in cases purely related to the civil sector as a whole. We often hear of DGFI being involved in cases connected with corruption of individuals of political leaders and other cases that are purely of political nature.

Clearly there has to be clarity. In a democracy, people have the right to know as to which of the governmental departments or agencies, whether intelligence agencies or otherwise of the state, are doing what and why. To this extent, the operations of our intelligence agencies are far from transparent.

Our intelligence agencies, right from day one, have been unreliable and untrustworthy. It is indeed a sad situation and perhaps an irreversible one. Almost always, the heads of the agencies have been favourites of the Ruling Party of the time without any exception. Besides even the level of professionalism of the respective organisations have been questionable.

On the other hand, most of the staff working for our intelligence agencies does not have the required morality and ethics. If our intelligence agencies are not right, the police and other law enforcing agencies cannot operate effectively.

So far we have briefly described as to where we stand in relation to our intelligence agencies and the peoples' perception. But let us think for a while as to why they are the way they are.

Clearly, like in so many issues of our administration, all this is also due to a lack of political will and commitment on the part of the Ruling Parties and powerful people within and outside the government. Nearly all the staff at the field levels, in particular, has no professional training in intelligence work with their CEOs being beholden to the administration and its whims.

Let us face it, the problems with our agencies are not only complex but mountain high. The first and foremost task that lie ahead is to make our intelligence agencies free from all undue governmental influence and pressures. They should be allowed to operate without fear and favour.

Individuals selected to head individual intelligence agencies must command impeccable of character and honesty free from any kind of religious bias whatsoever. They must also be free from any partisan thinking and capable of withstanding any political pressures and influence.

We have already paid heavy prices for faulty and incomplete intelligence reports on some key incidents of national importance that threatened even the security of the nation. Let us turn our gaze at the BDR revolt that took place some two years ago.

Since this is a sensitive and ongoing issue we shall not go into details but should mention that most people have considerable idea as to what really happened and the role of the intelligence agencies during and after the incident.

Confusion also exists with the family of slain political leader and senior government official of international repute SAMS Kibria who died in a bomb blast in Sylhet some two years ago. Clearly the allegation appears to be that of manipulation and possible doctoring of the report aimed at keeping some key players out of any "harm." There are simply too many invisible lapses and gaps in our intelligence gathering and operation of respective agencies.

It is high time we set things right. The entire framework and the very structure of our intelligence agencies should be overhauled forthwith. If need be as many officials as possible should be sent overseas to receive training from such organisations like the Scotland Yard and Interpol.

Instead of good will visits by the chiefs; more of key personnel staff at mid-level and below should be trained, after all it is they who do the bulk of the vital work at ground levels.

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Where are US and Europe heading?

M. SHAHIDUL ISLAM

THE massive fiscal and sovereign debt crises in United States and Europe have generated a lot of tensions in the global economy. With \$14.6 trillion GDP, America is the largest economy in the world. However, its public debt hit the country's debt ceiling (\$14.3 trillion) on May 16. With this the US' public debt is set to surpass the psychological level of 100% of its GDP this year.

The debt crisis in Europe, however, is not unique. While most peripheral economies such as Greece and Portugal have accumulated very high level of debt, key economies like Germany and France's fiscal conditions are relatively in order. Nevertheless, the two contrasting sets of economies in the Euro zone threaten the future of the monetary union's single currency, the Euro.

UK, which is not a member of the Euro, is also struggling to manage its deficits. Financial and other bail-outs, fiscal stimuli and the collapse in tax revenues during the recent financial crisis led to dramatic rise in public debt.

Are America and Europe facing a day of reckoning with debt? This is not merely an economic concern. Indeed, many experts persistently cautioned that the greatest long-term threat to America's national security is its debt.

The world's geo-political map can also change dramatically if the deficits are not reined in. Obama's announcement on the drawdown from Afghanistan is not a choice but a necessity. Growing backlashes at home owing to near double digit unemployment, inter alia, are forcing the leader of the global order to get its own house in order.

Given the cyclical and structural economic problems, it's becoming too costly for America to wage wars with state and non-state actors. It is no coincidence that Alexander Hamilton observed over two centuries ago that "the US debt, foreign and domestic, was the price of liberty."

