

The darker side

MAHIR ALI

EXACTLY one day before the Rana Plaza on the outskirts of the Bangladeshi capital crumbled last Wednesday, press reports in Britain noted that Primark, a leading retailer of cut-price attire, had recorded a 24 per cent increase in sales in the six months to March, its revenue jumping to 2 billion pounds (US\$3.11 billion) and operating profits leaping by 56 per cent to 238 million pounds.

Not a bad result, particularly amid an economic downturn. In the same period, Primark opened 15 new stores across Western Europe. Fantabulous. How does it do it?

One of the answers obviously lies in its expertise in sourcing cheap raw materials and manufacturing facilities. Then, notwithstanding a substantial profit margin, the finished product can still be retailed with a competitively low price tag.

The consumer is pleased to bag a bargain, the company is delighted by the bounce in its bottom line.

Everyone's thrilled by the efficiency of free-market operations, right? Well, not quite. The low-cost, high-profit-margin phenomenon all too often entails that at the other end of the capitalist food chain, life, too, is cheap.

Primark was a leading customer at one of the garment factories housed in the Rana Plaza, whose collapse last week has killed hundreds of workers. The official death toll stood at nearly 400 at the time of writing, and was expected to rise because dozens of employees remained missing after rescue efforts - which saved scores of lives - formally ended earlier this week.

Ominous-looking cracks had reportedly appeared in the building a day earlier, and local authorities in the Savar industrial area claim they warned the business owners in Rana Plaza to temporarily shut down their

facilities. A bank and a few shops complied with the advice, but the garment factories ignored it.

"I wouldn't call it an accident," Bangladesh's information minister Hasanul Haq Inu declared after the event. "I would say it's murder."

Mass murder would be more accurate, and it's an act in which the minister's government is at least partially complicit. Bangladesh relies on garments for more than 80 per cent of its export earnings.

Tighter regulation of that industry could bite into those earnings, which possibly helps to explain why - beyond customary inefficiency and endemic corruption - the laws that exist are often not enforced.

Rana Plaza's owner, Mohammed Sohel Rana - a minor luminary of the ruling Awami League's youth organisation who, according to reports in the Bangladeshi press, initially made his fortune from drug dealing and was closely associated with the local MP - was captured on Sunday, apparently while trying to escape into India. Some of the factory owners are also in custody. All of them will presumably face trial.

Rana Plaza is said to have been built without proper planning permission on swampy terrain. But even if the government were to make a greater effort to ensure that



they obtain from countries such as Bangladesh. It is equally clearly in the interests of their subcontractors to squeeze expenses - be it in terms of salaries or maintenance of premises - in order to maximise their own profits.

The workers, in turn, are willing to toil long hours for a pittance, because it beats going hungry, or trying to earn a living via subsistence agriculture.

In recent decades it has commonly been argued that globalisation has lifted millions out of poverty in nations such as China and India. That's technically true, going by the international marker of absolute poverty, supposedly an income of about \$1 a day.

That hasn't kept pace with inflation, but even if it had done so, it would surely be arbitrary to argue that an increase in daily intake from \$0.95 to \$1.05 - or even \$1.50 - represents a substantial difference in either absolute or relative terms.

Is Pakistan a failing state?

GUSTAV RANIS

ON May 11 Pakistanis are expected to go to the polls and celebrate transition in what's been a rare five-year civilian rule. The election may or may not usher in another period of civilian rule. Fundamental reform is required of the political system that functions under the shadow of military power and religious extremism. Otherwise, Pakistan is destined to drift as a failing state.

