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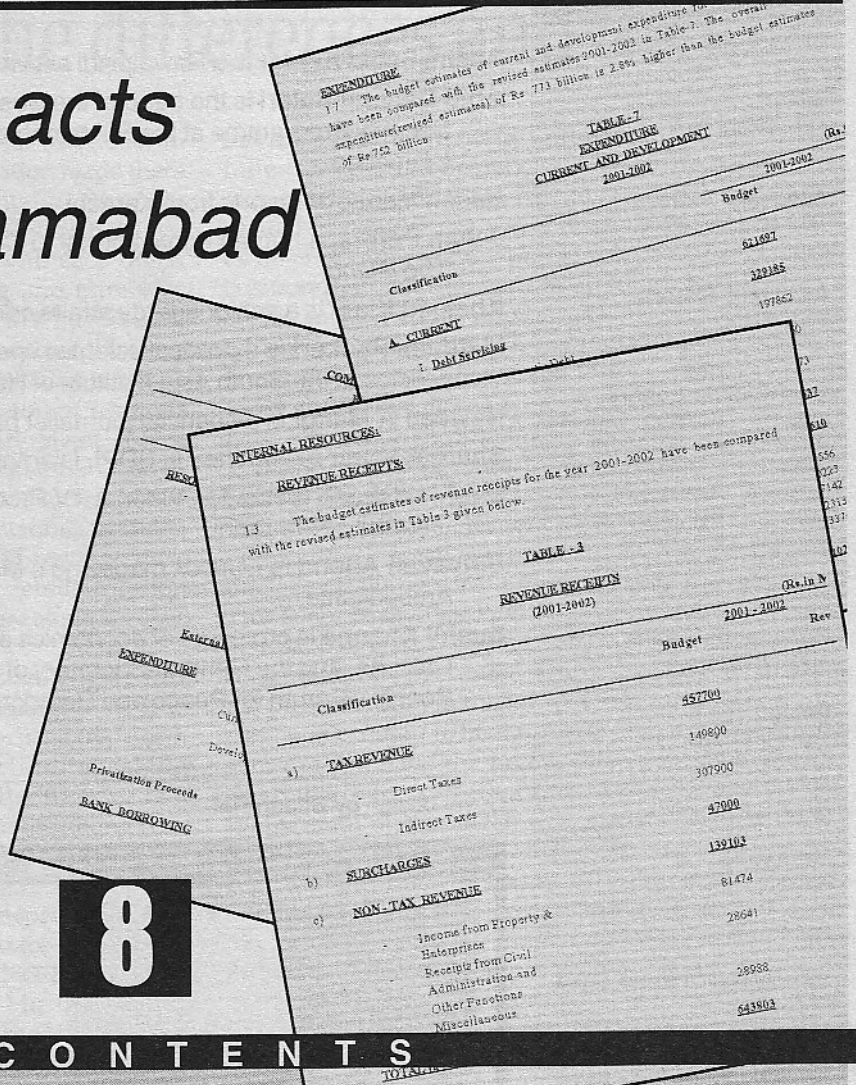
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Respecting the differences and divide

I read with interest the June editorial in *Himal*, in part because of the engaging observation made there in that the India-Pakistan confrontation is really more about Hindi-Urdu rivalry than the structural nature of these two countries' relations with each other. This argument contains an intriguing and attractive proposition, namely, that it is the nature of the political leaderships of the two countries (rather than the basic nature of the two countries themselves) that is to blame for three wars and the progressive erosion of relations since partition. If we accept such an argument at face value, then by changing the political make-up of India and Pakistan we could untie the knot that holds our collective neck in the noose of confrontation. In India, this would mean a shift away from saffronite politics; in Pakistan, it would translate into a demilitarisation of the polity and a redefinition of the state along secular, modern lines.

This is certainly an attractive idea, although I fear that it is naive and, indirectly, a bit dangerous. It is naive because it acknowledges the superficial (the north Indian rivalry between Urdu and Hindi speaking peoples) but it fails to acknowledge the roots of that rivalry, which, if examined, lead to more troubling conclusions. In assessing the late colonial period, the umbrella-bent of the Congress began to give way once it became clear that India was to gain independence. The relevant moment to which we should trace the irreconcilable Hindi-Urdu split came with the decision by Jawaharlal Nehru in 1937 to exclude the Muslim League from participation in the governance of the United Provinces, despite the fact that the Muslim League had campaigned jointly with the Congress in the elections. The reality of that decision should have been obvious to Nehru: the Muslim League would never accept a political partnership with the Congress if such games were to be played. This is not to fault Nehru as a uniquely bad leader – it is merely meant to acknowledge that in competitive politics, there is inevitably a race to capture the division of sharpest relief. Nehru did not need the Muslims. Why would the Muslims need India?

The two nation theory, for all its faults (and there certainly are many), was correct in recognising that an India composed of nearly equal numbers of Muslims and Hindus was a disaster in the making. The recent blood-letting of Gujarat – or more poignantly, if distant, the pogroms against Hindus in partition-era Pakistan – reveals that we are people who see ourselves as Hindus and Muslims first, and only subsequently as the South Asians so assiduously cultivated by regionalist mouthpieces like *Himal*. I can think of a litany of faulty nation-states that have split along religious lines – Lebanon, Sudan, Cyprus, just to name a few –

but none in which a large, unruly body politic successfully carried out a democratic experiment, as an undivided India would have had to. That Bangladesh has existed in relative peace with India is inconsequential, as this has more to do with the nature of Bangladesh's creation than with the nature of Bangladesh itself.

As such, the anti-nuclear editorial bent of *Himal*, which is commendable in many respects, is a hollow one if it fails to acknowledge that 1) conflict between India and Pakistan is a somewhat natural, if unfortunate, expression of differences, and, more importantly, 2) it is precisely because India and Pakistan are both nuclear states that war was averted in May and June. Would New Delhi's leaders have resisted the temptation to attack *jehadi* camps in Pakistan if the threat of nuclear retaliation from Pakistan did not seem real? This is not to say that Pakistan's development of nuclear weapons was a 'good' thing, just that the reality of those weapons prevented a war. Extraordinary external pressure, both in the form of inducements and coercion, was brought to bear because of this reality. If Pakistan did not have the bomb, Indian troops would be swarming into northern Pakistan today.

Does all of this mean that nuclear weapons are a force for good in world affairs? No. But it does mean that the anti-nuclear stance of publications such as *Himal* should learn to recognise nuance and inconsistency. I may dislike the unfathomable amounts of money poured into weapons programmes and the potential danger those weapons represent, but I like the fact that today I do not look out of my window and see a war on the streets.

The challenge then, for *Himal* and the rest of us, is to figure out how to think about these dangerous devils – India and Pakistan, and their nuclear weapons. Bombs are not just Very Bad Things – like most anything, they possess two sides, which begin to become more clear when we consider the history from which they emerged. That the Americans and the Soviets survived a half-century without vapourising one another may be instructive. What we ought to be doing is not campaign against the weapons themselves (which at this point is a moot issue) but instead advocate for constructive controls over them. Also, rather than harping on we-are-really-the-same, the only path forward for these two countries is to define the existing divisions (which surely run deeper than just the leaderships) and create space for respecting differences. ▽

Mustafa Padela, Islamabad

Shooting to kill in Nepal

With regard to Kanak Mani Dixit's article 'Innocents and Insurgents' (June 2002) about the Nepali military, the Maoist insurgency and human rights abuse, many people both inside and outside Nepal do not realise that it is the same Gorkha or Nepali soldier who mans the standing armies of the UK, India, also mans the army of Nepal. From the same village, sometimes the same household, you could have brothers in these three outfits with totally different cultural, regimental and operational orientations. While all may still be tied together by a common agreement on recruitment and service benefits, there is one element that distinguishes the soldier in the Royal Nepalese Army (RNA) from the other two. It is that the RNA soldier has never been under civilian control. More, contrary to popular perception, he has indeed been employed to fight against his own people, in brief but critical episodes. In modern times, this happened first in 1960, in quashing democracy and then, in 1990, at the time of the Movement for Restoration of Democracy. On both occasions, the soldier acted to defend "King and Country" in accordance with the sentiment enshrined in the army's motto.

In his article, Dixit urges "the civilian government to maintain control over the RNA as it goes about trying to purge the Nepali hills of Comrade Prachanda's followers". While it is true that in 1990, after the restoration of democracy, the RNA was placed under notional civilian control, it is equally true that the Nepali army has been nurtured on an ethos in which defence and security of the king and palace come first, always and every time.

A state of emergency was declared on 26 November last year and Parliament dissolved on 22 May, and now there is a caretaker government headed by a prime minister who has been expelled by his own party. Whatever nominal civilian control there might have been over the army has disappeared altogether. The country is in a political vacuum. Despite the 1999 constitution as well as the country's electoral laws clearly stipulating that the RNA will be guided by the National Defence Council (NDC) headed by the prime minister, it is the king who exercises *de facto*, if not *de jure*, control over it. His is, as I have understood, the last word on the RNA. While Article 119 declares the king is the Supreme Commander of the RNA, Article 118 (2) says, "His Majesty shall perform the operation and deployment of the RNA on the recommendation of the NDC". The word used is "shall" not "may".

It is no secret in Nepal that the late King Birendra did not accept the recommendation of his prime minister to mobilise the army, partly because RNA was not keen to shed its largely ceremonial – United Nations

peacekeeping-oriented – role for one that would require it to combat internal instability of the order of a people's war. It is believed the monarch was not keen to use the RNA "against its own people", but in the event an untrained police was allowed to respond to the Maoists and in the process it committed extensive human rights abuse. Nepalis forget their army has been used against its own people in the past, as indeed armies elsewhere on the Subcontinent are being used in dealing with anti-national and terrorist organisations, not necessarily under a state of emergency. The RNA's insistence on political consensus and on the imposition of emergency as preconditions for its employment, as distinct from deployment, seems unjustifiable.

Dixit is correct when he states that the actions of the RNA must have political guidance or else the force is liable to determine and drive operations in the existing political vacuum purely on one track: shoot to kill. Since the Maobaadis are Nepal's own people, counterinsurgency operations have to be designed in good faith to use minimum force. These are the cardinal principles for security forces while acting to assist civilian authority.

Dixit has contributed a balanced and well-researched account of the nature of the anti-Maobaadi operations, levels of abuse of power, and violations of human rights by both sides. The RNA, which would be keen to preserve its military heritage, must recognise and rectify the shortcomings he has pointed out. It is true the RNA has never been employed before on the current scale in counterinsurgency operations except with a single battalion in the late 1970s, chasing the Khampa rebels under its legendary commander, Wangdi, in the Mugu district of northwest Nepal. However, the RNA would have been sensitised to applications of minimum and discernible force during their many stints with United Nations peacekeeping operations.

On a tour of Nepal in June, I exchanged views with many ex-servicemen and some serving officers of the three armies, and they generally confirmed what Dixit has to say in his critique, blaming the RNA for its excesses and trigger-happiness while dealing with hapless civilians. Let the military officers not forget that winning the hearts and minds campaign must be concurrent with the battle for territory.

The RNA is reported to be using excessive force in destroying the Maoist hideouts in the upper mid-montane forests, which are also the seasonal *goth* (grazing grounds) for villagers. I was told the army has used artillery, mortars and free-fall improvised bombs from helicopters on terrorist training camps and bases. While such indiscriminate bombings would chase away the rebels, its efficacy through thick foliage is doubtful,

not to mention the hurt caused to innocent civilians and the ecological damage. I do not know of a single instance in the last 20 or 30 years of combating insurgency in any part of India where artillery or (improvised) gunships have been used. The latter were employed in Sri Lanka but the helicopter has only been used for logistics elsewhere.

The Indian Army's own operations against insurgencies was sensitised by intrusive human rights groups and the media, both of which seem to be conspicuously silent in Nepal. The Indian military was confronted by these watchdogs in the early 1990s, and it has since evolved an elaborate chain of human rights cells. Besides this, it also has to be sensitive to the media as well as accountable to the National Human Rights Commission. Every soldier carries in his right breast pocket the army chief's ten commandments of dos and don'ts of dealing with civilians and insurgents in insurgency-ridden regions.

Dixit's catalogue of deficiencies in the RNA's dealings include the under-reporting of casualties. I was told by a Nepali expert that for greater precision government casualties be doubled and Maoist losses be halved against official figures. There are apparently no doctors in remote regions to conduct post-mortems, and bodies are seldom handed over to the next of kin. Significantly, there are hardly any Maoists captured or injured. While more than 3000 have been reported killed since the imposition of the emergency, barely 60 have

been 'wounded' in the same period. Normally, in such war theatres, the ratio of wounded to killed is 3:1. The number reported killed in the period of the emergency till last month is 2850 Maoists, 335 police, 148 RNA and 194 civilians. This is not a very credible statistic.

Not only is the RNA shooting to kill, it is also shooting first, reportedly spraying victims with bullets. Putting a price on the head of Maoist leaders is not the done thing. Besides, it is hardly likely to work. In the long haul operation against Maoists, apart from the absence of a unified civilian-military-intelligence-police command at the district and regional levels, there seems to be a degree of mistrust and rivalry between police and the soldiers. The police feels it was let down by the RNA in the past when the soldiers failed to come to the aid of police posts under attack, but it still thinks it is better prepared than the RNA to combat the Maoist. "We know the people and the ground better", is the refrain among the police officers. They complain that the army has not provided the requisite personnel promised to raise the Armed Police Force. While it is true that the police record of excesses is more distinguished than that of the army, I spoke to senior police officers who believed that the much-reviled Kilo Seirra II operation was in fact quite effective in subduing the Maoists. In the end, the image of both the Nepal Police and the RNA will improve only when, to their last Kumar, Singh and Thapa, they learn to use force less indiscriminately. ▽

Gen Ashok K Mehta (retd), New Delhi

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SRI LANKA

THE MULTIETHNIC EASTERN QUESTION

THE RECENT spate of violent clashes in Sri Lanka's east has been serious enough to warrant several days of curfew in major towns of the region such as Batticaloa. The east is a potential cauldron of inter-ethnic tension, populated by an almost-equal mix of Tamil, Muslim and Sinhala peoples. The Tamil claim, buttressed by the Liberation Tigers of Tamil Eelam's (LTTE) military might, that the east is an integral part of the Tamil homeland leaves much scope for apprehension among the non-Tamil majority living there.

The clashes in the east have included an attack on an LTTE office in Muttur, a town in Trincomalee District that is neither fully under the control of the Sri Lankan military or the LTTE. Mortars have also been fired, allegedly from within a Tamil area in Batticaloa District, with some blaming the LTTE for the attack. If this is the case, it represents a clear violation of the ceasefire agreement, although it remains unclear at this time who was actually responsible.

As an ethnically diverse area, the east has been home to a variety of armed groups.

Unlike as in the nearly completely Tamil north, the LTTE has not been able to monopolise militancy in the east. There are several non-LTTE

Tamil militant organisations active in the area, along with several Muslim militant groups. These non-LTTE factions have often worked in alliance with the Sri Lankan military, serving as sources of intelligence and sometimes even engaging in operations against the LTTE.

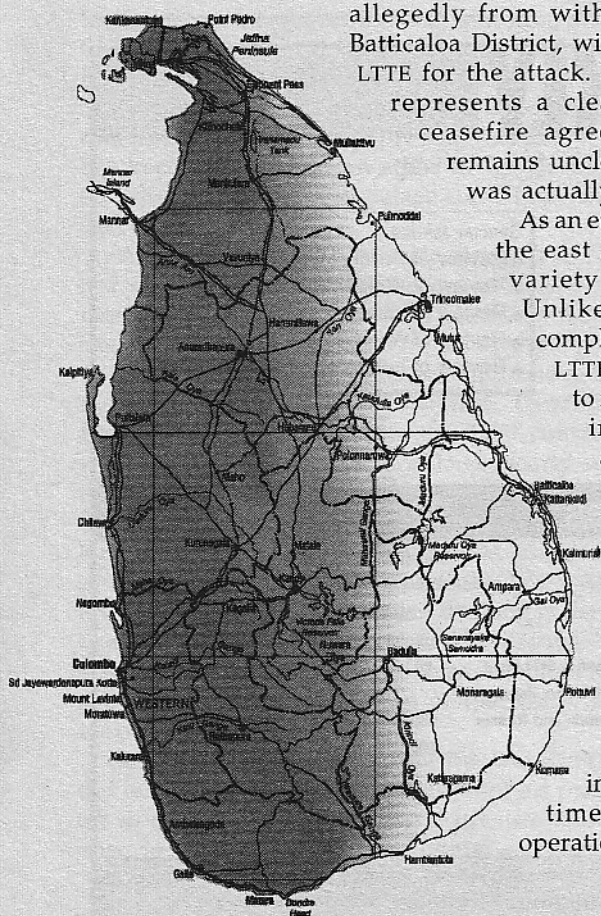
The violent events taking place in the east highlight this region's differences with the north. As a nearly homogeneous Tamil area, the north is more likely to accept unilateral LTTE regional rule under a future interim administration. But the east, with its non-Tamil majority population, is less likely to accept LTTE-controlled governance. While the Tamil National Alliance, which accepts the LTTE as the sole representative of the Tamil people, won overwhelmingly in the north in the December 2001 general elections, the Sri Lanka Muslim Conference (SLMC) and the national parties carried the day in the east.

Accordingly, it is clear that recent violence in the east has not worked to the LTTE's advantage. By underscoring the multiethnic composition of the region, these events suggest that a future political dispensation in the east should not be modelled on the Tamil-dominated north, irrespective of LTTE claims.

Unless driven by irrational considerations, parties generally do not act against their interests, and conventional wisdom suggests that if the LTTE has been fanning tensions in the east it would be weakening its own position. However, the LTTE appears to have been instead reaching out to other groups recently, as indicated by LTTE leader Velupillai Parbakaran's willingness to negotiate with SLMC leader Rauf Hakeem on the issue of LTTE 'taxation'. While the agreement has not done away with all the problems, it has ended most of the harassment of Muslims, although individual LTTE members may continue to commit abuses.

Nevertheless, it is reasonable to assume that the disturbances in the east are the work of parties opposed to an LTTE interim administration governing a merged north-east region. Apart from the unsubstantiated mortar firing allegation, there is no evidence of any direct LTTE role in the disturbances in the east. Past LTTE policies of extortion, taxation and intimidation have left scars in the Muslim population, and the available evidence suggests the involvement of anti-LTTE groups who have felt a loss of power following the government-LTTE rapprochement.

Prior to the ceasefire agreement, anti-LTTE Tamil militant groups played an important role in assisting the Sri Lankan military in its operations against the LTTE. They were heavily armed, well-funded and wielded considerable authority over the





Velupillai Prabhakaran



Rauf Hakeem

Tamil population in government-controlled areas. The elite Special Task Force (STF) of the Sri Lanka Police dominated most parts of the east prior to the ceasefire agreement. Working with the help of the anti-LTTE groups, the STF obtained valuable information on the multiethnic east and restricted the movement of the LTTE.

Unlike as in the overwhelmingly Tamil north, the STF in the east did not feel the insecurity and vulnerability of its army colleagues. As such, the ceasefire agreement has been a galling experience for them, divesting the STF of its dominance and opening up new opportunities for the LTTE's unarmed cadre.

Despite provocation, the LTTE appears to have been conducting itself with restraint in the east. It is not in the LTTE's interest to jeopardise the ceasefire agreement at this time, or the benefits that the forthcoming peace talks with the government in Bangkok are likely to bring. These gains potentially include the setting-up of an interim administration in the north and east and the concomitant legitimisation of power over those parts of the east currently in flames.