What are the debt reduction strategies of US and Europe? An anemic economic recovery has not helped much to reduce the real value of debt. Academic research show that high debt-to-GDP level (90%

and above) is associated with lower growth rates. The governments both in US and Europe have little fiscal room to redeem their debt by increasing tax rates.

The Obama Administration's attempt to increase tax rates for the wealthy Americans and the corporate have been thwarted by the Republicans. Austerities could rein in the debt-to-GDP ratio to some extent but this is politically challenging one. That left debt to be eroded either by hard default (sovereign default) or soft default (via inflation).

The immediate concern is whether some European countries will default on their own debt. Greece, Portugal, Ireland and Spain are the front runners in the default race with 75, 47, 46 and 20% probability of default respectively over the next 5 years. The credit rating agencies have downgraded Greece and Portugal's debt to junk because of their high default risk. Ireland could be the next in line.

The dilemma for relatively stronger Eurozone members is that they cannot ignore massive problems in its periphery if the currency union is to function effectively. The bailout packages that have been adopted so far are proven to be inadequate given the severity of the problems.

One solution is to allow some crisis-stricken economies leaving the monetary union (or to give golden handshakes). In the short term it is very unlikely that a large number of economies of the currency union will be able to recover competitiveness and growth with the current level of Euro exchange rate. This means the Euro zone's status as the single largest economic entity in the world is now seriously at stake. Austerity, default and exit from the monetary union could create much chaos in the continent. What is the outlook on the opposite shores of the Atlantic? The rating agen-

cies are also becoming pessimistic about the US's debt scenario. Lately, the Standard & Poor's (S&P) cut the US' debt outlook from "stable" to "negative" for the first time since it started rating the country's debt 70 years ago.

While the S&P cautions indicate the mounting problems surrounding the US debt, unlike Greece or other peripheral economies of Europe the market is allowing US ample time to get its fiscal house in order. In other words, the risk of outright default and even soft default of the world's largest economy via inflation remains low, if the financial market indicators are any guide. Despite historic low interest rates, massive quantitative easing and a huge fiscal stimulus, current inflation and expected future inflation in US remain quite low -- reflected in bond yields.

Why are the behaviour of the financial markets and the role of expectations very different in the case of US vis-à-vis peripheral Europe? The short answer is unlike Europe, America has many lifelines. First, there is an enormous mutual dependence between debtor and creditor nations.

This has been widely captured in the global imbalances literature, an economic interdependence between US and Asia as well as petro-dollar economies.

Asian and petroleum-exporting economies invest a large part of their savings in the US Treasuries and the latter has been the consumers of last resort of the former. China alone holds a quarter (\$1.2 trillion) of US Treasury securities. If US stroke inflation to partly offset its debt then this could unduly punish the Asian savers. Moreover, America is the de facto guarantor of some cash rich East Asian and the Middle Eastern countries sovereignty. So, it is their interest to keep Uncle Sam afloat.

Moreover, living with fiscal deficits for

centuries US did overcome similar problems in the past. It remains the World's number one innovation centre. Like foreign capitals it has been a "safe haven" for the global talents.

Nevertheless, the growing debt needs to be tamed eventually via better savings rates in US. US dollar has to undergo gradual depreciation. Amidst the debt worry the good news is the US household savings rate is on the rise and the dollar index is on the decline.

However, America's debt road is long and bumpy. Debt and deficits will remain the key issue in American politics, especially during the 2012 Presidential elections. The financial markets and the world might wait till then to see if the Republicans or the Democrats have a better plan to nosedive the country's debt-to-GDP ratio somewhere near 60 (safe zone) in the next few years.

That said debt in Europe and America is happening at a time when emerging markets led by China are accumulating huge financial muscles. Most emerging markets bar India have a low debt-to-GDP ratio and they have accumulated over \$6.5 trillion foreign exchange reserves. They also have much better growth prospects.

As discussed, while this is a part of the problem it is China and oil producing countries that buy the American and many European countries debt helping them to keep afloat.

The growing indebtedness and anemic economic recovery in Europe and America have prompted many to conclude that this could be the beginning of the end of 500 years of "western ascendancy." However, the medium to long-term outlook for US is better than Europe, given the former's comparative advantage in innovation, demography and openness. So, the world economic power is perhaps shifting from the trans-Atlantic to the trans-Pacific where America will be increasingly partnering with Asia replacing Europe. Bangladesh should carefully study the global trends and take the right strategies to brave the new world. The issue I want to take up in the near future.

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