I first entered Pakistan in September 1958, two weeks before the civilian government of Iskander Mirza gave way to Muhammad Ayub Khan who turned out to be a benevolent dictator - until he went astray by encouraging war with India in 1965. Indeed, Pakistan has had 40 years of military rule out of 65 years since independence

The coming election will put to test the Pakistan People's Party leadership of Asif Ali Zardari, who succeeded his murdered wife, Benazir Bhutto. Polls indicate that Nawaz Sharif of Punjab's Muslim League is likely to take over, though the uncertainty over the return of previous dictator Pervez Musharraf and the efforts of Imran Khan, the cricket legend, cast doubt on the outcome. The reception for Musharraf on his return from self-imposed exile abroad was underwhelming, and he was has been arrested on a court order on a charge of violating the constitution. But his ego remains intact. Khan had a tumultuous rally in Lahore recently, but even though the military may be supporting him, questions about the sustainability of his appeal are being raised.

Regardless of who takes over, Pakistan continues to teeter on non-governability. Its own version of the Taliban with ties to the Afghan Taliban, are complicated by the strong mysterious influence of the ISI, the country's intelligence service. Any prognosis of the political economy future of the system is hazardous. Karachi, Pakistan's largest city, seems to be virtually in the hands of the local Taliban, and northern Waziristan, at the border with Afghanistan, is but one target under frequent attacks by militants. The Pakistan military continues to carry a big stick, but seems not particularly anxious to intervene in the election, partly out of concern about losing US aid, which could be automatically cut off in the case of a military coup. The strength of the Supreme Court, which has repeatedly and successfully challenged the executive branch, leading to dismissal of a prime minister, contributes to the signs of a failing state.

It should be noted that in the late 1950s and 1960s Pakistan was generally admired as a development paradigm and attracted the attention of development economists, in contrast to India which then lagged behind. But after 1990 when India's reforms began to take hold, the situation completely reversed, with India en route to middle-income status and Pakistan, in the absence of reform, exhibiting an economy which continues to be creaky and in the doldrums.

For decades, Pakistan has refused to tax its feudal landlords, leading to a 12 percent tax/GDP ratio and a high dependency on foreign donors, with 99 percent of the population reporting attendant corruption. Only 860,000 of the 183 million population pay tax. Amnesty offered in December 2012 to the richest tax evaders to pay a 40,000-rupee penalty on undervalued income and on assets of as much as 5 million rupees has had little response. The current account has turned to deficit with higher prices for imported oil accompanied by lower prices for exported cotton. Foreign-exchange reserves are consequently currently under \$13 billion, below 2 months of import requirements, and the rupee has depreciated by more than 40 percent since 2007.

Pakistan's education lags behind Bangladesh's. Only 0.7 percent of the Pakistani GDP is spent on health. The literacy rate is at 53 percent and poverty at 24 percent, with a Gini ratio of .41, a measure of income disparity, with zero indicating no disparity. Population growth, though declining since the late 1980s, is still

at the highest level in the subcontinent. Budget deficits are at 7.5 percent of GDP, above the government's target of 4.7 percent. Infrastructure is lagging, especially power, short by 4000 megawatts if blackouts lasting as long as 18 hours a day are to be avoided. Indeed, energy shortages are estimated to cut growth by 4 percent, bringing it down to an average of 3 percent from 2008 to 2012.

The neglected agricultural sector provides 23 percent of the GDP and 44 percent of the country's labor force, and non-agricultural activity in the rural areas has been lagging. Textiles and apparel provide 16 percent of the country's exports, and 40 percent of its employed labor force, with small and medium enterprises comprising 80 percent of the total non-agricultural employment. The official unemployment rate, as reported by the International Labor Organization is 6 percent, but this does not take into account the large percentage of the underemployed in both agriculture and the large urban informal sector.

To add to the problem, several provinces are restive and the overall system lacks what economist Simon Kuznets called organic nationalism, pulling together groups separated by language and culture. Fiscal decentralization with grants from the center is based on population size, favoring the large provinces and ignoring differential poverty and revenue-generating capacity.

The only favorable features are the size of remittances by Pakistani workers in the Gulf and elsewhere, currently at \$13 billion, and the large number of NGOs, up to 12,000 in all. Remittances end up in the hands of the rural population, allocated to consumption and housing, thus avoiding government controls. And NGOs, which do the bidding of wealthy international donors, pursue different goals, offer varying and at times contradicting advice, and tend to get in one another's way.