Peace promises

For the moment, the LTTE seems to be setting its sights high. There is reason to believe that its gamble of permitting the highly respected Amnesty International (AI) to visit Wanni in the north has paid dividends. The AI delegation that visited Wanni and also met with political leaders in Colombo appeared to be impressed by the LTTE's positive approach to human rights issues.

There is no disputing that the LTTE has a very poor human rights record. It has a long track record of assassination, torture, massacres and suicide bombings, and has earned itself condemnation from human rights organisations in Sri Lanka and worldwide – not to mention the numerous international bans that have been imposed

upon it. But now the LTTE appears willing to change itself for the better and to accommodate international human rights standards into its structures of governance.

Any willingness on the part of the LTTE to open itself up to the scrutiny of international human rights watchdogs and to operate within internationally-accepted human rights standards is extremely positive. However, the LTTE will likely soon discover that its good intentions may be irreconcilable with maintaining its monopoly position over power in the north and east. It is much easier to govern a complex, multiethnic society, such as that found in the east, through the gun than through open and active public discourse.

When it attempts to expand its regime of law and administration to previously government-controlled parts of the north and east, the LTTE is likely to face countervailing pressures of various kinds. This is especially likely in areas that are inhabited by non-Tamil populations. The temptation to resort to their old practices of coercion and intimidation will loom large in the minds of LTTE cadres on the ground when they are faced with the competing demands of the east's mixed population.

At the national level, the challenge for Sri Lanka today is to find a suitable structure of governance in which two or more peoples can co-exist, cooperate and be partners within a single state. It is necessary to create a political system that does not permit the unilateral imposition of one group's wishes on others. Sri Lanka's experience provides sufficient warning against empowering an ethnic group in a unitary framework over ethnic minorities.

There is a compelling need for a decentralised and plural polity to replace the prevailing constitutional structure. This applies not only at the national level, in Colombo, but also at regional levels, in the north and east. A genuine power-sharing arrangement granting space from the centre, whether Colombo (in the case of Sri Lanka) or Kilinochchi (in the case of the north-east), and distributing power among the regional and ethnic communities, is necessary for Sri Lanka to realise its promise of peace. ▽

– Jehan Perera

Despite provocation, the LTTE appears to have been conducting itself with restraint in the east. It is not in the LTTE's interest to jeopardise the ceasefire agreement at this time, or the benefits that the forthcoming peace talks with the government in Bangkok are likely to bring.

Fallacy of the basic idea

The two-nation theory is used as a form of social control by Pakistan's elite.

by *Aasim Akhtar*

The single most important event in Pakistani history is the secession of the eastern wing and the formation of Bangladesh in 1971. Yet, the imperative sentiment behind Pakistani nationhood remains the two-nation theory. The interest groups that comprise the Pakistani state are entirely reliant on this theory to justify the security paradigm that underlies decision-making, and allocation of resources. And yet, the single most important event in Pakistani history remains strangely peripheral and misunderstood, misrepresented as it is by the elite. To understand the concept of Pakistanhood that has been propagated over our 55-year history is to understand the political economy of this country.

All state structures that are fundamentally undemocratic rely on means of social control, whether they are coercive or subtle. This social control is usually founded on a basic idea, on a singular ideology that permeates all aspects of life. In Pakistan's case, this ideology in its essence asserts that Muslims are unable to co-exist with Hindus. Created as a home for the Muslims of the Subcontinent, Pakistan today teeters on the brink of political bankruptcy. It is described by a ravaged economy, all-consuming societal ills, and a political culture that resembles a modern-day monarchy.

The assumption that Muslims were inherently a single nation separate from the nation of Hindus, India, was proven false by the events of 1971, when it became apparent that the Bengali identity was dearer to those who lived in East Pakistan than the Muslim identity. Today, there still are more Muslims in India than in Pakistan. And, have we forgotten that there are still over a hundred thousand Biharis in refugee camps in Bangladesh that the Pakistani state refuses to accept? Still, the two-nation theory continues to inform Pakistan's polity in a profound way, by providing the energy for its Kashmir preoccupation: Kashmir continues to irk because it symbolises a failure to fulfil the two-nation dream. The fallacy of the two-nation theory has been proven time and again, its contradictions undermining its credibility, but the tragedy for Pakistan is that the theory continues to be employed by the elite to perpetuate a system that has clearly failed to cater to even the basic needs of its citizens. The fact that the majority of Pakistanis still subscribe to this theory

underlines how powerful a means of social control it is.

The Pakistani body politic was dysfunctional from the word go. At the time of partition, the Pakistani military was a marginal actor. Neither was the religious clergy a major player in the politics of the new nation; in fact, the Jamaat-e-Islami had been opposed to the break up of India. The Hindu intelligentsia and entrepreneurial class from entire regions, including the Siraiki belt and Sindh, had packed up and crossed the new border to India. At that stage then, it was the landed elite that had emerged as the most influential lobby within the Pakistan movement which held the reins of power. The rest was an unnatural amalgamation of different interest groups aspiring to state power. And from the outset, the Kashmir dispute defined the national psyche.

Mohammad Ali Jinnah is often quoted as having said that religion should not interfere in the affairs of the state. He is said to have asserted on numerous occasions that Pakistan would be a secular state, albeit with a Muslim majority. However, he also made it very clear that Kashmir was Pakistan's "jugular" and the new nation was incomplete without it. Jawaharlal Nehru was similarly uncompromising, promising on the one hand to give Kashmiris the right to decide their own future, and on the other, initiating the militarisation of the area by sending thousands of troops to fortify its frontiers. At the very outset, the leaders of the freedom movement made the Kashmir issue contentious, and this has since weighed heavily on the entire region. A mentality that Kashmir must be made part of the country has dominated the public discourse in Pakistan, and as such, has given the military and the religious right an easy excuse to propagate their destructive ideologies. Meanwhile in India, the establishment continues to mandate gross violations of human rights in Kashmir, claiming it is a secular, democratic state at the same time.

The inordinate amounts of money spent on defence, the extraordinary and unnatural rise of the religious right in the last 25 years, and the degeneration of political parties in Pakistan all have something to do with the security paradigm of the state. Essentially, it is the threat perception from a bigger and stronger India (and therefore, the argument goes, the ten times as many



Hindus on that side of the border who thirst for Muslim blood) that gives license to the establishment to accord special privileges to itself in the name of protecting Pakistan and its Muslim population. The rise of the religious right (and the proliferation of *jehadi* elements) and the thwarting of the political process are, then, outcomes of the inordinate power that the military establishment exercises. These trends have been reinforced by the whims of the United States both during the Cold War, and now.

Pakistan reached a critical point when General Zia-ul-Haq took over the country in 1977. A year later, the Soviet Union invaded Afghanistan and as the definitive conflict of the Cold War shaped up, Pakistan emerged as western capitalism's point man on the Subcontinent. It is now common knowledge that the US supported the Afghan *mujahideen* and the many splinter *jehadi* groups that have since become the US's primary enemy in the "war on terror". Nevertheless, then it was the Islamisation of the country that made it possible for General Zia to propagate the notion of *jihad* against communist Russia.

This process of Islamisation had actually begun with Zulfikar Ali Bhutto. Having come to power on the slogan of Islamic socialism, Bhutto proceeded to oversee the writing of the 1973 constitution in which Ahmadis were infamously declared non-Muslims. In 1974, the "peaceful" nuclear test carried out by India provided impetus for a new wave of hysteria in Pakistan. Bhutto launched the Pakistani nuclear programme, with the slogan *ghaas khaenge* ("we will eat grass" if we have to but we will make the bomb) to emphasise his commitment to the creation of an Islamic bomb. Once the need to combat the perceived Indian threat was re-established as the primary policy concern of the state, it was less important for Mr Bhutto to make good his populist election promises of *roti, kapra, makan* (food, clothing and shelter) than it was to stand toe to toe with India.

In many ways, Bhutto's tenure was dominated by efforts to banish the disaster of 1971 from Pakistan's collective memory. The nationalist movement had proved that not only did the Bengalis not have any allegiance to the Kashmir cause but that they also disputed the special privileges accorded to an army that was almost exclusively based in the western wing. Indeed, Sheikh Mujibur Rahman consistently and accurately alleged that East Pakistan's export earnings from jute were being used to fund the army and an industrial complex in West Pakistan rather than to cater to the needs of the eastern wing.

So the security paradigm emerged with renewed vigour after General Zia came to power, courtesy the

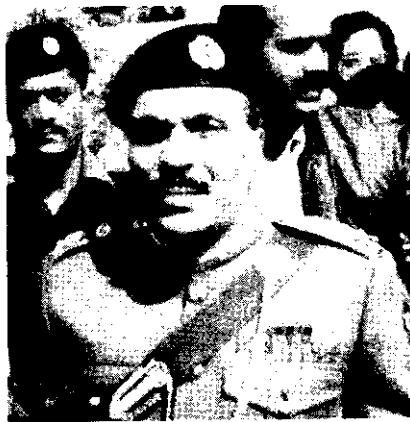
Afghan war. Along with it came the shocks that split the nation along religious, sectarian, and ethnic lines. The promulgation of "Islamic" laws such as the Hudood Ordinance which openly discriminate against women in cases of sexual abuse, the formation of the Mohajir Quami Movement (MQM) that disturbed the delicate ethnic balance in Karachi and fomented unrest, and the explosion of sectarian conflict, all took place during the Zia era. The de-politicisation of society was accompanied by the politicisation of the intelligence agencies. Political parties remained sidelined for almost a decade. By the time elections took place in 1988 by virtue of Zia-ul-Haq's mysterious death, state and society had been transformed.

The fallout of 12 years of unstable democracy was an intensification of the influence of the security apparatus in the affairs of the state. It is now common knowledge that Pakistan-based *jehadis* were at the forefront of the militarised resistance in Kashmir. As such, therefore, Kashmir policy dominated national politics through the 1990s and the military establishment in the post-Zia era has never released its stranglehold on power to any meaningful extent. Development expenditure fell from a high of 7.6 percent of GDP in 1991-92 to 2.8 percent in 2000-01. Meanwhile, expenditure on defence and debt servicing was equivalent to 88 percent of total tax revenue in 1991 and increased to over 90 percent of total tax revenue in 2000.

The stranglehold that the military establishment has on resource allocation is at least partly due to the fact that it has such a massive influence on the political process. The intelligence agencies that had been made all-powerful during the covert US operation in Afghanistan in the Cold War era have maintained their grip on Pakistani politics. Meanwhile parochial sectarian, ethnic and *jehadi* groups have injected a new terror into Pakistani society. Unfortunately, these forces are not accountable to anyone – they have no institutional history, and whether they flourish or wither away is a decision over which the Pakistani public has no control.

While the aftermath of 11 September has inadvertently led to the exposure of this nexus, it has not changed the way the Pakistani state is structured or the essential power dynamics that exist within Pakistani society. In fact, the military's domination has been cemented over the past few months. All civilian agencies in the country are now headed by retired or serving army officials. Two out of four provincial governors are retired generals. Three federal ministers are retired army men. The list could go on. (See *Himal*, June 2002.)

Many political parties have been co-opted into this



The 'Islamic' general

undemocratic system, which is a reflection not only of the degeneration of politics in the country, but also of the fact that political parties do not expect to ever exercise authority independent of the army's wishes. Ultimately, the established political elite is aware that challenging the military's consumption of a disproportionate share of the budget, or the fact that army men are given special privileges, offices, and rights, will only lead to its own demise. Of course there is the small matter of political parties being unrepresentative and self-interested. Groups with vested interests such as the landed elite, an industrial class which derives its competitive edge through state-sanctioned cronyism, and the civil bureaucracy, have all at one time or the other allied themselves with the military establishment to serve their own needs and wants. To invigorate political process in Pakistan the nature of the state will have to be fundamentally altered.

The security paradigm and the accompanying forms of social control that allow the military to continue its domination of state and society are intact. Textbooks used in schools propagate untruths about the atrocities of the independence movement; they also promote intolerance toward religious minorities. State-run television and radio spew out long propaganda programmes highlighting India's evil designs and the need for combat-ready armed forces and modern weapons to repel Indian aggression. PTV often shows a short programme called Kashmir File after its 9 pm *Khabarnama*, showcasing graphic footage of Kashmiris being abused by Indian soldiers, calling for their freedom from oppression. As an example of how such conditioning begets itself, newspapers covering, say, a natural disaster in India will phrase headlines almost as if the disaster were divine punishment: "Heat wave kills 300 Indians".

Nevertheless, cracks are emerging. The military establishment has been forced to re-evaluate its role in facilitating conflicts on its western and north-eastern borders. The most recent stand-off with India seems to have been averted, and US pressure has seen Pakistan acknowledge, and make moves to arrest, "cross-border infiltration". Still, one feels that so long as it is US persuasions that compel the army to make a retreat, any retreat is only temporary.

Nation-states peripheral to the global system such as Pakistan have almost completely surrendered sovereignty in crucial affairs, and so perhaps even a US-imposed change could negate the original US-created extremist threat. But US interests do not include forcing a fundamental reorientation of Pakistan's state ideology. The US military-industrial complex reaps many profits from Pakistan's hunger for military technology and infrastructure, and very much wants to maintain its market share in South Asia.

Any genuine change in Pakistan must be organic and based on public recognition within Pakistan that the prevailing state ideology is untenable. Only once

this happens will there be any fundamental compulsion for the military to retreat to the barracks. So far political parties have failed to play the role of challenger to the state, public frustration is ever on the rise, poverty is rampant and growing, and post-referendum, resentment towards the army is widespread. There is talk now about how much the conflict over Kashmir has cost Pakistan and its people. And there are livelihood movements that are beginning to come into direct conflict with the state.

As the latest budget is released, Pakistani policy-makers are once again hard put to explain away the low growth and the poor level of poverty-related expenditure. They point to a 14 percent increase in defence spending over the past year by way of excuse. They will continue to do so until the global hegemon, international financial institutions or some other influential actor challenges their policies and the wisdom of the imperatives that guide them. The Pakistani people can hardly afford to entrust their destinies and the destiny of their political culture to a verifiably fickle international community. If anything is to really change, the will to reshape the Pakistani state must be generated by the Pakistani people themselves.



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Vacancy Announcement

COUNTRY DIRECTOR

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ActionAid is an international non-governmental development organization with its mission “**to work with poor and marginalized women, men, girls and boys to eradicate poverty and injustice and inequity that cause it**”.

ActionAid as a member of the ActionAid Alliance, works in 30 countries in Africa, Asia, Latin America and Caribbean regions in partnership with CBOs, NGOs, social movements, people’s organization and activists. ActionAid’s poverty eradication programmes focus on equity, dignity and rights of poor and marginalized people and communities. ActionAid’s innovative projects, social mobilisation and policy advocacy work address issues like gender inequity, livelihood, food security, education, governance, trafficking of women/ children and HIV/AIDS. ActionAid engages critically with the government, international development organizations and private companies to ensure pro-poor policies, programmes and practices.

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Women candidates are particularly encouraged to apply.

Application with a copy of the latest CV with the names of two referees must reach the following address latest by 30th July 2002: Asia Regional Office, 13th Floor, Rajdamri Road, Pathumwan, Lumpini, Bangkok 10330, Thailand.

Email: job@actionaidasia.org.

We will be able to respond to the shortlisted candidates only for the interview, which will take place in Dhaka during the week of 26th August 2002.

Growth and stagnation in Pakistan's Economy

The expansion of the 1970s and 1980s concealed the structural weaknesses of the Pakistani political economy, which are responsible for today's stagnation in growth and the payments crisis.

by *Sushil Khanna*



A stoic Karachi vendor contemplates the next cycle.

Pakistan has been through a decade of unprecedented social and political turmoil, economic stagnation and rising poverty. This stagnation is unique in Asia, which has emerged as the fastest growing region of the world. The decade of the nineties has been a "lost decade" for Pakistan. Even Bangladesh and Nepal have notched up growth rates above 5 percent per annum in the last decade.

What are the factors that have prevented Pakistan from utilising the opportunities presented by the end of the Cold War and the gradual dismantling of barriers to trade and investment in Asia? Do these arise merely from the so-called "mismanagement" of the economy, as General Pervez Musharraf and his lawyers argued before the Supreme Court to justify the coup that brought him to power in 1999?

A study of Pakistan's political economy over the last three decades might point to some answers. The crisis faced by Pakistan's economy in the 1990s has its roots in the nature of dependent industrialisation that has long characterised Pakistan's economic strategy. The close links forged with Western powers, especially the United States, and the rewards of this special relationship, undermined the potential for a self-reliant and sustainable growth strategy.

In the 1980s, when India was stuck with its 'Hindu rate of growth', the Pakistani economy consistently experienced high rates of growth. In the early 1990s, Pakistan's per capita income of USD 500, was about 25 percent higher than India's figure of USD 390. The average Pakistani was (and is) better fed and clothed than the average Indian. While 52 percent of India's population in 1992 survived on an income of less than a dollar a day, only 11 percent of Pakistanis were below this poverty line. Pakistan has roughly two million migrant

workers, whereas with its much larger population, India has the same number of migrant workers in West Asia. What, then, is the cause of the downward spiral that has forced Pakistan to crawl before the IMF, not once, but thrice during the last decade?

At first glance, the structure of the Pakistani economy looks disarmingly like that of the Indian economy. The structure of output in the two antagonistic neighbours is amazingly similar. In both countries, the industrial sector constitutes 27 percent of GDP. Pakistan's service sector is only marginally larger than India's. The agricultural sector's share in output has fallen below 30 percent in both Pakistan and India. Yet these similarities hide fundamental differences, both in the underlying structures of the two economies, as well as in their relationship to the world economy. While the Indian economy has grown largely on domestic savings and investment, Pakistan has long financed its investment from foreign loans and remittances.

Many observers have noted that Pakistan's politics and economy have been shaped by two legacies — that of Zulfikar Ali Bhutto and of Gen Zia-ul Haq. Bhutto's was the populism of an elected leader who aspired to develop a strong and resurgent Pakistan. His emphasis was on large-scale manufacturing and industrialisation, and later on a programme to develop the atomic bomb. This was to neutralise Indian hegemony on the Subcontinent and avenge the military defeat of 1971. Bhutto's emphasis on 'socialism' and a strong public sector was to shape the political economy of Pakistan in hitherto uncharted ways.

In contrast, Gen Zia-ul Haq relied on Islam and private enterprise to consolidate his power. This was to take Pakistan along a path that would shape its politics and economics for the next two decades, and perhaps, lay the basis of the social and economic crisis that plagues the country even today. Both legacies ignored the tensions in the social and economic spheres. As a result, they missed the opportunity to establish the foundations of an independent, sustainable growth and modernisation strategy oriented to modernising society and economy.

Growth was at its highest during the Zia era (1977-1988), and a considerable part of the present analysis looks at the factors behind this phenomenal record. The post-Zia period is analysed to understand the balance of payments and fiscal crisis that mires the economy today. The economic crisis deepened after the nuclear explosion in 1998 and the International Monetary Fund's bitter prescriptions have done little to restore macro-economic stability. It was this continuing crisis that was used by Gen Musharraf in 1999 as justification for military intervention and the coup against Nawaz Sharif's government. Currently, Pakistan looks to mitigate the effects of the escalating crisis by joining the American camp in the war against the Taliban.

For an in-depth understanding of the political economy of Pakistan, it is important to chart the journey

from Bhutto's economic policies, through the Zia regime in which the country saw a growing dependence on foreign savings, to the crisis of the 1990s and the pressure from IMF that forced the so-called democratic regimes to impose an unprecedented burden on the people of Pakistan in an era of declining foreign aid and remittances. The accentuation of the crisis after the nuclear explosion in 1998 must also be examined. Finally, the policies adopted by Gen Musharraf and his finance minister, Shaukat Aziz, unhindered as they are by the pressures faced by a democratic regime, must come under scrutiny.

Bhutto's 'socialism' and economic restructuring

1971 was a traumatic year for Pakistan. The Bhutto regime had to grapple with the break-up of the country and the independence of Bangladesh. The departure of the eastern wing robbed the western wing of a large internal market. Since trade between the two wings constituted about 50 percent of the western wing's total exports and 20 percent of imports, truncated Pakistan faced an urgent need to find new markets for these products. The economy also faced large external shocks due to the fourfold increase in petroleum prices by Oil Producing and Exporting Countries (OPEC). Pakistan succeeded in overcoming the twin shocks. Bhutto also tried to accelerate the pace of investment and modernisation and to enlarge the heavy industrial base of the economy. Yet the Bhutto years (1971-77) were characterised by moderate or low growth, and the emergence of the persistent imbalances that continue into the present.

Upon assuming power, Bhutto devalued the rupee and raised the profitability of exports at a time when world markets were experiencing a commodity boom. Exports increased by 40 percent between 1972 and 1974 as Pakistan found new markets for its commodity exports, primarily rice, cotton and sugar. Though the export boom helped to compensate for the loss of the eastern wing's market, it was not sufficient to meet the increasing import bill. The newly launched modernisation drive and the establishment of basic industries, such as steel, increased the demand for imports. While exports doubled from USD 591 million in 1971 to 1141 million in 1977, imports increased fourfold from USD 638 million in 1971 to an astounding 2325 by 1977. This was the genesis of the perennial balance of payments crisis that has confronted Pakistan since.

To bridge the growing deficit in trade and balance of payments, the Bhutto regime was forced to turn to foreign sources. The increasing dependence on external commercial loans led to a sharp increase in Pakistan's debt burden. This dependence on external debt also points to the Bhutto government's failure to mobilise domestic resources for investment. Domestic savings could finance only 60 percent of the investment in the economy. Borrowing from international sources to finance the savings-investment gap became imperative.

Yet, Bhutto will be remembered, not so much for the external debt shock, but for the dramatic shift in the economic policies and the campaign to undermine the stranglehold of large business families and feudal landlords. His mass appeal revolved around his articulation of the strong sentiment for economic and social reforms that swept through Pakistan in the late 1960s, when the Ayub Khan regime was crumbling. Bhutto described General Ayub's economic strategy as "a monstrous economic system of loot and plunder which the regime lauded as free enterprise".

Support for Bhutto's reforms came from a wide constituency — the urban middle class, the landless peasantry, workers and, curiously, even landlords. Conservative landlords shared with radical groups a resentment of the nascent bourgeoisie of emerging large industrialists. The landlords were particularly antagonistic to the traders who had migrated from India and, by the end of the Ayub era, had emerged as the new industrial elite. Sindhi landlords were important members of Bhutto's Pakistan People's Party (PPP) and supported the nationalisation measures that were aimed at the industrialists. However, they were hostile to Bhutto's land reforms and played an important role in undermining the programme for confiscation of surplus land and its redistribution.

In 1972, the PPP had pushed through land-ceiling legislation to reduce the size of land holdings and to redistribute confiscated surplus land. "We are as much against the ignorant and tyrannical landlord as we are against the robber barons of industry", Bhutto declared. This legislation restricted ceiling on ownership to 150 acres of irrigated land or 300 acres of unirrigated land. Surplus land was to revert to government without any compensation to the landlords and distributed free to the landless. However, there were numerous exemptions. Landowners were allowed to retain an additional 50 acres above the ceiling if they invested in tractors and tube wells. Generous tax exemptions were granted for the purchase of agricultural machinery and land development. These were all incentives for modernising agriculture.

The results were dismal. Given the fact that the ceiling was on individual rather than family ownership, large landowning magnates had little difficulty in retaining control over land through division within

family members. The implementation of the reforms was also arbitrary. Landlords hostile to the regime were targeted, while those loyal to PPP were left alone. As a consequence, more and more landlords flocked to the party. The total land seized for redistribution was less than 1 percent in Punjab and 3 percent in Sindh.

The only province where land reforms were effective was the North West Frontier Province (NWFP), where it was used to undermine the social base of Bhutto's political opponents, the National Awami Party (NAP). Balochistan NAP leaders were also targeted. In all, 12 percent of the land in NWFP was redistributed and approximately 33 percent of the landless households received some land, leading to a sharp increase in support for the PPP and a corresponding decline in the NAP's popularity. Otherwise, by and large the only legacy that Bhutto's land reforms left behind was one of deceit and vendetta.

The nationalisation of private banks, insurance and large industry faced fewer obstacles. In the first phase, Bhutto targeted basic industries and nationalised 31 industrial units producing capital and intermediate goods which providing about 20 percent of value added in large-scale manufacturing. Most of private units producing consumer goods were left untouched.

The newly nationalised banks redirected credit to landlords, rich peasants and small-scale industrialists. Many of these small industrialists were the more affluent peasants, landlords and small traders. This easy flow of credit to medium and small industrialists restored the private sector's confidence in the regime to some extent. Bhutto's PPP argued that its nationalisation was aimed at curbing large monopolies, and was not directed against the private enterprise per se. The government was emphatic that there would be no further nationalisation and that the aim was to foster a mixed economy, with a healthy combination of both the public and private sectors. In addition, former owners of the nationalised units were generously compensated.

However, by late 1973 the atmosphere of co-operation had been vitiated by further nationalisations. Many small and medium units were also taken over by the state. Some observers, such as Omar Noman, argue that this was not the result of a well-defined and systematic strategy of greater state control over the economy, but an ad-hoc response to short-term crises. In 1973, as the price of edible oil trebled due to floods and hoarding, the government nationalised the edible oil industry. In 1976, it nationalised the flourmills, cotton ginning and rice husking, thus antagonising the small and rural *petit bourgeoisie*. Private sector confidence reached a new low and undermined Bhutto's strategy of a corporatist state intervention.

As private investment declined, the government's growth strategy was forced to depend more and more on public investment, which rose sharply from PNR 58 million in 1971 to 1085 million by 1977. Meanwhile

Table 1

Growth Rates under Bhutto (percent per annum)

	1960s	1970-72	1972-77
Agriculture	5.0	0.2	2.1
Large Industry	13.3	2.8	2.8
Others	7.0	2.1	7.3
GDP (at factor cost)	6.7	1.7	4.9

Source: Hasan, P, *Pakistan's Economy at the Crossroads* OUP, Karachi, 1998.

private investment declined from PNR 700 million in 1971 to 183 million by 1975. Two-thirds of the industrial investment was now concentrated in the public sector, a significant proportion of which was in the capital goods sector. Thus, the newly set up Pakistan Steel Mill Corporation and a nuclear reprocessing facility became symbols of the regime's strategy to diversify the industrial base.

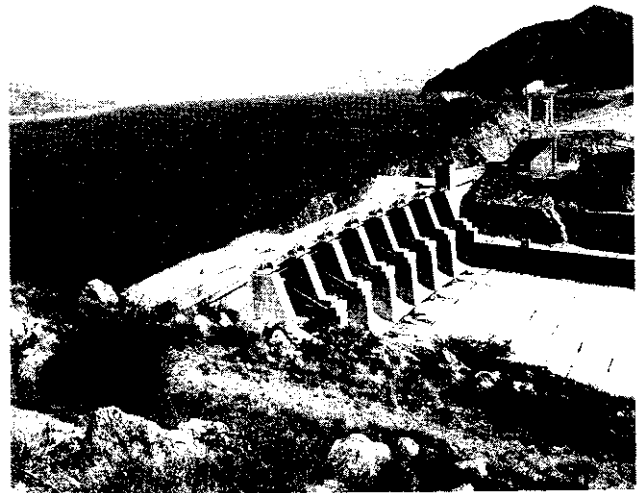
The public sector enterprises soon began to run large deficits. They were not allowed to raise prices and were forced to absorb large numbers of workers. The location of these new public enterprises was decided on political considerations. Some of these enterprises were established in the constituencies of PPP leaders. Growing deficit combined with the failure to raise revenue led to increasing gaps in state finances and the destabilisation of the macro-economic balance. By 1974-75, the budget deficit was as high as 10 percent of the GDP.

The external shocks to the economy and nationalisation led to a sharp decline in growth rates. Despite increasing public investment, the growth rates in agriculture and industry fell to a new low (Table 1). The only redeeming feature was the surge in the tertiary sector, thanks to the expansion in construction, public administration and defence.

The rising trade and budget deficits, along with the rising debt service burden aggravated the balance of payments situation. Pakistan had to negotiate two debt-rescheduling arrangements with the Aid Consortium and the World Bank during the 1972-74 period. The World Bank was critical of the government's macro-economic policies and stipulated a set of reforms and domestic resource mobilisation targets as a precondition for resuming aid. There was a deadlock as the government refused to accept the advice to curtail its expenditure. Only after a compromise was reached was foreign aid resumed, and during the next few years OPEC emerged as an important and growing source of external assistance. Total foreign assistance reached a new high and by 1975 it had touched USD 1.2 billion.

By 1977, the Bhutto regime had alienated itself from all the three economically dominant classes — the bureaucracy, the rising bourgeoisie and the landlords. The latter were particularly aggrieved by the nationalisation of agro-processing industries such as cotton ginning, rice husking and flourmills in which they had invested. The PPP's base among the subordinate classes was also alienated after the purge of left wing elements and the party's gradual shift to the right under the World Bank programme. A confrontation with the opposition, encouraged by the armed forces, led to a military takeover in 1977.

The Bhutto government's economic strategy exposed fundamental weaknesses in the Pakistan economy. The low savings rate and the state's inability to mobilise resources for investment have persisted to this day. The narrow export basket and the failure of the import substitution strategy had made the trade gap un-



Tarbela Dam.

sustainable, while the anti-private sector bias of the regime drew hostility from international donors. Increasing aid from the OPEC partly mitigated the effects of the crises. But this reliance on foreign aid was to pose new problems in the coming decades.

The failure of Bhutto's economic and political programme served to undermine the radical and left groups that had fought hard to establish a modern and more equitable economic and social sector in Pakistan. The collapse of this alliance of radical urban intelligentsia, workers, rural tenants and landless led to the consolidation of more conservative social groups under Gen Zia-ul Haq.

Zia's militarisation and dependent growth

Zia-ul Haq ousted Zulfikar Ali Bhutto and imposed martial law in July 1977. The military intervention came amidst strong public protest against Bhutto, which had started in the wake of alleged irregularities in the election held in March 1977. Zia took over with the declared purpose of resolving the impasse between Bhutto's People's Party and the combined opposition, and promised to hold free and fair elections within 90 days. Bhutto's continuing popularity, and the fear of a vendetta against the top military leadership in the event that he returned to power in free elections, prompted Zia and his colleagues to postpone elections. In March 1978, the Lahore High Court judgement found Bhutto guilty of complicity in the murder of a political opponent. Zia used this as the excuse to imprison Bhutto. The endorsement of the high court ruling by the Pakistan Supreme Court helped Zia order Bhutto's execution in April, 1979. This set the stage for a decade-long military rule, which ended only with Zia's sudden death in a mysterious air-crash in August 1988.

After Bhutto's elimination, Zia's legitimacy was at



Bhutto, the populist.

a low ebb and he was under pressure from Western governments to restore democracy. However, the Soviet invasion of Afghanistan, in December 1979, gave a new lease of life to the Zia regime as it blunted internal and external pressure for the restitution of civilian government. Zia finally ordered elections on a non-party basis in March 1985, after amending the constitution so that it substantially increased the powers of the president. Following the elections, Zia picked Muhammad Khan Junejo as the prime minister. But with Junejo asserting his authority a conflict ensued and Zia dismissed the government in 1988.

In contrast to the economic stagnation of the Bhutto era, Pakistan experienced unprecedented growth rates, often exceeding 6 percent per annum during the 12 years of military regime. At a superficial plane, the fiscal and balance of payments crises also seemed to be well managed. To understand this period of high growth followed by a decade-long decline and recurrent crises, it is necessary to look at the policies of Zia-ul Haq, who over a decade fundamentally changed Pakistan's economy and society. The Islamisation of society and the rise of fundamentalist social groups is well known and partly explains the political and social crisis that has bedevilled Pakistan in the 1990s. What is less appreciated is how drastically the dictator-general changed the structure of the economy. He moved away from the 'socialist' policies of Bhutto and used foreign aid and remittances to make Pakistan heavily dependent on continuous receipts of savings from abroad.

The high growth in the 1980s, along with rising consumption, provided the support and legitimacy that had eluded Pakistan's rulers for some time. While the Indian economy in 1980s grew at 5.5 percent per annum, the Pakistani economy grew annually by about 7 percent. Its agriculture expanded at twice the rate in India thanks to the completion of two large dams and

associated irrigation projects.

Some of Zia's policies were thought-out initiatives, while others were the result of fortuitous circumstances. Others were accidents of history. First, Zia used his efforts to Islamise society to broaden his political support. Second, the Soviet occupation of Afghanistan and Zia's highly successful efforts to mobilise and coordinate large external assistance for the *mujahideen* from sources such as the United States and Saudi Arabia, increased his political standing and control after 1980. Third, he extended the role of the army in governance through extensive use of military intelligence, appointment of senior officers to key positions in public administration, and dispensation of patronage to the armed forces, thus creating a strong vested interest in the army for the continuation of his regime. But all these would have been insufficient to hold power for more than a decade, especially since the Pakistani army had not only just been sullied by the atrocities committed in East Pakistan but had also been held responsible for the splintering of the nation. What helped Zia most was a period of high and sustained rate of economic growth and a dramatic fall in absolute poverty. The economy expanded by nearly 6.6 percent per annum while inflation was moderate. This growth was broadly shared amongst different segments of the population with increases in real wages in urban and rural areas, which resulted in a decline in poverty levels.

The Pakistani economy during the 1980s, benefited from a number of special factors, both domestic and external. The completion of the long-gestation period Tarbela Dam on the Indus helped unleash unprecedented agricultural growth, while fertiliser and cement investments undertaken under Bhutto contributed to industrial growth. Yet this by itself would not have sufficed either to increase the rate of growth, or for reducing the pressure to raise resources for investment. In 1977, Pakistan's GDP was only USD 15 billion. It was the increase in remittances by Pakistani workers in West Asia upto USD 2-3 billion over the next few years that served as a powerful source of economic expansion, providing strong support to balance of payment.

In the first half of the 1980s workers remittances exceeded the total earnings from merchandise exports. This provided a boost to economic activity, and rose to a peak of USD 3 billion in 1982-83. In 1982-83, these remittances were equivalent to 10 percent of Pakistan's GNP (Table 3). Zia also successfully negotiated with the United States for external assistance on a scale unprecedented in the history of Pakistan. In addition to direct assistance to Pakistan, Washington DC and allies funnelled about USD 5-7 billion to the Afghan mujahideen via Pakistan, providing a further boost to the local economy. Similarly, the narcotic trade, which gathered momentum in the 1980s, strongly supported the service sector of Pakistan.

Unlike Ayub, Zia did not have a clear long-term vision of the economic future, and consequently, lacked a

long term strategy. He left the day-to-day management of the economy to his finance minister, Ghulam Ishaq Khan who abandoned Bhutto's strategy of increasing state intervention and public sector investment. A modest plan of de-nationalisation was initiated and economic policies became market-oriented. Buoyant remittances and aid eased the foreign exchange constraints on the economy and helped Zia-Khan to move to a flexible exchange rate regime, improving the incentives for exports. The de-nationalisation and loosening of the controls also led to a surge in private investments for both agriculture and industry, which had fallen sharply during Bhutto (Table 2).

Unfortunately, the remittance boom did not translate into higher rates of national savings and investments. Most of the remittances were directed towards consumption, and this played a major role in reducing poverty. Notwithstanding the substantial additional taxation imposed in 1979-80 and 1986-87, fiscal policy had only limited success in increasing the proportion of GDP mobilised through tax revenue from 11.9 percent in 1976-77 to 13.3 percent in 1987-88. As a result, public savings remained negative and fiscal deficits persisted at a high level. The gap was partly filled by generous foreign aid, and largely by domestic borrowings.

Thanks to the expansion of irrigation investment initiated by ZA Bhutto, agricultural growth increased to 4 percent per annum from a dismal 2 percent during 1972-77, and played an important role in accelerating GDP growth in the Zia era. Many factors contributed to this. Production during the Bhutto years had been adversely affected by exceptional weather conditions, both droughts and floods. The additional water availability from Tarbela Dam after 1976, augmented irrigation water supply by more than 10 percent. Domestic production of nitrogenous fertiliser nearly tripled during the first half of the 1980s. Fertiliser use per hectare increased from 30 kg in the mid-1970s to 80 kg by the mid-80s. The increase in support prices for wheat and cotton improved agricultural incentives. The livestock sector too grew by more than 5.5 percent in the 1980s thanks to the increasing demand for milk, meat and poultry. The share of livestock in the agricultural sector increased from 26 percent in 1980-81 to 32 percent in 1994-95.

Industrial growth and exports

The expansion of the industrial sector under Zia was equally impressive. Manufacturing sector growth during 1977-88 was over 9 percent per annum (Table 2) and compared very favourably with the 3.7 percent growth of the Bhutto period, 1972-77. Several factors explain this rapid industrial expansion. First, the large public sector investments, which started under Bhutto and continued in the early Zia period, resulted in a major increase in steel, cement, fertiliser and vehicle production. The public sector steel mill started production in 1982 and reached a high capacity utilisation by

Table 2

Pakistan Growth Rates: Zia Era (percent per annum)

	1977-83	1983-88	1977-88
Agriculture	4.2	3.5	3.9
Manufacturing	10.2	8.2	9.2
Other	8.5	7.0	7.9
GDP at factor cost	6.7	6.2	6.6
GNP at factor cost	7.6	4.9	6.4
GNP per capita	4.4	1.9	3.3

Source: *Economic Survey*, Government of Pakistan, various.

Table 3

Workers' Remittances

Year	USD million	As % of GDP
1972-73	136	2.1
1976-77	578	3.6
1982-83	2886	10.1
1987-88	2013	5.2
1990-91	1848	4.1

Source: *Economic Survey*, Government of Pakistan and *Balance of Payments Yearbook*, IMF, various.

1984-85. Second, incentives for manufactured exports were strengthened by the introduction of a flexible exchange rate policy in 1982, and by the introduction of direct export subsidies in 1978-79, which increased the rebates on custom duty and sales tax for exports. Manufactured export grew by 13 percent per annum in the 1980s. Third, the investment climate for the private sector was improved by de-nationalisation of medium and small enterprises and a few large units.

Further de-nationalisation was held back due to the former owners insisting on the writing-off of losses incurred during the period of nationalisation and on the right to fire surplus workers. This was unacceptable to a regime still fighting for legitimacy. However, the government provided guarantees against future nationalisation and offered tax concessions. Licensing and investment controls were relaxed by raising the limit for units not requiring any sanction from PNR 60 million to 300 million in 1984 and further to 500 million in 1987. As a result of this, private sector investment in manufacturing grew by 9.5 percent per annum during 1978-83 and accelerated further in the last five years of the Zia regime. The private sector's share in the new industrial investment had risen to over 90 percent by 1988 compared to less than 30 percent in 1976-77.