While foreign aid remains plentiful, there is a growing uncertainty of its usefulness in generating growth. Pakistan ranks third among recipients of US foreign aid, with more than \$2 billion, and two-thirds of that goes to the military, not very productive.

On the economic front, the relationship with the US, still the major donor, is sufficiently frayed that the ideal arrangement - leaving decisions more in the hands of the recipient under self-conditionality rules - is unattainable. Instead, aid spending is inefficient, moving up and down with foreign-policy objectives of the donor, the importation of inappropriate technology, distorting income distribution and encouraging corruption in official elite circles. In 2012 foreign aid was \$2.5 billion out of \$240 billion nominal GDP or approximately 1 percent.

Pakistan's obsession with India has meant military resources deployed along the border and budgets heavily skewed towards a possible confrontation with India over Kashmir. Indeed, Pakistan's economy is on a presumptive war footing which renders it difficult to pursue liberalization and diversification in the globalization context. Ironically, though, Pakistan has been more welcoming to business than its more successful neighbors. The World Bank's "Ease of Doing Business" ranks Pakistan in 85th place, above China's in 89th place and India in 133rd place. But insecurity and misgovernance nullify the impact of that welcoming mat.

China remains a close ally and provides aid without visible strings attached. There is a marked contrast with India, which mainly plays the traditional aid game with traditional Western OECD donors.

In the absence of fundamental change, political as well as economic, unlikely under present circumstances, there is little hope Pakistan can emerge from the category as failing state.

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Redefining 'global commons'

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JUSTAPOSING India's per capita water availability (1.170 cum/person/year) - i.e. lowering than the global water index vis-à-vis the Chinese geo-political assertiveness against India - to undertake gigantic water resource projects raises serious security alarms in the South Asian regime. With China recently turning down India's proposal to pursue a joint bilateral mechanism, it is necessary to assess China's unilateral self-interest in curbing its widening water deficit at the cost of accentuating the lower riparian stress.

The Brahmaputra water issue has the potential to turn into a major bone of contention between both nations at a time when China is also making geopolitical advances in the northern sphere of the country. This article explores the situation and seeks to provide a relevant assessment for redefining water as a global common in lieu of establishing a river valley authority. How should a politically sensitive Brahmaputra revisit its preservation policies and water sharing rights between both countries? More so, what are the prospects in a techno-political framework that call for the establishment of a Brahmaputra River Valley Authority (BRVA)?

Revisiting the 'global commons'

Not a single river-collaborative or transparency mechanism exists between China and any of its riparian neighbours pertaining to the sharing and preservation of water resources. More so, there is no discharge of data on the proposed water-related developments and projects in the Tibetan region such that the reliability factor on China stressing on being 'vigilant to its responsibility towards cooperation' remains highly bleak. India's concerns on glacial lake outbursts in the upper regions of the rivers that flow into India from Tibet have not been adequately addressed. Given the evolving political dynamics between both nations and President Xi Jinping's recent self-assertion of the 39 Chinese dam construction projects merely being run-of-the-river (ROR), it is hard to imagine China playing the role of a responsible upper riparian by maintaining a regulated flow of the waters in the basin.

Now that China has demonstrated a strong will and competence to plan, undertake and complete gigantic water resource projects against internal or external oppositions, India has to counter each move by refilling roles and responsibilities of the stakeholders towards our 'commons'. As rhetoric-filled as it may sound, the Brahmaputra River is not met, merely, for the consumptive use of China or Tibet or India or Bangladesh. It is an interconnected, transnational resource that crosses all national and ethnic frontiers. Fully understanding the 'global commons' paradox would, primarily, conceive the "securitisation" of the watercourse vis-a-vis reengineering river flows and over-exploiting aquifers to maintain a steady strategic output that quenches the thirst of all.