The revival of private industrial investment helped to expand capacity in traditional industries such as cotton textiles and cement. The rapid growth of raw cotton production, thanks to the improved irrigation, gave fresh impetus to textile production, especially cotton yarn production. As in India, cloth production was

Table 4

Investment/Savings Trends (annual averages)

Year	As percentage of GDP		
	Gross Domestic Investment	Foreign Savings*	National Savings**
1976-77	18.2	7.1	11.1
1978-83	18.5	4.0	14.5
1984-88	18.5	4.2	14.3
1989-93	19.3	4.8	14.5
1994-96	19.2	5.1	14.1

Source: Hasan, P, *Pakistan's Economy at the Crossroads*.

* Defined as current account balances before official transfers

** National savings are derived as residue

moving out of the large mill sector towards decentralised power looms. Pakistan soon emerged as a major exporter of cotton yarn, with the 1989-90 yarn exports exceeding that of cloth by more than 50 percent. Over 60 percent of the increase in the value of exports in the 1980s is attributable to cotton, cotton textiles and garment export. The share of cotton and cotton goods export in Pakistan's total export increased sharply from 40 percent in 1979-80 to 60 percent in 1989-90. The gradual depreciation of the Pakistani rupee from PNR 9.9 per dollar in 1981 to PNR 18 per dollar by 1988 provided a valuable incentive to the exporter.

Despite the boom in manufacturing and exports, the industrial sector in Pakistan suffered from many weaknesses. Industrial development was constrained by the small size of the home market, particularly after the creation of Bangladesh. The industrial base in Pakistan was narrow and undiversified. Even in 1990-91, food and textiles alone contributed more than 40 percent of the industrial value added. The share of industries exclusively based on indigenous raw materials still accounted for 60 percent of value added. The removal of quantitative restrictions on imports

Table 5

Pakistan: Pattern of Public Expenditures (selected years)

PNR in billion (Figures in parenthesis give percentage of GDP at market prices)

Years	Interest payment	Defence	Development	Total
1976-77	2.8 (1.9)	8.1 (5.4)	15.0 (10.0)	35.2
1979-80	4.8 (2.0)	12.7 (5.4)	21.8(9.3)	54.5
1982-83	7.7 (2.1)	23.2 (6.4)	29.4(8.1)	87.1
1985-86	19.0 (3.7)	35.6(6.9)	39.8(7.7)	143.5
1987-88	32.2 (4.9)	47.0(7.0)	46.7(6.9)	180.4
1990-91	50.0 (4.9)	64.6(6.3)	65.3(6.4)	262.0
1994-95	97.2 (5.2)	104.5(5.6)	82.3(4.3)	428.3
1996-97	127.4 (5.1)	127.4(5.1)	85.1(3.4)	543.1

Source: *Economic Survey*, Government of Pakistan, various.

along with the reduction in import tariff on raw materials and intermediate goods during the 1980s led to some diversification of manufacturing output. However, the reduction in import barriers undermined the import substitution strategy of industrialisation in Pakistan.

Investment and savings

The high growth during the Zia period was not accompanied by any great increase in investment. Gross fixed capital formation as a percentage of GDP was about 17 percent during 1977-88, marginally below the level in the Bhutto era. How was it possible to achieve an annual growth of 7 percent with such a relatively modest investment rate? Was Pakistan extraordinarily efficient in the use of capital resources?

To some extent the pattern of growth in Pakistan, especially the expansion in the service sector, which requires lower investment levels, lowered the capital-output ratios and pushed up the growth rate. Some analysts argue that the shift in industrial investment from public to private may also have contributed to some gain in efficiency. Zia also reaped the fruits of long-gestation investments made by Bhutto. The use of remittances for consumption fuelled a boom as output expanded to meet new demand. Despite all these, there is no doubt that the investment level under Zia was inadequate in relation to both current needs and future requirements. Serious shortages of infrastructure, especially energy, transport and urban development had already developed by the mid-1980s. Unlike Bhutto, Zia left no large-scale projects under implementation that his successors could benefit from.

The low rate of investment during the 1980s was due to the failure to mobilise sufficient domestic resources in the public sector. Despite the massive increase in remittances, the national saving rate only moved up marginally to about 14 percent of GDP (Table 4). It appears that while private savings increased, public savings declined during the Zia era. Domestic savings (excluding worker's remittances) declined to about 6 percent of GNP by 1980 or financed only about 40 percent of gross domestic investment. This performance of Pakistan's economy is particularly perplexing because even neighbouring countries like Bangladesh, India and Nepal, all had domestic savings rates between 18-25 percent.

The fiscal crisis that gripped the economy in the latter half of the Zia era can be largely explained by the surge in military expenditure. In nominal terms, military expenditure rose from PNR 8 billion (or 5.4 percent of GDP) in 1976-77 to PNR 47 billion in 1987-88 (7 percent of GDP). Combined with the major increase in the size of the economy, this meant a growth in real defence spending of over 160 percent or

more than 9 percent per annum (Table 5). This rate of growth in military spending was faster in the Zia years than in any other period in Pakistani history.

Zia justified this increase in military spending by citing the compulsions arising from the Soviet occupation of Afghanistan. He also increased the salaries and privileges of the armed forces, which were a critical part of the constituency that supported his regime. This increased defence outlay combined with the increase in the debt burden and interest payment to squeeze the expenditure on development.

Public development expenditure declined from about 10 percent in 1976-77 to 6.9 percent by 1987-88. At the beginning of Zia's rule, public sector development outlay had been nearly double the level of defence spending. A decade later, defence spending was as large as the development outlay. A part of the increase in military spending was related to liberal benefits and amenities for military personnel. Similarly, the enormous increase in domestic debt, which rose from PNR 58 billion in 1981 to 290 billion in 1988 and further to 900 billion in 1996, led to a sharp increase in interest payments. During the Zia era interest payments increased from PNR 4 billion to 32 billion.

Ghulam Ishaq Khan's effort to impose heavy taxation in 1979 met with strong public resistance and was soon abandoned and the government shifted to large scale borrowing towards the close of the Zia regime. The un-sustainability of large fiscal deficits and growing domestic debt undermined future growth and monetary stability. Despite these shortcomings, however, rising incomes and increasing transfer payments, thanks to the remittances from workers, led to a sharp reduction in poverty. Real wages in agricultural industry rose rapidly and outward migration helped increase urban wages.

In 1980, Zia unveiled the plan for an Islamic economic system. He institutionalised *zakat* and introduced interest free banking. *Zakat*, is one of the pillars of Islam according to which well-to-do Muslims are required to distribute two and half percent of their wealth annually. Under Zia's *zakat* ordinance, the financial assets in the banking system and saving instruments were subject to 2.5 percent deduction annually. By 1988, this had provided PNR 2.5 billion and was diverted by Zia to the poverty alleviation programmes for vulnerable groups.

Zia had managed to bring back private industrialists into the mainstream, and rising private investment compensated for part of the decline in development expenditure. The period was also marked by rising industrial production and agricultural output, thanks to the commissioning of heavy industry projects and a major dam and irrigation network. Though the support for the regime can only be a conjecture since Zia did not contest any elections, it is clear that the dictator general managed to keep the powerful groups in Pakistan happy and compromised.

Table 6

Resident Foreign Currency Accounts (USD million)

Period	Workers' Remittances	Balance
30 June 1991	1848.3	389.5
30 June 1992	1467.5	1707.1
30 June 1993	1562.2	2250.4
30 June 1994	1445.6	3002.4
30 June 1995	1866.1	3383.8
30 June 1996	1461.2	4146.9
30 June 1997	1409.5	5491.3
30 June 1998	1489.6	7174.9

Source: *Economic Survey*, 1997-98 and 1988-89.

Civilian governments and economic management

The period after Zia's death, till the takeover by General Pervez Musharraf, was marked by a great deal of political instability under civilian governments, slow economic growth and recurring foreign exchange crises. Pakistan had to go thrice to the IMF for bail-out packages. Successive elections following the frequent dismissal of governments did not provide for a strong and clear mandate or stability. Elected governments were not only politically weak but also dominated by vested interests.

Benazir Bhutto was elected in December 1988 and dismissed by President Ghulam Ishaq Khan in August 1990. Nawaz Sharif became the prime minister after another election in 1990 and was dismissed in April 1993, but was restored to office by a supreme court ruling. Both Nawaz Sharif and Ghulam Ishaq Khan resigned in 1993 and after a three-month long caretaker government, Benazir Bhutto became the prime minister till she was dismissed by President Farooq Leghari in November 1996. In 1997 Nawaz Sharif again won with a large majority and ruled till 1999, when General Musharraf ousted him.

In these circumstances, the serious economic and social problems inherited from the Zia period only worsened. The period after 1988 witnessed a sharp decline in the growth rate, acceleration in inflation, worsening income distribution and increasing poverty. The most serious manifestations of this deteriorating situation were the crises in the foreign exchange position in 1993 and 1996. Both Benazir and Nawaz were either unwilling or unable to stem the rot.

Benazir inherited a bankrupt government that was no longer as important to the West as Zia's regime was, since by then the Soviet occupation of Afghanistan had ended. The macro-economic imbalances in Pakistan had assumed huge dimensions. The fiscal deficit had risen to a new peak of 8.5 percent of GDP and the current account deficit in balance of payments was growing. The investment rate had stagnated for more than 10

Table 7

Head Count Ratio of Poverty in Pakistan

Year	Total	Rural	Urban
1963-64	40.24	38.94	44.53
1966-67	44.5	45.62	40.96
1969-70	46.53	49.11	38.76
1979	30.68	32.51	25.94
1984-85	24.47	25.87	21.17
1987-88	17.32	18.32	14.99
1990-91	22.1	23.59	18.64
1992-93	22.4	23.35	15.5
1996-97	31	32	27
1998-99	32.6	34.8	25.9

Source: *The Pakistan Development Review*, 1997.

years and spending on social development had fallen. The latter half of the 1980s had seen a gradual decline in workers' remittances. In addition, interest payment on foreign debt was continuously on the rise. With growing interest payments, the room for manoeuvre in public finance was limited. The agreement with the IMF, negotiated by the transitional government of President Ghulam Ishaq, which had fiscal deficit reduction as a key target, was not seriously implemented by the Benazir government.

When Nawaz Sharif came to power in 1990 he embarked on a fundamental liberalisation of the foreign exchange regime, relaxation of investment controls, privatisation of public assets and increased incentives for domestic and foreign investment. In 1992, the government also allowed Pakistani residents to hold foreign exchange in designated accounts if the funds were received from overseas. An increasing part of monetary assets came to be held in the form of foreign currency deposits. The exemption of these deposits from *zakat* and other taxes, attractive interest rates compared to those available on foreign currency deposits abroad and, above all, the rapid erosion in the value of domestic monetary assets through inflation encouraged the 'dollarisation' of the economy.

In 1993, Pakistan negotiated an agreement with the IMF and agreed to reduce the fiscal deficit to 4 percent in 1994-95 and 3 percent in 1995-96. However, Pakistan could only reduce the deficit to 5.8 percent in 1994-95. As the fiscal and balance of payments crises continued, the government had little option but to succumb to donor pressures. Under pressure from the IMF, successive elected governments made serious efforts to raise the tax revenue. Heavy taxes were imposed between 1991 and 1998. The level of additional taxation ranged from a high of 2.4 percent of GDP in 1994-95 to a low of 0.6 percent in 1995-96. Altogether, the additional taxation proposed amounted to an extraordinary 8.2 percent of GDP in a relatively brief period of six years. The increasing tax burden and declining social spending

added greatly to the unpopularity of elected governments. The continuing pressure from IMF and the rising debt forced the governments to accept these high levels of taxation in preference to reducing non-development spending or military expenditure. Despite this heavy taxation, tax revenue did not increase and undermined the credibility of the government. There are few parallels where additional taxation of this magnitude has been successfully introduced year after year under a democratic regime. As the fiscal crisis grew, defence spending declined from 7 percent of GDP in 1988 to 5.5 percent in 1996, but development expenditure dropped even more sharply from 7 percent to 4.3 percent of GDP. The installation of civilian governments had clearly done nothing to restore the balance between military and development spending.

However, the liberalisation of the foreign exchange regime and the opening of foreign currency accounts did improve the balance of payments position. But foreign aid declined, as the governments continuously failed to meet the targets set by the IMF. The situation was partly mitigated by the increasing deposits in foreign currency accounts. Workers remittances were diverted to these foreign exchange accounts with the total deposit rising to USD 4 billion by 1996 and to USD 7 billion by 1998 (Table 6).

The rates of GDP growth declined sharply in the 1990s as political instability and declining public expenditure on development eroded the stimulus for growth. Despite unfavourable climatic conditions, agricultural output expanded by 4 percent per annum during the 1990s, a remarkable rate of growth. But, industrial growth declined from 8.2 percent in the 1980s to 4.6 percent in the 1990s, with large-scale manufacturing showing a more acute decline in growth rates. Overall, the total GDP growth rate came down from 6.5 percent in the 1980s to 4.5 percent in the 1990s.

More alarmingly, there was a sharp increase in the incidence of poverty in Pakistan, from a low 17 percent in 1988 it doubled to 33 percent in 1999 (Table 7). Declining public expenditure, IMF-driven fiscal adjustment, as well as poor harvests and declining remittances, all played a part in this unfortunate trend. Meanwhile, a serious problem was emerging on the export front. On one hand, Pakistan's exports stagnated at about USD 6.5 billion during the 1990-95 period and fluctuated up to USD 8 billion between 1996 and 2001. On the other hand, imports rose from USD 7.6 billion in 1990 to about USD 12 billion in 1996-97, although they came down to an average of USD 10 billion in the period up to 2001.

Bomb and after

When Pakistan carried out its nuclear tests in 1998, its trade and balance of payments were in disarray. Workers' remittances had stagnated at the USD 1 billion mark and the current account deficit was USD 2.5 billion. With the West imposing sanctions on Pakistan and

the IMF cutting off its assistance, the crises in balance of payments deepened. Nawaz Sharif's government faced difficult choices. As withdrawals from the foreign currency accounts mounted, the government panicked and froze them. This single act of the government undermined its credibility and accentuated capital flight from the country. Pakistan's official statistics show declining levels of foreign trade and workers' remittance, which fell to as low as USD 700 million in 1999-2000. It is likely that many of the transactions moved to unofficial channels. Indeed, the current finance minister, Shaukat Aziz, estimates that the total remittance of workers to Pakistan is approximately USD 6.5 billion of which only USD 1.5 billion moves through the official banking network.

The Musharraf government is left to grapple with the worsening economic situation. Fiscal and balance of payment deficits plague the economy. Pakistan's total budgetary resources were 15 percent of the GDP. Out of this, 5 percent went into civil administration, 4 percent to defence and the rest to debt servicing. Therefore, nothing was left for development expenditure. A poor harvest due to a severe drought in 2000-01 led to a decline in agricultural production by 2.5 percent and brought the GDP growth down to 2.2 percent, the lowest in 25 years. All this as Pakistan's exports have stagnated for a decade.

General Musharraf has used the pretext of the continuing economic crisis to justify Pakistan's participation in the American campaign in Afghanistan. (In 1999, he had used the economic crisis as the pretext for toppling the Nawaz Sharif government.) He has promised that liberal aid from international agencies such as the World Bank and the IMF, as well as from Western governments, will help turn the economy around. As did his predecessors, Musharraf has made efforts to impose the general sales tax and to speed up collection and check evasion. And, as promised by the West, aid has once again begun to flow into Pakistan. The IMF has sanctioned a short-term facility of USD 300 million while the Aid Pakistan Consortium has rescheduled Pakistan's debt load of USD 28 billion. In addition, assistance from the Asian Development Bank, the World Bank and the governments of Japan and the United States has been resumed. It is likely that in the current year Pakistan will be able to ease its balance of payments situation and resume imports to speed up growth.

However, serious problems remain to be tackled. With IMF-induced trade liberalisation, the large-scale manufacturing industry is in the doldrums. The various disputes with multinational power producers, such as the Hub Power Company, and the worsening climate for foreign investment has led to a reduction in portfolio investment. The fiscal deficit continues to be large and despite the use of force the government has failed to meet its target of tax collection.

Initially, the government's effort to prevent capital flight and persuade non-resident Pakistanis to remit

money through official channels had little impact. Then came September 11 and the war against terrorism, which included a crackdown on illegal money flows through *hundis* or the parallel non-official money transferring mechanism. Thanks to these efforts, flow of remittances through official banking channels have risen sharply and in 2001-02 may touch the USD 2 billion mark from a low of 1 billion in 1999-00, the first year of the Musharaff regime. Increased foreign aid and the rescheduling of debt has helped Pakistan increase its foreign exchange reserves to above USD 5 billion.

However, the growth performance of the economy in the three years of the military regime has touched a new low. The growth rate has hovered between 2.5 to 3.5 percent. The finance minister blames it on the poor performance of agriculture due to bad weather. He has succeeded in reducing the fiscal deficit to below 4.9 percent, but this has been at the expense of development expenditure. The budget presented in June 2002 has pegged next year's development expenditure at about 4.3 percent of GDP.

The strong-arm methods used by the military regime to increase tax collection and reduce outstanding loans by banks to private industrialists are unlikely to continue if a democratically elected government assumes power in October this year. The changes in the constitution regarding the president's power and Gen Musharraf's threat that he will not let a democratically elected government undo his economic policies do not inspire confidence. An elected government will be under pressure from the electorate to reduce the burden of high taxes and high prices for public sector services and goods such as electricity, gas etc imposed on the common citizen by Shaukat Aziz. A conflict between a president not answerable to the public and a government that has to meet the expectations of those who voted it to power, is likely. This could further erode private sector confidence and increase capital flight.

The challenge facing Pakistan is to reduce its dependence on foreign resources and increase domestic investment and savings. Very few countries can sustain current account deficits as large as 4-6 percent of GNP. Joining the American camp may facilitate a transition but in the long run Pakistan can only grow on domestic savings and resources. The increase in military expenditure in recent months due to the mobilisation of forces on the India-Pakistan border is likely to worsen the fiscal crisis as well as keep away private foreign investors. The future depends on the restoration of confidence in the government, and its ability to bring forth private investment, both indigenous and foreign. It is unlikely that without full restoration of democracy, an end to the militarisation of society and reduction in military expenditure, Pakistan can resume its march towards growth and prosperity. Only peace and democracy can lay the foundation of a new growth strategy. ▽

Deficits of knowledge

Pakistan's response to the WTO has been a schizophrenic blend of servile compliance, antagonistic rhetoric and general confusion. Proponents and opponents know not what they talk about.

by *Abid Qaiyum Suleri*

Emma Duncan's book *Breaking the Curfew* portrays Pakistan as a nation that has ideas without any ideology, and ideologies without any idea. Pakistan's haphazard response to the challenges of the World Trade Organisation (WTO) only corroborates this assessment. The WTO has been described as a bicycle which collapses if it does not move forward. In Pakistan's case the bicycle is continuously moving in a circle with little sign of any forward movement. There is a lack of clear-cut vision on the WTO and most protagonists in the country are unclear about their positions on trade policy. Consequently, attitudes toward the WTO in different quarters are motivated almost entirely by ideological considerations, leading to a near-universal failure in understanding what the organisation really means and what its real and potential implications are.

There are two broad schools of thought in Pakistan about the impact of different WTO agreements on the country. One group uncritically propagates these agreements as the panacea for every ill that plagues the country. The argument here is that free trade will have a strong positive effect in creating the conditions for reducing poverty through enhanced direct and indirect employment opportunities, social welfare services and infrastructure, which can potentially benefit the poor. This is a restatement of the "trickle down" hypothesis of one strand of development economics, formulated decades ago, enjoying revived respectability in recent

years. The most notable proponents of this view are government officials and representatives of the international lending agencies. The position within the government is not the result of any well-considered debate however. It is a position of convenience, since government departments find this approach the easiest way to obtain grants from international donors, who as a rule like to hear pro-WTO platitudes.

The opposing view sees the WTO as a curse and attributes every malady of the developing world to WTO agreements. The WTO is seen as a rich man's club, designed to exploit the developing world in the interests of the developed world. Most civil society organisations and anti-globalisation activists are partisans of this view. And since America is perceived to be a symbol and driving force of globalisation, the WTO also attracts criticisms from the strong anti-American lobby in Pakistan.

Neither of the two broad positions on the WTO is based on any substantial or systematic empirical study. They are simply assumptions paraded around as conclusive arguments. No one in this debate appears to understand that the WTO is a member- and rule-based organisation that in itself it is neither good, nor bad. It is an organisation in which those who can manoeuvre the rules benefit from it – and rich nations, by virtue of their better bargaining positions, are able to do so. Developing countries are far behind in this process, not only because they do not have the required capacity and understanding

but also because they lack the political and administrative will to change the status quo.

The development box

The lack of clarity in Pakistan about the WTO manifests itself in strange and sometimes comical ways. Because there is no single official policy vis-a-vis the trade organisation and the agreements that it stands for, two important ministers of the present government have taken entirely contradictory positions on the WTO. The commerce minister, Abdul Razak Dawood, took a radical position in November 2001 at the WTO ministerial conference in Doha, where Pakistan assumed the mantle of "Champion of the Development Box". Under the WTO's Agreement on Agriculture, member states are committed to liberalise their trade in agriculture, including reductions in their tariff and subsidy levels. Developed nations are required to achieve this objective by the end of 2002, while the deadline for developing nations is the end of 2005. Exemption from these commitments is permissible only under certain exceptional circumstances, which are defined by what, in WTO parlance, are called the "Green Box" and "Amber Box" measures.

Backed by various other developing countries such as Uganda, Kenya, Nigeria and Malaysia, Pakistan demanded the introduction of "Development Box" measures. Under this rubric national food security crops would be exempt from the import tariff reduction commitments of the Agreement



on Agriculture. Likewise the "Development Box" measures which Pakistan advocated would also enable developing countries to provide domestic support to food security crops. Moreover, Pakistan demanded appropriate flexibility for developing countries to be able to promote exports.

However, when the finance minister, Shaukat Aziz, signed an Agricultural Structural Reforms loan agreement with the Asian Development Bank (ADB) just a month after the Doha meeting, Pakistan retreated from everything that Dawood had demanded under the Development Box. Pakistan committed itself to abolishing the support price mechanism for various crops (including wheat and sugarcane), shutting down food departments, downsizing agricultural research institutes and opening up the grain storage sector to private investors. All of these reforms are to take place over the next five years.

The effects of this loan agreement have already begun to show, as the case of wheat procurement amply illustrates. Every year the government announces a support price for wheat prior to the wheat-harvesting season. The purpose of this support price is to ensure that farmers get a return on their produce that covers the cost of inputs. Government agencies used to set up procurement stations, called flag centres, even in remote villages so that the farmer, irrespective of the size of his holdings or yield, could dispose of his grain at an assured price practically at his doorstep. This procedure had the advantage of reducing disposal costs and circumventing middlemen, who apart from hoarding and black marketing, tend also to depress the market price of grain during the harvest season. This procurement system appears to have come a cropper.

In visible compliance with the terms of the ADB agreement, most of the flag centres established by the Punjab Food Department in the past were closed down this year, leaving

helpless farmers at the mercy of either middlemen or food department officials, whose vast discretionary powers in the matter of procurement can be expected to be used for patronage or rent-seeking rather than for the financial relief of the primary producers. The curtailment of the support price mechanism has happened despite President General Pervez Musharraf's pre-referendum assurance that

It is clear that policymakers in Pakistan are not clear in their understanding of WTO agreements and the larger economic and social impact of trade liberalisation. The affairs of the state are being handled in an ad hoc manner.

every grain of wheat would be purchased by the government at the prescribed support price. Wheat growers who feel they have been abandoned by the government are now raising a hue and cry about it.

WTO and ad hocism

At the World Food Summit-five years later (WFS-fyl) that was held in Rome early last month, the minister for food and agriculture, Khair Mohammad Junejo, was at his rhetorical best when he assured the international community that the Government of Pakistan is determined to ensure the food security and food sovereignty of its people. Back home just 10 days after WFS-fyl, the federal cabinet approved the Corporate Farming Bill, which allows multinational companies and private investors to buy

government land for industrial agriculture. Interestingly, there is no ceiling on the extent of the land that can be purchased. The Constitution is being amended to bring about changes in the land reforms act (1977) to do away with the existing ceiling of 100 acres of land. A limiting clause that for 25 years protected gross inequalities in land holding patterns from being accentuated is being abrogated to accommodate the interests of multinational companies.

As a further incentive to them and other private investors, some basic categories of the economy are being redefined. Agriculture is going to be declared an industry, but one excused from existing labour laws. More incentives are expected to be on offer to promote investment in industrial agriculture. Enough homework was not done before the bill was approved and there is serious concern that its provisions will reverse all that was achieved under previous land reform exercises, thereby placing food security at grave risk. It is evident from all these instances that policymakers in Pakistan are not clear in their understanding of WTO agreements and the larger economic and social impact of trade liberalisation. The affairs of the state are being handled in an ad hoc manner.

The lack of clarity is not exclusive to the government. Most civil society organisations (which are more than just the sum of all NGOs in Pakistan) have not formulated a clear response to the WTO, but this has not prevented them from taking very rigid positions on issues with which they are unfamiliar. Some issues on which this lack of familiarity is most evident are the provisions relating to environmental standards and market access contained in WTO agreements. Some groups who blame the WTO for being unfriendly towards the poor are also demanding tougher environmental policies. Doubtless, environmental standards are important but these must be considered in context. Setting domestic standards that are



Activists and leaders alike do not understand the new elephantine trading system.

economically counterproductive and in excess of what other countries set for themselves can create potential trade barriers for developing nations, to the huge detriment of the poor in these countries.

In a similar fashion, the proponents of subsistence farming and organic agriculture have been demanding greater market access. The anomaly of greater market access for subsistence farming seems to have escaped them, as has the very different scale, logic, purpose and productivity of organic agriculture as compared to regular commercial agriculture. The two are not comparable forms of agriculture. The problem of confused perspective is compounded when different organisations combine in partnership networks to adopt a collective position on the WTO. Multiple ill-formulated positions converge in collective resolutions and documents to amplify the confusion. Contradictory positions are an all too dismal reality of most civil society WTO networks.

To add to the confusion, the developed world is, through its international funding agencies, trying to build 'capacity' among the different lobbies and interest groups

in Pakistan to promote a better understanding of trade issues. Most of these capacity-building efforts are limited to seminars and workshops organised with such funds. These initiatives are not entirely useless. But they are not adequate either, particularly if one keeps in mind the distinction between 'capacity building' and 'quality capacity building'. In most of the WTO capacity-building workshops, there are many so-called experts who insist on imposing their far from credible perspective on the participants, without any serious empirical validation of their assumptions. At such workshops it is customary to hear all manner of wild claims, such as that the WTO Agreement on Agriculture would lead to deterioration in the quality of food in Pakistan or, more extremely, that the WTO is a conglomeration of Zionist lobbies acting against Muslim countries. If this is the kind of argument made by the opponents of the WTO, proponents of the organisation, including the government, are not far behind in contriving their own version of the truth. It is routine for senior officials and ministers, who have to deal with the WTO in very responsible capacities,

to claim that those opposing the WTO are traitors.

All this has placed the trading community of Pakistan in a dilemma, as it does not know where to turn to for informed advice or what to do in its absence. WTO agreements involve complex technical and legal issues and any country that recognises the reality of the globalised trade regime must have institutional mechanisms to advise the trade and business lobby on very basic issues, as well as to negotiate with the WTO on behalf of domestic economic actors. There are various aspects to WTO agreements such as "Sanitary and Phyto-Sanitary Measures" and "Agreement on Trade in Services" that cannot be easily fathomed by local traders and manufacturers producing for the world market who are suddenly faced with new competition from foreign products in a liberalised environment. Unfortunately even the basic research on WTO agreements is lacking in Pakistan.

The only possible solution to this current tangle is empirical research on the implications of different WTO agreements on various sectors of the Pakistani economy. In particular, research must be undertaken in the agricultural and industrial sectors so that representatives of these groups can participate in national debates and international meetings in a meaningful manner, and help shape Pakistan's position. At present, however, there is no coherent critique of the WTO within Pakistan, a fact that prevents both domestic activists and diplomat-negotiators from offering intelligent criticisms of the trade regime that can potentially lead to meaningful reforms and adjustments. Failing this, there seems no option but the rather ungainly one of having to perpetually blame other nations for domestic predicaments. ▽



The reformed trio

Pakistan's nationalised banks are being privatised and are providing better service. They are also mounting a strong challenge to foreign banks.

by *Naween A Mangi*

Even though Pakistan's economy remains tangled in a web of low industrial activity, slack domestic investment and low GDP growth, structural reform is beginning to show results in some areas. The bloated and politicised nationalised banking industry has long been a drag on the financial sector and the economy as a whole but the effects of aggressive restructuring during the last two years are now making themselves felt in the broader economy. Indeed the financial sector as a whole has undergone a process of streamlining and consolidation, which promises to yield substantive macroeconomic gains in the future.

Perhaps the most obvious strides have been made by the three nationalised banks in the country, which are also the three biggest players in the banking industry; National Bank of Pakistan (NBP), Habib Bank Limited (HBL) and United Bank Limited (UBL) together control two-thirds of total deposits and credit in the country. These have now become formidable forces of competition for the traditionally more efficient foreign and private banks operating in the country. And with the strategic sale of UBL to a domestic banking group in June this year, as part of Islamabad's privatisation programme, the situation can only be expected to improve further. Among the gains, consumers and corporate customers have greater options to choose from. And the improved processes and cleaner balance sheets in these three banks

has meant Pakistan's industry is now supported by a streamlined and reliable banking system.

Pakistan started restructuring its deeply troubled banks in 1997 and the process of reform has been bumpy and turbulent. NBP was formed in 1949 as a government-owned entity while HBL and UBL were taken over by the state during the mass nationalisation of the 1970s. Over the years a corrupt civil bureaucracy undermined the efficacy of these banks, as political considerations, which ruled lending and employment, led to huge losses, enormous inefficiency, and regressive functioning. Bad loans swelled at the three banks and they grew into unmanageable behemoths employing a total of 76,500 people and operating 4,800 branches nationwide and several hundred through overseas franchises as well. Even though the banks were fast approaching financial collapse, political interference continued in full swing.

Under pressure from the International Monetary Fund, the government began instituting economic reforms in 1997 and the financial sector came under close scrutiny. The World Bank approved a USD 250 million loan for banking sector reform under which defaulted loans were recovered and operating losses stemmed. A new system of banking courts was set up to process loan recovery cases which had piled up in regular courts. The three banks shed thousands of workers and shut down hundreds

of branches to curb spiralling costs. More importantly, the banks were given new structures and placed under professional management and independent boards. Under the same package of reforms, the State Bank of Pakistan (SBP), the country's central bank, was made autonomous. The management of UBL was taken over by the central bank since the bank had collapsed and required a fresh infusion of capital. The operation of the other two banks was put through rigorous analysis.

The reform process slowed in 1998 when the Nawaz Sharif government lost interest in it. And the reform initiative was stagnating until two years ago when General Pervez Musharraf's government gave it new life. A new set of professional managers, mainly top bankers from foreign banks, were brought to the helm of the three banks and they moved swiftly to streamline operations and improve balance sheets. This second round of restructuring was supported by a USD 300 million World Bank loan for restructuring and privatisation.

In the last two years, restructuring has proceeded apace. The three banks have closed down more loss-making branches, retrenched more employees and worked to widen product offerings and improve internal systems. In order to lure a greater share of fee-based income away from the foreign and private banks, the three giants have hired several foreign bankers at the top and middle levels of

management. New products such as debit cards, kiosk bill payment and fund-management services are also in the pipeline. And the banks have focused more intently on enhancing the earnings base, upgrading technology, and training staff. All three have come back into the black from multi-million losses in 1996 to strong profits in 2001.

Certainly, the competitive dynamic within the banking sector has undergone a dramatic shift. The 19 foreign banks operating in Pakistan have long operated within the limited niche of high-end consumer banking and the top-tier corporate market. In recent months, three of these banks have announced plans to pull out of Pakistan with Societe Generale selling out to local bank Al-Meezan, Emirates International passing on its local operations to the domestic Union Bank, and Doha Bank announcing plans to wind up. The three big nationalised banks had traditionally served the middle markets in both consumer and corporate banking, taking advantage of their extensive branch networks and rural reach but were unable to compete with the professional expertise of foreign banks at the upper end of the market.

In recent months, foreign bankers have begun to feel the heat from the reformed nationalised banks that have gradually been chipping away at the banking pie they had so far been excluded from. These three banks have geared up to rake in a large chunk of the corporate debt business that will be generated through the several large infrastructure projects General Musharraf has promised to initiate. The chief of NBP says Pakistan's corporate debt market is likely to grow from its current PNR 10 billion to PNR 100-150 billion within the next three years. In fact, in the first quarter of this year, the three jointly signed a memorandum of understanding with the Pak-Arab Pipeline Company for financing the USD 480 million White Oil Pipeline Project. This project will involve PNR 10 billion in term finance certificates.

Yet, the black spot on these revitalised banks still remains the growing non-performing loan portfolios. Despite the fact that the economy has shown improvements over the last 12 months, progress has slowed on the collection of bad loans. Total gross non-performing loans (NPLs) in the banking system add up to PNR 308 billion. As of 31 March, total

NPLs accounted for almost 20 percent of advances in the banking system. For nationalised banks alone, this figure was 28 percent, while for private banks it was 11 percent and for foreign banks 6 percent.

In May 2001, the government set up the Corporate and Industrial Restructuring Corporation (CIRC) to help banks and other state-owned institutions clean out their non-performing loan portfolios. CIRC has already restructured PNR 28 billion worth of NPLs. But, between July last year and February this year, loan defaults reported by commercial banks also rose from PNR 121.1 billion to PNR 126.6 billion. Even so, it is significant that the three banks have attained profitability. NBP, which suffered massive losses in the past, particularly in 1996, posted USD 17.7 million in pre-tax profits in 2000 and doubled this figure in 2001. UBL, which had to be bailed out by the central bank in 1997, turned around to register USD 18.3 million in profits in 2001. And HBL more than doubled profits in 2001 to PNR 2.2 billion.

The next step is privatisation. After three failed attempts to sell UBL, the Privatisation Commission finally managed to have the Muslim Commercial Bank buy it in early June for PNR 8.4 billion. Meanwhile, 10 percent of NBP's shares were issued on the capital markets recently and were oversubscribed by seven times. The stock has become one of the most sought-after among investors today. Although no date has yet been set for the privatisation of the bank, given the response the stock has received, the government may opt for the listing route rather than the strategic investor route to sell the bank. The government has already approved the listing of 5 percent of HBL's shares in the market and the bank is to be privatised before October, according to the government's schedule. But given Islamabad's abject failure in sticking to its plan to privatise state assets and generate USD 1 billion in 2001, it is unlikely that the HBL transaction will close this year.

Financial markets liberalisation of the 1990s: Key measures

1. Shift to market-based monetary and credit management
2. Liberalisation of the foreign exchange regime
3. Rationalisation of interest rates
4. Reform of nationalised banks
5. Autonomy to the State Bank of Pakistan the central bank
6. Strengthening of bank prudential regulations

State Bank of Pakistan's strategy for further reform: Key measures

1. Transition to Islamic banking
2. Privatisation of nationalised banks
3. Unification of foreign exchange market
4. Dealing with non-performing loans
5. Restructuring of non-bank financial institutions and development financial institutions
6. Consolidation and mergers of small, under-capitalised private commercial banks
7. Strengthening of legal infrastructure
8. Developing long term capital markets
9. Promoting housing finance
10. Exporting financial services



The three big banks have a host of challenges ahead. For one, foreign banks are gearing up to forcefully counter this new competition from the reformed trio. And with the former's distinct edge in technology and processes, the nationalised banks will have to stay on their toes, particularly since the economic environment is likely to become increasingly difficult for banking companies. The central bank has, in the last 12 months, embarked on an aggressive round of interest rate cuts to spur economic growth. As a result, the rate of return offered on government treasury bills has plummeted from 10.5 percent last year to just 6.5 percent currently. And since the three nationalised banks have traditionally been obliged to hold large amounts of government bonds and have billions of rupees parked in these investments, the dramatic

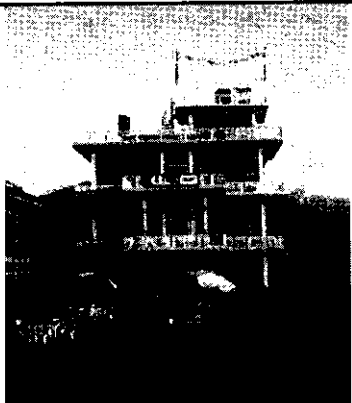


Along with the National Bank of Pakistan and United Bank Limited, Habib Bank Limited has restored investor confidence in its operations.

losses incurred on account of lower interest rates will hit these three banks harder than the rest. Also, lending rates, although slow to respond to SBP persuasion thus far, are bound to continue to decline throughout this year, and thereby

tighten the screws more on the big banks. So far, private sector credit demand has been 50 percent lower than in the previous year but this should pick up as the year progresses and industrialists slowly begin to make investments. A four percent cut in the tax rate on banks from 50 percent to 46 percent, announced in this year's federal budget, will also provide some relief.

But while re-energised competition, residual bad loans and lower interest rates will make this a tough year, the major cleanup at these banks is indication enough that they are being prepared for privatisation. And Islamabad realises that the only way to sustain reform is to move ahead with privatisation, which will eventually make for an efficient, reliable banking system and thereby an economy with a stronger base to stand on. ▲



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The Indus umbilical

Despite shared expectations to the contrary, transboundary water sharing comes relatively easy to India and Pakistan – providing a sign of hope that a good treaty can bridge troubled waters.

by *Matthias Paukert*

With India-Pakistan relations at a crisis point once again, many commentators and political activists see confrontation as the rule of the day in all areas of bilateral relations. But is this accurate? Only in late May – at the height of the most recent standoff – an overlooked but important meeting took place despite the dismal political situation. On its agenda was a matter of truly vital concern to both countries: the co-ordinated utilisation of the Indus River system.

Amid much speculation, this year's session of the joint Permanent Indus Commission took place in New Delhi with the Indian and Pakistani commissioners and their staff meeting to review the status of river management by the two riparian nations. During their three-day meeting, the two sides discussed, among other issues, Indian hydroelectric projects on the Jhelum and Chenab tributaries, even as media reports quoted politicians from both countries speculating about the termination of the commission. The dams and storage reservoirs near Baglihar and Wular, which India expects will augment its hydropower capacity and improve navigation, are seen by Pakistan, the lower riparian of almost all tributaries in the Indus basin, as a likely source of future water shortage.