According to Assamese experts, spearheading an awareness campaign against China's hydro-projects on the Brahmaputra is imperative to counter the proposed 85 percent water flow deficit from China during the summer months. Diplomatic skills to work in cooperation, consistent dialogue building mechanisms, stimulate cross-border, regional hydro-sensitivity, supported by competent multilateral instruments is the key to fulfill the 'global commons theme'. If China and India manage to foster effective diplomacy between them on sharing of trans-border river waters, a new era of mutual trust and confidence would begin in the region.

Contemplating a Brahmaputra River Valley Authority

Constituting a BRVA to consistently monitor the flow of the river on a regular basis should help ensure Chinese intrusive activities do not take place in future without foreseeable broadcasts. The concept of a BRVA continues to have a pessimistic outlook for China to accept as noticed during the current exchange of premier discourses over the water issue. But it is inevitable that a BRVA will not only put a tab on China's legal unfettered foundation of controlling the international watercourse, but it will also ensure India engages in innovative constructs and strategic technological mechanisms that it has, relatively, failed to administer. Due to India's limited storage capacity of retaining hydro-releases during the dry season, the Brahmaputra witnesses heavy havoc each year. For example - the Three-Gorges Dam project drastically altered the weather patterns in Northeast India. As a result, the lower riparian benefactors experienced huge ecological losses and stress. Now if China has its way, the Brahmaputra River will marginally be reduced to a sizable level causing vast water shortages in the sub-regional terrain.

The Namchah Barhwa (situated at the Great U-bend of the river) is decreasing by 3/4th of an inch every year. More so, the Yarlung-Tsangpo Suture Zone (YTSZ), a junction point between the Indian subcontinent and the Euro Asian plates is contracting. Since, the thrust of the suture is stronger around the Everest region and anemic around the Sikkim-Arunachal region, the instability of basaltic salts, arsenic sedimentary deposits exacerbates. It has been verified that the eastern Himalayan mountain range, Sikkim and eastward, is made of loose soil and bear few rocks. Hence, no waterfalls are found in this region, making the entire region unsafe, unsuitable for dam construction and unreliable even for a run-of-the river (ROR) project. In this view, establishing a river valley authority that caters to the growing insecurities in the region deems vital.

Agreed, a BRVA will deter China from significantly progressing to capture a greater share of the watercourse but the implications for China outweigh any positive outcome. China's proposed 39 dam construction takes into account the need to meet its mounting water requisites. With, merely, 8 percent river-water availability vis-a-vis accounting 20 percent of the total world population, China settling scores through hydropolitics with its riparian neighbours remains a highly contentious issue.

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The minimum wage in Bangladesh may have risen in recent years, but enforcement remains an issue. As does child labour. Practices that are against the law are not necessarily against the norm.

It has been noted that if the global labels that exploit Bangladeshi labour were to pay an extra 10 cents for each of the more than six billion pieces of clothing they procure each year, the additional \$600 million could pay for marked improvements in factory conditions.

It would not be terribly easy to ensure, however, that the extra revenue goes where it is directed. Primark has announced that it will compensate the families of last week's victims, and has urged other retailers to follow suit. Let's hope they do, but what are the chances this post hoc generosity will alter the kind of mentality that precipitated last week's "structural adjustment" in Dhaka?

The original May Day was marked 123 years ago as part of the struggle for an eight-hour day. Winning rights for workers that transformed them into human beings with some kind of life outside the workplace was an uphill struggle in the West. The victory wasn't quite complete when the dominant capitalist powers discovered that the conclusion of direct colonialism did not necessarily entail the end of exploitation from a distance, via proxy bloodsuckers.

Were the international proletariat to unite today, it would be a largely Third World coalition, stretching from Africa, across much of Asia, to Latin America. It could be a neoliberalism-threatening phenomenon, but the forces arrayed against it should never be underestimated.

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