In Pakistan, Punjab and Sindh provinces depend on steady and timely water supplies from the north. Much of Pakistan's economy is based on a network of rivers, irrigation canals, barrages, and storage reservoirs for food pro-

duction, drinking water supply and power generation. In particular, agriculture is highly sensitive to disruptions of established watering schedules because each type of crop has its own specific moisture requirements and growing sequence. Differences among geographical regions within Pakistan also add to this complexity. Natural conditions for irrigation in these two provinces, which account for over 80 percent of the country's agricultural output, are more difficult in the plains of Sindh than in the Punjab. Mainly, the reduced flow velocity leading to a higher vulnerability to salinity in the southern part of the Indus basin accounts for a lower efficiency in irrigation which renders Sindh agriculture less productive. It has become a regular phenomenon of Pakistan politics that by the end of the winter season, farmer organisations of both provinces engage in a war of words over alleged wastage of water from the perspective of the upper riparian, and theft of water, from the perspective of the lower riparian. This argument dominates inter-provincial relations and, in fact, fuels a vociferous sub-national movement, particularly in Sindh.

Newly-independent India and Pakistan realised the need for the coordinated management of the Indus River system soon after the partition of the Punjab in 1947, which left the once-unified irrigation network split between the two nations. A series of bilateral agreements between 1948 and 1958 provided an ad hoc institutional basis for the sharing of water against the background of ongoing conflict over Kashmir. Yet, the fear of being

cut off from this lifeline has persisted in Pakistan ever since India, after the so-called Standstill Agreement of 1948 expired, closed the canals the very next day. The Indian government, suddenly in a position of strength, pointed at the absence of any binding arrangement with Pakistan and indicated it would follow the principle of territorial sovereignty. Whatever the motivation of Indian water managers at the time, that incident – without having any significant actual impact on Pakistani agriculture – nevertheless sent a strong message to Pakistani policymakers and farmers alike. Though the partition had left many issues open for political-legal arrangement, it had been implicitly understood that both nations would adopt the modern principles that had been the basis of the water sharing agreement between Sindh and undivided Punjab. The shares for each province had been decided on the principle of equitable apportionment and it was conceivable that they could be retained even after partition had split the Punjab and the rivers between the two countries. The expectation of a fair agreement was not baseless. As early as the first few years of the 20th century, at a time when in several other cases of transnational water sharing theories of territorial sovereignty and riparian rights were still being debated (eg between the United States and Mexico over the Rio Grande), the Indian Irrigation Commission of 1901-1903 adhered to a formal, institutionalised and modern mechanism, preparing the ground for future arrangements. The Standstill Agreement led to the In-



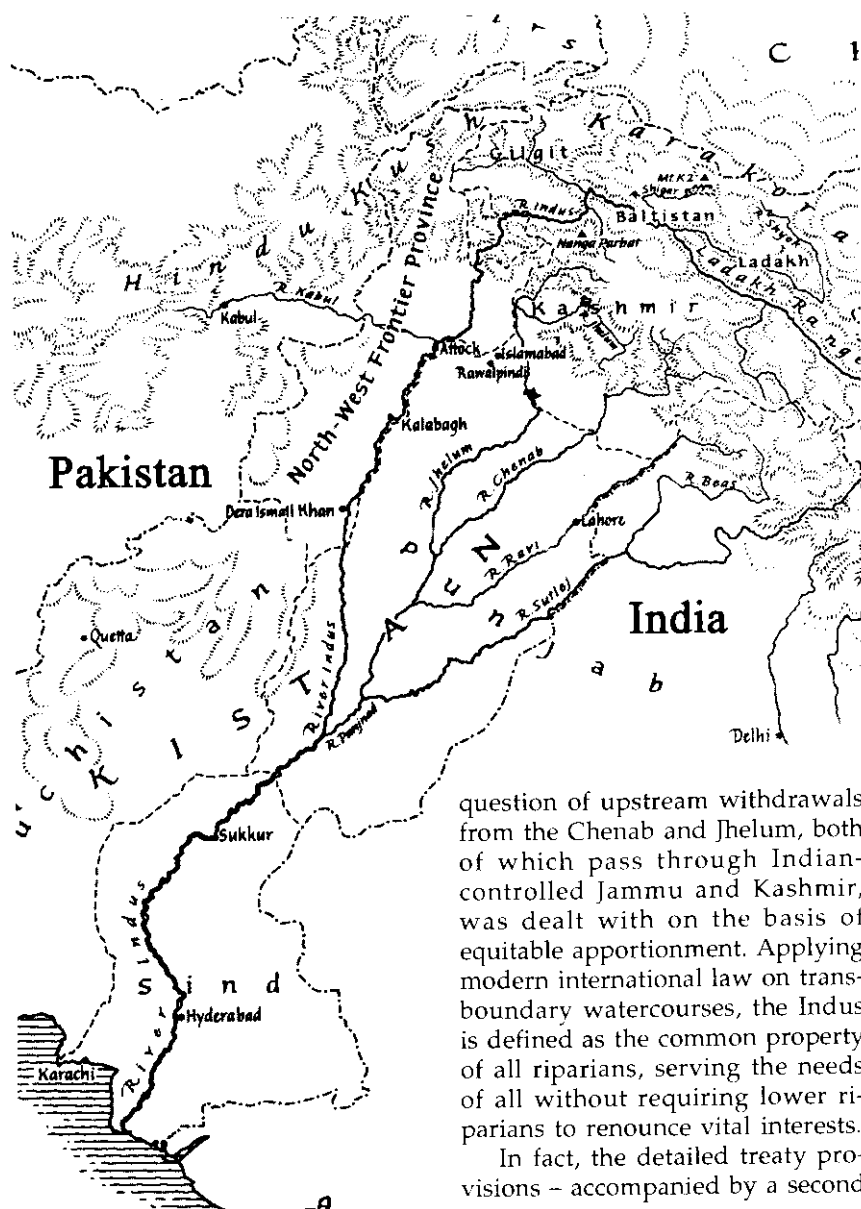
ter-Dominion Agreement (concluded in May 1948) which, by integrating both sides' claims and adopting a means of balancing benefits and costs, bridged a period of 12 years until a definitive agreement – the Indus Treaty – was reached. While the legal aspect – the dispute over which doctrine of international river law to adopt – remained open, this pragmatic, political solution amounted to a trade-off allowing India to build reservoirs and new canals and Pakistan to receive much-needed water supplies.

World Bank engineers helped to set up the more stable water-shar-

ing institution, which covered not just one or two crop seasons but was designed as a permanent mechanism. Having secured financial support for the extensive irrigation development of both parts of the Indus basin, the heads of state of India and Pakistan signed the Indus Waters Treaty in 1960. At the heart of this lengthy document is a strikingly simple formula awarding control over the three eastern-most rivers of the Indus system (the Ravi, Beas, and Sutlej) to India, with Pakistan receiving full control over the three western-most rivers (the Chenab, Jhelum and Indus). The

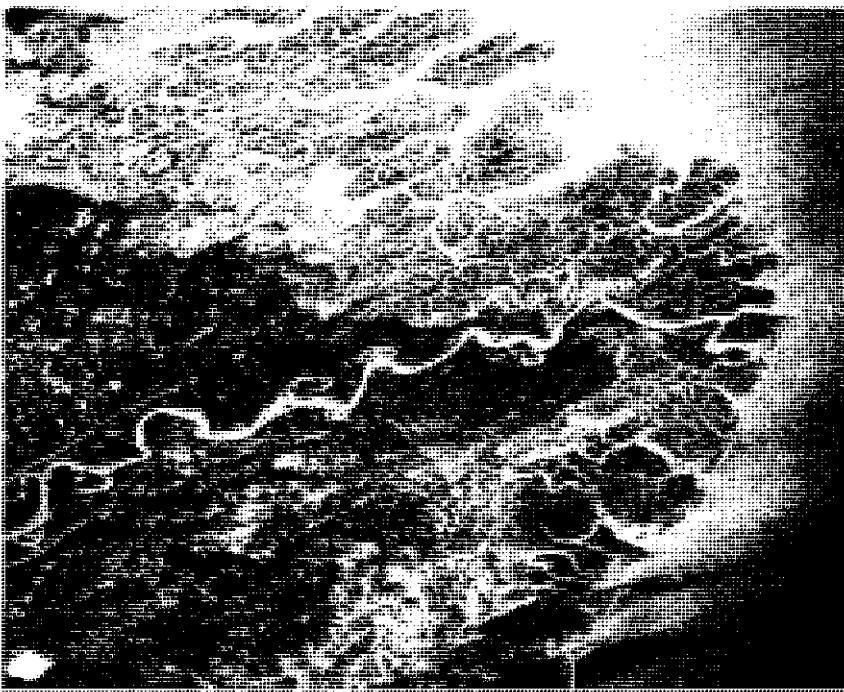
document on development schemes and their budget (the Indus Basin Development Fund Treaty) – place India, as the upper riparian, in a position of responsibility over its neighbour. Under the terms of the treaty, Indian withdrawals for both non-consumptive uses like power generation and consumptive uses like irrigation are limited so as to leave enough water to sustain Pakistan's vital needs. The treaty focuses on a particular sector – irrigation – and a particular region, the Punjab. Other sectors (such as power generation) and regions (such as Kashmir) are only marginally addressed or left out altogether. In the light of this, the current criticism by Jammu and Kashmir – in the form of a legislative assembly resolution calling for a review of the treaty – addresses the inequitable allocation of funds. Unlike Punjab, Kashmir has neither significant federal nor international financial support to develop the great potential of the rivers for power generation and irrigation.

This has spurred an internal row between Kashmir and the Indian state of Punjab on the one hand and Kashmir and Delhi on the other. Yet the call for "scrapping the treaty" by some federal and Kashmiri state politicians has met with little support from the centre for obvious reasons. Firstly, abandoning the treaty, as Indian Minister of State for Water Resources Bijoya Chakraborty has suggested, is not a viable option – neither in the context of the current conflict with Pakistan nor in order to rearrange water sharing. Breaking international law and setting a precedent thereby would almost certainly isolate India and maybe even trigger a dangerous escalation of the current conflict. Secondly, even if Indian tactical designs vis-a-vis Pakistan were ill-intentioned, technical considerations would prevent Indian water engineers from withholding large quantities of water for a period long enough to effectively hurt Pakistan's agriculture, simply because storage facilities on the upper



question of upstream withdrawals from the Chenab and Jhelum, both of which pass through Indian-controlled Jammu and Kashmir, was dealt with on the basis of equitable apportionment. Applying modern international law on trans-boundary watercourses, the Indus is defined as the common property of all riparians, serving the needs of all without requiring lower riparians to renounce vital interests.

In fact, the detailed treaty provisions – accompanied by a second



The Indus delta is under stress.

Jhelum and Chenab are insufficient and enlargements would take years – and billions of dollars – to build. Thirdly, Delhi seems to realise that it would be ill-advised to let a federal unit dictate national policy, particularly when it comes to foreign relations. This would certainly weaken Prime Minister Vajpayee's position in the struggle for greater control over that troubled region and have a negative impact on the BJP's ambitions for a bigger international role.

Four decades after its establishment, this famous treaty, which has become a prominent model for the resolution of similar cases (like the Mekong mechanism), leaves little to complain about. As a matter of fact, the Indian agricultural revolution of the 1960s and 1970s owes a great deal to this arrangement because, through major financial contributions from supportive countries, new link canals, dams and reservoirs could be built that helped raise the agricultural performance of Punjab and extended the Indus canal network to Rajasthan. Similarly, the construction of large reservoir and canal networks (like the Mangla and Tarbela dams and

the various link canals) has increased Pakistan's food production immensely. With attempts like coordinating the Mahakali and Ganges Rivers' utilisation by India and Nepal, and Bangladesh and India respectively, along similar lines, basin-based river management has experienced good progress.

With institutions like the Permanent Indus Commission, which tend to depoliticise disagreements, the resolution of disputes – mainly over shares – has become smoother, more efficient and far less likely to be incorporated in a wider political or ideological confrontation. Limiting any quarrel to purely technical dimensions was one of the major objectives of the treaty architects. As per Articles VIII, IX, the commission is the first and only adjudicating body for the parties; the parties are required to seek neutral arbitration only if this establishment fails. The basic precondition for this institution to work successfully is transparency, with each side required to exchange river data through regular communication and adhere to agreed-upon mechanisms of coordination. Plans for constructions like barrages that might alter a river's

flow significantly, thereby leading to changes in water release schedules as fixed in the treaty, are to be put forward in advance so they may be discussed by the commissioners. The commission, after 87 successful meetings to date, has achieved its stated goals. Its particular achievements have been the promotion of projects for the improvement of river utilisation through the exchange of river data, and the efficient solution of disputes through on-site inspections as soon as one side puts a problem before the commission. Though some questions remain to be discussed, no serious breach of the treaty provisions has been recorded so far.

Amending this comprehensive treaty, as union government adviser, Jairam Ramesh, has suggested, could include the integration of environmental concerns, like salinity, and enhanced economic measures to support the needs of other riparian states like Kashmir and Sindh. Such regional coordination and cooperation may not after all be wishful thinking, as indicated by the recent decision of meteorological experts from Bangladesh, China, India, Nepal and Pakistan to establish the Hydrological Cycle Observation System (HYCOS) to improve flood management through regional data exchange. With resource issues that transcend purely national considerations, it can be useful to build bridges between countries. ▽

ERRATA

The June 2002 Himal mistakenly identified Kalpana Sharma as a correspondent for *The Hindu*. She is actually a deputy editor at *The Hindu*.

The February 2002 Himal mistakenly identified Ian Kerr as the Canada Research Chair in Ethics, Law and Technology at the University of Ottawa. He is actually a retired member of the history faculty of the University of Manitoba.

– editors



Water wars

Sindh's struggle for control of the Indus

Even while the India-Pakistan treaty for sharing the Indus waters remains operational, the provinces of Pakistan are squabbling. Mostly, it is *Sindh vs. Punjab*.

by *Hasan Mansoor*

Amidst the many political problems that cry out for resolution in Pakistan, perhaps the severest one is the sharing of the water of the Indus river system, which is the hydrological lifeline of Pakistan. Indeed, no conflict in Pakistan in recent times has been more obdurate, acrimonious and pervasive than this complex dispute. Competition over withdrawal rights from the Indus has added another dimension to the long-standing rivalry between Punjab and Sindh. To complicate matters the two other provinces of Pakistan, the North West Frontier Province and Balochistan, also seem ready to join the fray.

The problem is partly a historical inheritance. In 1947, a geographically contiguous area, serviced by an integrated water management regime, was geopolitically partitioned. Water use, till then regulated by a single administering authority, now came to be governed both by an international agreement between Pakistan and India on the one hand, and by federal and provincial agencies subject to internal political and interest group pressures on the other. While the international agreement has by and large withstood the rigours of the periodically hostile India-Pakistan relations, the internal arrangement in Pakistan has become increasingly volatile, as even technical issues have become politicised.

The Pakistan-India distribution

of water use is, on paper at least, as well defined as the geography that dictated it. The Indus river basin, which has an area 944,574 sq km, stretches from the Himalayan mountains in the north to the dry alluvial southern plains of Sindh, from which the river gets its name. Below its source near Lake Mansarovar in the Himalayan catchment, the main branch is joined by four main upstream tributaries, the Shyok near Skardu, the Gilgit and Hunza near Bunji and the Siran just north of Tarbela. Downstream, the river system has three eastern tributaries, the Ravi, Sutlej and Beas, and three western constituents, the Indus, Jhelum and Chenab. By the Indus Water Treaty of 1960 the consumptive use of the former has been given over to India, while that of the latter has been awarded to Pakistan. Before the Indus reaches the province of Sindh, the five rivers of the Punjab (Jhelum and Chenab and the three eastern rivers, the Ravi, Sutlej and Beas) merge below the Panjnad headworks.

This system as it exists today evolved over time but gathered momentum from the late 19th century when the British began adding to the basin's existing canal networks on an extensive scale and over the course of a few decades there emerged the Indus Basin Irrigation System (IBIS), the largest contiguous irrigation system in the world, which redistributed the waters of the Indus and its tributaries across undivided

Punjab and Sindh.

Dramatic engineering changes were initiated over the next many decades, particularly after the treaty was signed in 1960. The division of the integrated system at partition affected Pakistan drastically, since 75 percent of its population is serviced by the IBIS. Consequent on the Indus Water Treaty, Pakistan seriously began pursuing the Indus Basin Project (IBP) to compensate the loss of water from the eastern rivers and to increase agricultural production in the IBIS. The two main components of the IBP were the major dams at Mangla on the Jhelum and the Tarbela on the Indus, which is the world's largest earthfill dam. The Mangla dam was completed in 1968 and the Tarbela in 1974. The diversion of water to India also meant that link canals had to be built from the western rivers to those canals which till then were fed by the eastern rivers.

In all the IBIS has 110,000 water-courses consisting of 4230 km of main canals, 6835 km of branches, 25874 km of distributaries and 19189 km of minor waterways. The irrigation system has two dams, 19 diversionary headworks and barrages and 12 link canals. The command area of IBIS totals 14 million hectares (mha) of which the Mangla command is five mha. and the Tarbela command is nine mha. command.

The 1960 treaty altered the Indus water flows and the irrigation system substantially. After the

treaty, the average annual discharge of Indus waters available to Pakistan was 175 billion cubic metres (bcm). The combined capacity of the Mangla and Tarbela, of 18bcm, changed the pattern of water flows, increasing the mean-year discharge and the water availability in the *rabi* (dry) season. It was also estimated that with the full utilisation of Tarbela storage by the 1980s the average IBIS withdrawals would increase to about 128 bcm from the 1960s figure of 108 bcm. With new infrastructure being added under the Indus Basin Project to divert the total available water into the various IBIS commands it was clear that cropping intensities would increase in Punjab and Sindh, the two provinces that make up more than 90 percent of the system. Inevitably, changes in the agricultural patterns in a large command area dominated by two politically and economically influential provinces required some regular mechanism for monitoring inter-provincial water allocation and use.

The Sindh-Punjab Draft

The British recognised and addressed the problem of changing water requirements and hence the need for periodic revisions of allocated volumes, even in the run-of-river system they were managing. By the second decade of the 20th century the irrigation potential of most of the perennial rivers had been exploited through a series of canals but the instruments for distribution and regulation of water use had begun to emerge about the time that the expansion of canal networks had commenced. Among the earliest of such regulations was the Northern India Canal and Drainage Act No VIII of 1873. As the system grew the question of allocations to meet the needs of this expansion came up repeatedly and the British government in the course of three decades established the Indus Discharge Committee in the 1920s, the Anderson Committee in the 1930s, and the Rau Commission in the

1940 to prescribe water allocations. The last commission's recommendations became the basis of the Sindh-Punjab Draft Agreement on the distribution of the Indus waters, signed in 1945. By this agreement, the flow of the Indus from the Panjnad (where the other five rivers of Punjab merge with the Indus) was to be shared in proportions of 75 percent to Sindh and 25 percent to the Punjab, whereas the five Punjab rivers were to be shared in the ratio of 94 percent to Punjab and 6 percent to Sindh. Thus Sindh secured the major rights on the Indus, and Punjab on the other five rivers.

Surprisingly, after independence no stable and coherent mechanism for equitable, proportional distribution among the provinces on the basis of periodic reviews was instituted in Pakistan, and this despite the fact that the Indus system had been transformed from a run-of-river system to one involving structural regulation and calibrated release of water (with the construction of the Mangla and Tarbela dams. With these changes the scope and necessity for regulation would quite naturally increase and since the structural alterations to the system were in part motivated by the urge to intensify agriculture the problems in water allocation could easily have been anticipated. Instead the government seemed to be quite content to go along with modifications of the Sindh-Punjab Draft Agreement. One reason for this was political, as in 1955 all the federal units of the country on the western side were merged into one unit known as West Pakistan while the eastern wing was merged into another unit called East Pakistan. As a consequence of such consolidation, even the half-hearted measures undertaken by the government to find some basis for water allocations remained on paper.

In May 1968, the government constituted the Water Allocation and Rates Committee or the Akhtar Hussain Committee, whose report of June 1970 was not considered

because in July 1970 the four original provinces which constituted West Pakistan were revived. In 1970 the Justice Fazl-e-Akbar Committee was appointed to look into the question of distribution, and it submitted its report in 1971. Even as this report was being studied, an ad hoc ratio of distribution from the Tarbela dam and the Chashma barrage was separately decided on. Another futile effort was made in 1977, when a commission of the chief justices of all the four provinces was appointed. The government, it would seem, has not looked at their report at all.

The first efforts to constitute a regular authority came in the 1990s. In 1991, after a series of meetings and resolutions involving the federal and provincial governments the "Apportionment of the Waters of the Indus River System between the Provinces" agreement was signed on 21 March 1991. Under the terms of this agreement, the Indus River System Authority (IRSA) was established in 1993. According to the agreement, the operation of the existing reservoirs (Mangla and Tarbela) would give the highest priority to provincial irrigation use, all the provinces were allocated additional water of 15 bcm over their 1977-82 average withdrawals of 129 bcm, and the balance of river water supplies over this allocation of 144 bcm would be distributed among the provinces, with Punjab and Sindh awarded 37 percent each, NWFP 14 percent and Baluchistan 12 percent.

Ironically, this accord of 1991 only intensified the conflict between Sindh and Punjab. The disputes arose over interpretation of clause 14 (a-b) of the agreement concerning the system-wise allocation and the record of actual average system use for the period 1977-82 which would form the guideline to develop the future regulation pattern. These differences were voiced when the country first experienced severe shortages of water in 1994 and by then the shortfall of water in the system had simply precluded the

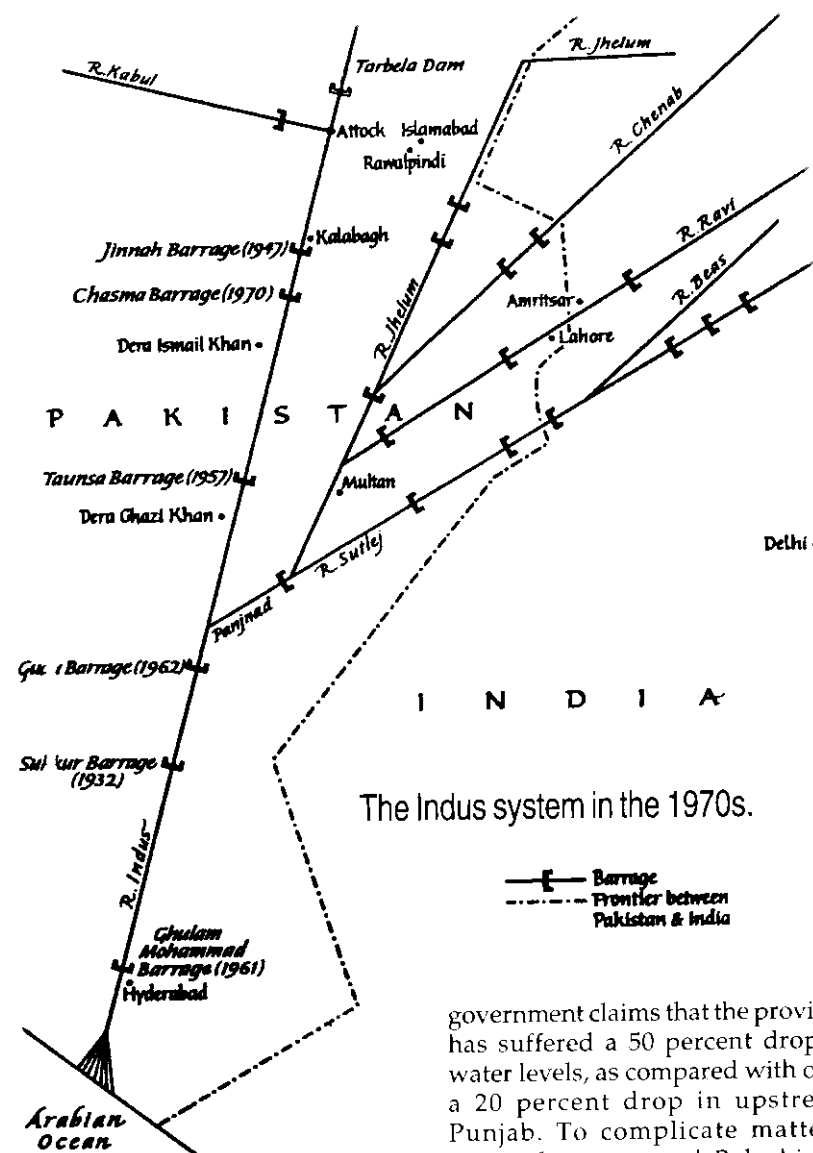


operation of the 1991 principle. Acrimonious exchanges resulted, with Sindh attributing the scarcity to theft and profligate use by Punjab. As the lower riparian, Sindh traditionally has had two complaints against Punjab – one that in the dry season, when Sindh needs water, Punjab does not release enough downstream; and during floods, when Sindh does not need water, Punjab flushes out surplus water downstream. The conflict of 1994 revolved around the dry season complaint.

Since the allocation principle of 1991 was instrumental in accentuating an existing problem it obviously had to be superseded and a new compromise arrived at. Consequently, a ministerial level meeting in 1994, presided over by the then federal minister Ghulam Mustafa Khar, formulated the principle of 'historic use' as the new basis of allocation. Under this scheme, the provinces would share water according to the record of aggregate use in the seven years prior to 1994. The new arrangement favoured Punjab, and Sindh repudiated it on the grounds of bias from the time it was introduced.

As the water situation shows no sign of improving matters have tended to get out of hand, even resulting in street action and riots. In fact the situation has deteriorated to a point where the federal government found it necessary to call a special in camera meeting of provincial representatives this year. The meeting failed to find a solution and the IRSA secretary, Sohail Ali Khan, conceded, "Both Punjab and Sindh have outrightly rejected each other's proposals to resolve the water distribution dispute".

Until such time as effective federal intervention can bring about a reasonable solution, the conflict will continue to simmer because Sindhis have by now begun to feel a strong sense of deprivation on water sharing. In particular, Sindh feels that IRSA, which was designed to safeguard fairness and assure implementation of the 1991 water



The Indus system in the 1970s.

accord, disproportionately benefits the populous province of Punjab by insisting on releasing water shares on the 1994 basis instead of applying the 1991 water accord principle. For its part, Punjab has blamed its southern neighbour for politicising technical issues at the expense of "national unity". While the ruinous water situation has had a country-wide impact across provinces, the situation in Sindh is particularly acute.

Provincial complaints

Water supplies to Sindh have declined as water levels in upstream reservoirs have fallen and the Sindh

government claims that the province has suffered a 50 percent drop in water levels, as compared with only a 20 percent drop in upstream Punjab. To complicate matters, strangely, NWFP and Balochistan were allowed to share water according to the 1991 accord. Worse still, meteorological predictions of a 20-25 percent shortfall of rains this 2002 season suggest that the widespread economic disruptions suffered during the last two years of near-drought are likely to be repeated in financial year 2002-2003. According to the Sindh Agricultural Forum, as a result of water shortages, Sindh will this year suffer a PNR 8 billion loss on the wheat crop loss and a rabi (winter) crop loss of PNR 20 billion. Coming on the heels of last year's PNR 10 billion agricultural loss, the province's economic outlook looks grim, es-

pecially since Sindh is currently in the midst of a severe drought.

About two million people living in rural Sindh have been severely affected by the water shortage and increasing agricultural unemployment has led to a corresponding increase in urban migration, further straining the social infrastructures and economies of Karachi and Hyderabad. Additionally, the drop in the discharge of water to the delta has allowed the sea to intrude inland. Seawater intrusion has increased during the rabi season, reaching approximately 25 km upstream from the delta. The active Indus delta has been reduced to about one-tenth of its original size. Coastal inundation has flooded 1.2 million acres of agricultural land in the south, severely affecting several villages. The result is a human tragedy of critical proportions. Dispossessed of land or livelihood, thousands of families living in and around the delta have migrated to Karachi. The migration started four years ago, according to a survey, when the sea began intruding and destroying fertile land.

Beyond the human and economic toll, the water crisis has also had a serious environmental impact. The area downstream of Kotri barrage (see map), the closest regulatory point from the delta, has been a contentious issue. Tahir Qureishi studies the repercussions of reduced water flow on the mangrove ecosystem in the Indus delta. Based on his research, Qureishi says that extensive irrigation has had adverse effects on the mangrove ecosystem – the deltaic mangrove forests originally covered 1850 million square metres but have now been reduced to 1000 million square metres because of the reduced flow of the Indus. In this respect, superseding the 1991 accord has compounded the problem because one of its conditions was that at least 10 million acre feet (maf) of water would be allowed to flow downstream from the Kotri barrage.

Despite its aura of power, IRSA has been unable to resolve the long-

standing discord between the upper and lower provinces. Though the authority was legally required to prepare a permanent water-sharing arrangement among all the units of the federation, it has been unable to forge an acceptable agreement. The present military regime has also failed to make any headway in creating an inter-provincial consensus despite the fact that it has several options at its disposal, including ad hoc measures designed to meet immediate requirements, pending a more stable arrangement.

Many people of Sindh are convinced that national control bodies have consistently discriminated against the province. Mir Amanullah Talpur, Chairman of the Sindh Agricultural Forum, says that despite the fact that Sindh produces 26 percent of Pakistan's agricultural output, every civilian and military government in Islamabad has ignored the province's water needs. In the circumstances, it is not surprising that a petition has been filed in the Sindh High Court accusing IRSA, the Ministry of Water and Power, the Water and Power Distribution Authority (WAPDA) and the provincial ministry of irrigation for misusing their authority to the detriment of Sindh. According to the petition, until 10 years ago the annual flow of the Indus was 209 billion cubic metres of water – twice that of Nile and thrice that of the Tigris and Euphrates combined. Recent measurements cited by petition indicate that flows have fallen to 14,100 cusecs a week. This drop is attributed to WAPDA policies carried out with the concurrence of the other respondents. According to the petition, apart from disruption or destruction of 80 canals and 800 distributaries, 675,000 acres of cultivable land have been destroyed in Badin District, while 612 acres of land are being lost every day to coastal inundation. The central thrust of the argument is that Punjab enjoys unfettered access to Sindh's natural resources, including oil and natural gas, while a reciprocal

relationship on water is not forthcoming.

However, Sindh has also been at the receiving end of complaints. Punjab and NWFP have joined Balochistan in criticising Sindh for what they call its refusal to release Balochistan's due share of water. The Baloch-Sindh dispute has acquired such serious proportions that a recent advisory committee meeting of the Indus River System Authority was called off after representatives of Balochistan, NWFP and Punjab walked out in protest over the issue. Among those protesting was Balochistan's irrigation secretary, Abdus Salam, who says that the government of Sindh has released 2000 cusecs less than its IRSA-allotted share of 6100 cusecs a day, a 40 percent reduction in supply. Sindh authorities have countered this claim by arguing that cuts in water levels to Sindh have necessitated reduction in water released to Balochistan. Regardless of claims and counter-claims, the Sindh-Baloch dispute adds another layer of animosity to the already bitter divisions in Pakistan.

Rising tides may lift all boats, but dropping water levels condemn agriculture-dependent regions to destitution. No solution to this persistent problem appears to be in sight. Court cases are currently pending in multiple jurisdictions, but in the absence of firm and fair decision-making from Islamabad, it is difficult to imagine that the provinces will find a solution acceptable to all among themselves. A recent petition submitted to the United Nations by Sindh activists demands that the province be allowed complete control over the "entire" Indus River System and to appoint its "entire workforce". While such demands may be unrealistic and unfair, they underscore the hardening of attitudes by sections of communities alienated and embittered by the water shortage. One wonders how long the waters of discontentment can be kept back. ▽



De-industrialisation in fiscal 2001-2002

Pakistan's manufacturing sector reels from a multitude of external and self-inflicted setbacks. Cotton, textiles, ghee, automobiles, sugar, cement, fertiliser...

by *Khaleeq Kiani*

The performance of Pakistan's corporate manufacturing sector was far from impressive in fiscal year 2001-02, recording modest growth of just 4 percent against the 8.6 percent achieved the year before. The situation is not expected to improve in the near future. The forecast for the next fiscal year is that the current declining trend or a flat rate of growth will continue. Despite visible signs of recovery in the world economy, the adverse impact of post-9/11 events on Pakistan's industrial sector has not yet been overcome prompting fears that the country could be experiencing de-industrialisation. While new petroleum refining, fertiliser and automobile units were being established till just few years back, some of these, like the Fauji Jordan Fertiliser Company, have ceased operation this year. As a financial executive put it, "we do not hear of any new industrial projects coming up except those few with start ups in the late 1990s that are now coming into production". He adds, "There is not much demand from corporates for capital expenditure funding and commercial banks are diverting their liquidity towards consumer banking, particularly car lease financing, which, from a larger perspective, is non-productive compared to export-oriented manufactures".

In the 2001-02 budget, growth in the large-scale manufacturing sector was targeted at 6.5 percent. As a result of developments after 11 September, the target was drastically scaled down to 3.2 percent. The fiscal year had begun on a positive note with growth in the sector exhibiting a rising trend until September 2001. The strong external impact on the economy is evident from the fact that the sector grew by 5.3 percent in the first quarter (July-September) of the outgoing fiscal year, but dropped to 0.6 percent in October and then registered a negative rate of 5.7 percent in November 2001, at the peak of Afghan war. The end of the war saw the sector rally, growing by 6.8 percent in December and 16.3 percent in January, and this is what helped the cumulative growth of corporate manufactures reach 4 percent last year. The main contributors to this modest

growth were petroleum at 18.7 percent, food and beverages at 6.1 percent, textile and garments at 4.4 percent and tyres and tubes at 5.9 percent. Among the industries which registered negative growth were air-conditioners by 76.9 percent, bicycles by 7.6 percent, tractors by 9.6 percent, phosphatic fertiliser by 49.5 percent and cosmetics by 32.9 percent.

Profile and performance

Pakistan's corporate manufacturing sector consists largely of textile, fertiliser, engineering, leather, chemicals, petroleum and automobiles. The textile sector remains the backbone of the economy, contributing around 60 percent of total export earnings and is the major employer of industrial labour. Its linkages with the agricultural sector are very strong, and therefore the performance of the economy in general, is affected by the state of the cotton crop.

Cotton spinning in Pakistan involves 445 mills of which 50 are composite textile mills. In all, there are 7.2 million spindles and 64 thousand rotors in operation. In July-March 2001-02 capacity utilisation was 87 percent in spindles and 45 percent in rotors. The production of cotton yarn increased by 4.8 percent during this period to 1348 thousand tonnes, as against 1286 thousand tonnes in the corresponding period of the previous year. The value of yarn exports, however, declined by 12.4 percent due to depressed international prices.

The weaving and made-up sector, which manufactures hosiery, garments, towels, canvas and bedwear, has a total capacity of 252,892 machines against which utilised capacity was 211,000 units. Last year, the textile industry invested substantially in balancing, modernisation and replacement (BMR) for improving production quality and achieving greater value addition. However, it still needs annual investment worth USD 1.5 billion for BMR and expansion over the next three years to meet the post-quota World Trade Organisation (WTO) regime requirements beginning January 2004.

The hosiery industry has about 10,000 knitting

machines with approximately 60 percent capacity utilisation and caters to both the domestic and foreign markets. Exports of knitwear earned USD 598 million in foreign exchange between July and March 2001-02, as compared to USD 668 million in the same period the previous year. The industry has in recent years switched to synthetic yarn, resulting in high value addition and product diversification for the export market.

Readymade garments attracted substantial fresh investment and many new units are being established despite problems like inelasticity in transferring input cost fluctuations to the end user and high value addition in competing countries. This sub-sector has seen 22.4 percent growth in its export volume. However, because of a 13.8 percent fall in unit value, dollar earnings increased by just 5.6 percent to USD 640 million during July-March 2001-02 from USD 606 million.

The towel industry, which is primarily export-oriented, has 6500 looms. Its exports increased by 16.7 percent in volume terms and by 11.3 percent in value terms in the first 10 months of 2001-02 fiscal. The filament yarn manufacturing industry has 25 units with a total installed capacity of 100,000 tonnes per annum against which it produces approximately 78,000 tonnes.

Pakistan's fertiliser industry has only 10 manufacturing units, of which five are in the private sector with an installed capacity of 3.7 million tonnes. The public sector units have a capacity of 1.9 million tonnes. Nitrogenous fertiliser alone has a capacity of 4.9 million tonnes. Due to excess carryover stock and decline in fertiliser off-take because of severe drought in the country, production decreased by 0.5 percent to 3700 thousand tonnes during July-March 2001-02, as against production of 3813 thousand tonnes in the corresponding period the year before.

The edible oil industry is concentrated in the private sector. There are 150 units with an installed capacity of 2.7 million tonnes. Ghee production in the first ten months of 2001-02 declined by 6.1 percent to 0.59 million tonnes. The production of cooking oil increased by 12.9 percent to 0.09 million tonnes. In the food industry segment, sugar, which has seen phenomenal expansion over the decades, is today plagued by a host of difficulties. In 1947 there were just two mills producing 10,000 tonnes of sugar. Currently there are 77 mills with a capacity of 5.5 million tonnes, which is twice the domestic requirement. The sugar season is over by May and estimates suggest that 2001-02 production increased to 3 million tonnes from 2.8 million tonnes in the previous year.

The problem of excess capacity is compounded by high inefficiencies in production partly because of the quality and quantity of cane available. In addition, there

are problems such as the high price of cane, heavy taxes and bank charges to contend with. These combine to deprive the industry of competitive edge, as is evident from the fact that in 2001-02 a sugar surplus of 300,000 tonnes could not be exported. Productivity problems exist across the board, from the farm to the factory. Pakistan has the fourth largest area under cane production in the world yet it ranks only 15th in terms of yield and 11th in terms of sucrose recovery. Pakistan's sugar is simply too expensive to be exportable without hefty subsidies.

Like the sugar industry, the cement sector is in the doldrums, though there are some recent signs of improvement. There are 24 units currently with a total capacity of 16.3 million tonnes. Four of these units that combined have a capacity of 1.8 million tonnes are in the public sector, while the private sector plants have a capacity of 14.4 million tonnes. Total production during July-March 2001-02 was 9.8 million tonnes. Largely due to the high price of furnace oil and power, the cement sector recorded an overall loss of PNR 1.75 billion in 2000-01 against a profit of 160 million the year before. One possible option to reduce the cost of production is to switch to coal fuel, but this will take a long time to materialise because the bulk of the country's coal deposits still remain to be developed.

The automobile industry's annual capacity is 106,000 cars, 12,500 trucks, 1900 buses, 28,000 light vehicles, 33,000 tractors and 340,000 motorcycles. The industry's performance has been lacklustre over the last five years. In the outgoing fiscal year, the overall trend was mixed. On the one hand, the production of light vehicles increased by 15 percent, motorcycles by 5.4 percent, trucks and jeeps by 5.7 percent and cars by 3.6 percent. On the other hand, tractors declined by 26.2 percent and buses by 23.1 percent. The industry as a whole registered a marginal improvement of 1.9 percent in the first ten months of the current fiscal year as against 23.3 percent growth for the same period in the previous year.

According to the Federal Bureau of Statistics, the highest growth, 26.9 percent, was recorded in the petroleum sector. Export earnings more or less stagnated at USD 9 billion, about the same as the previous year. Overall, the economy had to export more in volume to earn the same monetary value, since unit prices had declined quite substantially. A few industries such as leather and automobiles showed a decline in production. Contingent factors have to a limited extent offset the general recessionary trend in the economy but these gains have been restricted to certain industries. For instance, by the end of April this year, 53,000 tonnes of cement were exported to Afghanistan, raising hopes of

Pakistan is perhaps the only country in the world where utility prices constitute more than a third of the input costs in industrial production.



an improved performance next year. However, further exports to Afghanistan will have to wait until the situation there stabilises and donors fund major reconstruction work. Otherwise the industry can improve only if major infrastructure projects, such as ports projects and dams, are launched, which in turn will depend on the investment that can be attracted.

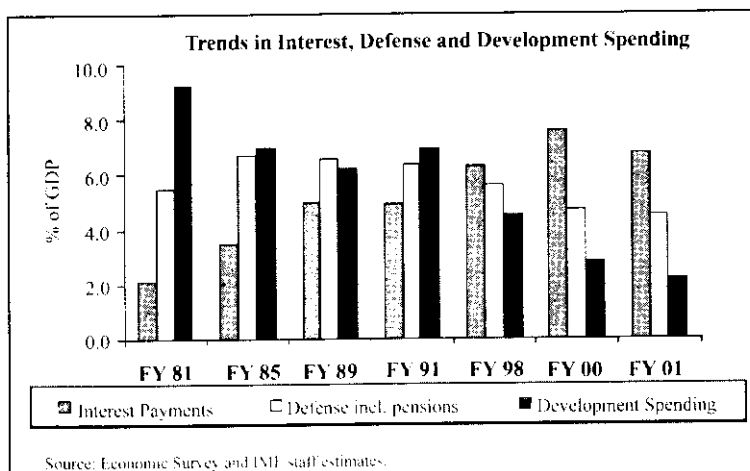
The policy muddle

Domestic and external factors contributed to the generally uninspiring performance of the manufacturing sector, and this appears to be a long-term tendency. Industrial production declined in the second half of the 1990s, with more than 4000 units being declared sick. Correspondingly, the banks that financed them were also getting progressively more sick. Even as many old units were getting obsolete, new investment to create capacity was not forthcoming. The share of the manufacturing sector in Pakistan's GDP declined gradually from 18.5 percent in 1993-94 to 16.8 percent in 2000-01 and to 17.3 percent in 2001-02.

Many of the difficulties faced by large-scale manufacture in Pakistan can be traced to the policy environment that has evolved over time. One of the major internal factors affecting the industrial sector's performance is declining domestic demand. This can be partly attributed to the 15 percent general sales tax, the resulting rise in prices forcing a reduction in consumption. Cronyism and bribery have come in the way of industrial growth in general and the development of an entrepreneurial culture in particular. The politicisation of financial institutions, licensing irregularities, bureaucratic procedures and delays, inconsistent policies and cartelised operations are serious entry barriers to genuinely competitive investors.

Capricious taxation and utility pricing policies have had severely damaging consequences for industrial performance in the 1990s. The high cost of utilities is largely due to donor pressure and the generous terms offered to independent power producers. Pakistan is perhaps the only country in the world where utility prices constitute more than a third of the input costs in industrial production. It is not surprising, therefore, that foreign investment has virtually dried up in the manufacturing sector. Local investors have kept their distance from the sector largely because industrial growth has been hampered by the withdrawal of protective measures, high tariffs on industrial raw material and low tariffs on finished products. The commerce minister, Abdul Razak Dawood, has publicly admitted that industrialists do not regard business in Pakistan as being profitable.

Other kinds of policy imbalances, particularly in the high-tech or engineering sector, have added to market distortions. For instance, the protective umbrella



extended to the automotive industry makes it one of the most inefficient segments of the Pakistan economy. Car production does not exceed 40 percent of the estimated annual domestic demand and, given the high unutilised capacity, consumers end up having to pay for an over-protected industry's inefficiencies. The impediments to the development of local industry are many but the most important challenge is the built-in tendency to squeeze out maximum profits in the shortest possible time, leading to unhealthy business practices. This problem is not restricted to the car industry but manifests itself across the entire manufacturing sector.

Some policy relief has been offered to manufacture and if government claims are to be believed, more is on the cards. According to the government, in the last 30 months it has developed a strategy to revamp major sectors such as textile, fertiliser and engineering. It has also reduced duty levels from a maximum of 35 percent to 30 percent and has announced plans to reduce it to 25 percent from 1 July 2002, with further phased reductions to 20 percent, 10 percent and 5 percent over a period of time so as to ensure lower raw material costs. This new policy is designed to improve the global competitiveness of local products. In effect, the tariff will have dropped by 10 percent in two years and this marks a significant change from the 1980s when duty reached a peak of 120 percent.

The government has also been making much of its industrial policy reforms. A large number of public sector industries have been privatised, fetching the government PNR 10 billion. The government has also been able to secure a two-year extension in the implementation of WTO requirements, particularly those relating to the removal of support to domestic industry, originally scheduled to take effect from December 2001. This will provide local industry some breathing space. The official expectation is that this rescheduling will help stabilise the engineering industry, which is the largest segment after textiles. How far domestic industry can reorient itself to a post-WTO world in this grace period remains to be seen.

Despite all these claims and achievements, the industrial sector has continued to stagnate with no signs of early recovery; actually, new policy failures may have played their part in compounding the errors of the past. The reform measures are not as systematic as they should have been. A number of public corporations have been merged for rightsizing and some unviable agencies are being wound up, a process that has increased unemployment. The Asian Development Bank (ADB) has warned of possible de-industrialisation, pointing to the declining share of manufacturing in local employment, down to 11.2 percent at present. Increases in productivity through capital intensive investments will not improve the employment situation very much since such industries account for very little labour absorption.

Private sector investments are being extensively facilitated in the hope of an economic turn-around, but these will inevitably take some time to come online. The absence of a timetable to synchronise public sector disinvestment with private sector investment has only deepened the recession in the economy. This is evident in the sluggish demand for credit. In the first eight months of the outgoing fiscal year, the total bank credit lifted by the private sector was only PNR 49 billion, as compared to PNR 84 billion during the same period last year.

External and internal politics have aggravated the effects of failures at the policy level. Between October 2001 and April 2002 countrywide public protests against US action in Afghanistan and subsequent rallies in support of President General Musharraf's referendum brought production in many units to a virtual standstill. The escalation of military tensions on the eastern border with India made matters worse since it undermined investor confidence. Internally, the deep political polarisation in the aftermath of the referendum campaign has marred industrial peace in the country and made investors much more circumspect. External institutional pressures could also have had their impact in the general manufacturing downturn. Even the ADB was constrained to observe that the recent stagnation in the manufacturing sector was due to "the deflationary policies that the government has pursued as part of the agreement with the IMF".

Closure and revival

If the current stagnation degenerates into a steady de-industrialisation, the culpability for it must rest with the successive governments at the helm in Islamabad. One obvious area of concern is the number of closures that the manufacturing sector has seen, particularly in the special industrial zones. These zones were set up ostensibly to promote growth in the manufacturing sector and to this end were granted long-term tax concessions. But spiralling utility tariffs, unreasonable sales tax, and general infirmities in the planning and policy mechanism have turned these zones into manufactur-

ing graveyards. And in the process the national treasury has foregone millions of rupees worth of taxes. To cite just one example, 145 industrial units out of total 200 in the Hattar Industrial Zone in North West Frontier Province have downed their shutters, resulting in the retrenchment of thousands of workers and adding to the bad loans of commercial banks and financial institutions. It is not surprising that the bad debt portfolio of the banking sector is a staggering PNR 280 billion.

Industrialists attribute the closure to exorbitant input costs for which they blame the government. According to the chief executive of Pak-China Fertiliser Company, in 1992 his unit was paying PNR 18 million in electricity charges per month, which increased to 32 million by 2000. Similarly, the gas bill of that unit increased from PNR 12 million to 24 million. The unit had no option but to shut down and over 700 workers were laid off.

Clear evidence of the failure of industrial policy is that Pakistan has too many industries which face problems of competitiveness. The one facing the most problems is also the country's most important industry – textiles, which will have to gear up for a new trade environment by the end of 2004 when the textile quotas for export to Western countries and Japan will be phased out. Pakistan then will have to compete with the entire range of textile exporting countries, all of which are modernising the sector. Some textile manufacturers in Pakistan have now woken up to this problem and are upgrading their units or adding modern ones. The governor of the State Bank of Pakistan claims that the textile industry has invested a billion dollars in modernisation in the last two years, largely from internal resources and not out of bank borrowings. But industry experts feel that this is not sufficient since over six billion dollars have to be pumped in if Pakistan's textile manufacturers are to withstand competition from China and India.

Textile giants have been talking of setting up a Textile Export Zone near Karachi. Many of the major industrial estates in the country are primarily textile centres. But this zone will be exclusively for exporters, who will need special assistance to compete in global trade. The first step towards improvement is a campaign for cleaner cotton since contaminated cotton is one of the main drawbacks of the textile industry. This is all the more important because though there has been hardly any foreign investment in the sector in the past. Of late some foreign textile manufacturers have been keen to shift their production to countries where cotton is readily available and labour is cheap. This makes Pakistan a potential candidate for direct investment. Chinese textile producers, for instance, are interested in joint enterprises in Pakistan. The government has responded positively and Chinese investors are to be allowed access to special industrial zones where they can have 100 percent ownership.

Similar offers to Japanese and South Korean



investors in the past had failed to elicit any response. Clearly, therefore, such incentives alone are not sufficient if Pakistan is to attract foreign investment on a scale large enough to transform the textile sector into a globally competitive one. For one, cotton prices, which have traditionally been volatile in the country, should become more stable and the scope for price manipulation by growers and ginners has to be minimised. Cotton ginners have played a particularly harmful role since they have actively impeded the export and import of cotton at international prices. As a result textile mills are forced to pay much more than world market prices for domestic cotton, and that has affected the sector's overall export incomes. Pakistan's textile industry has to become more cost-efficient from 1 July 2002, when the average rate of import duty will start coming down, leaving the way open for foreign goods to capture the home market. Combined with increased competition in the foreign market, this could seriously erode the profitability of Pakistan's most vital industry.

Gearing up for WTO

Given the impending WTO schedules that will affect Pakistani manufactures, the most urgent requirement is an infusion of large-scale, productivity enhancing investments. Foreign direct investment (FDI) in the industrial sector was low in the second half of the 1990s, though there was a marginal improvement during 2001-02. But the bulk of this investment was cornered by three industries. The oil and natural gas industry attracted USD 137 million, the transport and communication sector received USD 65.5 million, while the power sector got USD 34 million. Clearly, domestic investment must precede foreign investment if these figures are a portent of things to come.

But whatever be the state of fresh investment, there is no escaping the WTO schedules, which stipulate that the removal of protection for domestic industry will have to be completed by the end of 2003. Only the automotive industry has a reprieve till December 2006. The phase-out plan for all goods other than automobiles envisages a 50 percent elimination by June 2002, another 25 percent by June 2003, and the last 25 percent by December 2003.

Pakistan had so far followed a policy of progressive local manufacture of a large number of engineering goods, including plant and machinery, consumer durables, automobiles and auto parts, among others. Local manufacturers were encouraged to pursue indigenisation plans through concessional customs tariffs on the importation of raw materials and components. In the automobile sector, the car industry has achieved 50 to 70 percent indigenisation, the tractor industry 48 to 83 percent, motorcycles 77 to 83 percent, commercial vehicles 38 to 63 percent and buses 45 to 47 percent. Plant machinery and vapour generating equipment achieved 28 to 100 percent indigenisation, the metal

Pakistan Economic Profile*

GNI (Atlas method)	USD 61 billion
GNI per capita (Atlas method)	USD 440
Agriculture, value added (% of GDP)	26.3
Industry, value added (% of GDP)	22.8
Services, etc., value added (% of GDP)	50.9
Exports of goods and services (% of GDP)	15.5
Imports of goods and services (% of GDP)	19.1

*2000 totals

Source: *The Economist*

Sectoral breakdown of Pakistan's GDP*

	1991/92	1994/95	1997/98	2000/01
Agriculture	125	133	156	165
Industry	122	138	153	168
Services	231	264	291	335

*PNR billion at 1980-81 prices

Source: World Bank

industry 61 to 100 percent, electrical industry 79 to 100 percent and domestic appliances 68 to 100 percent. It was this policy that has so far given domestic industry some price competitiveness and enabled the limited export of engineering goods. This is now under serious threat since WTO member countries are required to eliminate such protective measures, which are inconsistent with the Trade Related Investment Measures (TRIMS) agreement signed by Pakistan in 1994. Pakistan is therefore compelled to review its indigenisation policy.

In these circumstances, Pakistan can ill-afford to create a negative environment for its established industries. The problems that the government faces in implementing the TRIMS agreement are numerous. They include the continuing post-nuclear test international economic sanctions imposed in May 1998, increasing law and order problems in the aftermath of the US intervention in Afghanistan, the drying up of direct and portfolio foreign investment, general economic slow down, an increased debt trap and unsatisfactory GDP tax ratios. Considering the abnormal level of sickness in Pakistan's large scale industries, the country will be hard put to even maintain the existing growth rate in manufactures and export. Pakistan's manufacturing sector is on watch and as much will depend on effective government stimulation as on energetic private initiatives to deal with the new world trading system. ▽

The provinces

Profile of agriculture and industry

Each province of Pakistan finds itself with different resources and different challenges. Despite persistent problems of water- and revenue-sharing, the provincial economies have recorded modest growth and diversified production.

by **Shafqat Munir**



In recent years, Pakistan has moved towards reducing the fiscal deficit, pursuing a stabilisation programme, bringing about structural changes in the economy, promoting investment, expanding exports, reducing poverty and augmenting GDP growth. However, these efforts have been marred by the fallout from the events of 11 September 2001. Pakistan's 2002-03 federal budget has a total outlay of PNR 742 billion, with debt servicing reduced to PNR 290 billion from PNR 320 billion the year before.

Estimates of gross revenue receipts for the new fiscal year stand at PNR 675 billion, with the overall budget deficit fixed at 4 percent of the GDP as compared to 5.7 percent in the previous year. Under constitutional mandate, all four provinces – Punjab, Sindh, North Western Frontier Province (NWFP) and Balochistan – receive budget shares from the federal divisible pool under the terms of a formula embedded in the National Finance Commission (NFC) Award agreement of 1996. This year, the federal government has earmarked PNR 193.5 billion for such provincial allocations against last year's total of PNR 190 billion – a net increase of more than 3 billion rupees but less than what the provinces had demanded. The NFC Award system has not been

Punjab

Punjab's economy is mainly agricultural, although industry also represents a significant portion. It contributes about 68 percent of the country's food grain production, and Punjabi cotton and rice are important

working to the satisfaction of Pakistan's provinces.

Likewise, the water-sharing plan has recently met with resistance in provincial capitals. Because of surface water shortages, allocations to irrigated areas have diminished over the past three years to an estimated 47 percent of their originally expected volumes, and drought is now affecting Sindh, Balochistan and parts of Punjab and NWFP. With dam capacity expected to drop by 25 percent by 2010 due to enormous amounts of sedimentation brought in by feeding rivers, the water problem is expected to become only more acute.

Under the plan to devolve power, provincial governments are required to adopt new systems of administration, the implementation of which will require new sources of revenue at a time when they are still adjusting to the elimination of district taxes in 1997. This, in turn, has forced provinces to either generate revenue on their own or to seek additional revenue grants and ever-larger portions of the federal economic pie. In addition to their NFC awards, the provinces also get 2.5 percent of general sales tax (GST) revenue. However, to streamline their economies the provinces have also demanded revenue generation through royalties on power production, oil, gas, food and minerals.

cash crops for the national exchequer. Drives for self-sufficiency in agriculture have shifted the focus to small and medium farming, *barani* (rain-fed) areas, farms-to-market roads, electrification for tube-wells and control of water-logging and salinity.

The total cultivated area in Pakistan is estimated at



51 million acres, out of which 39 million acres are in Punjab. Sowing of wheat in canal-irrigated areas dropped by 4.03 percent between the autumns of 2000 and 2001, largely because of water shortages and the late harvesting of crops. Drought-like conditions, acute water shortages and pest attacks on crops cast a shadow over the agriculture-dominated economy of Punjab which is already beset by resource constraints. Industrial activity, which had already been depressed for some time, suffered a setback after 11 September when many overseas traders refused to buy Pakistani products, including textiles and leather items. Hopes of increasing the agricultural growth rate of 4.4 percent were abandoned after the dry spell set in. All of Punjab's main crops, including cotton, rice, wheat and sugarcane, require extensive irrigation, and the province faced an unprecedented water shortage of 51 percent during the *rabi* season. The situation had deteriorated during the early *kharif*, when water shortages led to a row with Sindh over Indus water distribution.

Though Punjab leads Pakistan's agricultural production, it is the second most heavily industrialised province after Sindh. According to the industrial census of 1984-85, Punjab held 33.7 percent of the country's fixed industrial assets and produced 38.9 percent of its gross industrial output. These proportions are likely to have risen significantly in the intervening period as the deteriorating security situation in other conflict-prone provinces has prompted an increasing shift in both domestic and foreign investment to Punjab. The province produces a wide range of goods, including food and beverages, textiles and garments, leather and wood products, and furniture, chemicals, metallic goods and machinery.

Punjab also has more than 48,000 industrial units and 39,033 small-scale and cottage industrial units. The textile sector represents an important field with 11820 units, while ginning industry units amount to 6778 and agricultural raw material processing units total 6355. Lahore and Gujranwala serve as the primary hubs for light engineering, while Sialkot specialises in sports goods, surgical instrument and cutlery products and Faisalabad is home to most of the province's textile mills. Punjab is also a mineral-rich province with extensive deposits of coal, rock salt, dolomite, gypsum and silica, and the Punjab Mineral Development Corporation runs over a dozen projects.

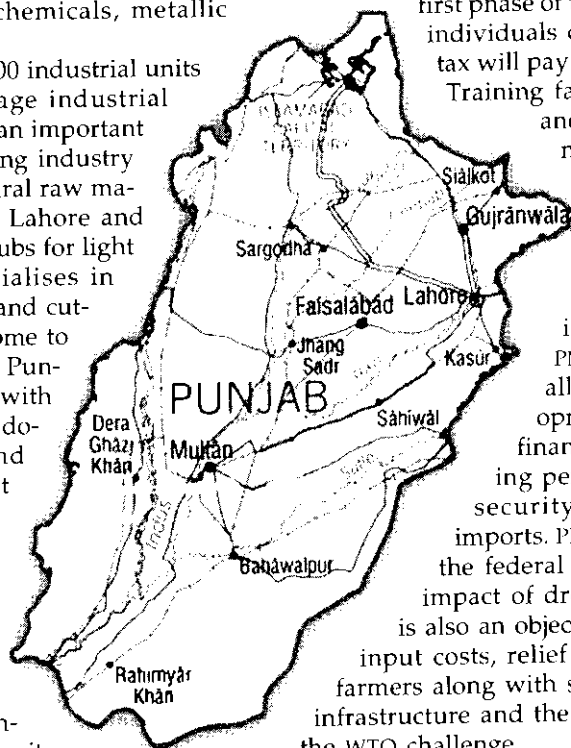
The Punjab budget for 2002-2003, which has a record outlay of PNR 131 billion, aims to strengthen business confidence and promote development and economic growth. Although showing an on-paper surplus of over PNR 13 billion, it

scarcely provides any relief to the common people groaning under an unchecked price hike. While no new tax has been imposed, the rates of some levies have been revised upwards and the scope of professional tax widened to include lawyers, jewellers, departmental stores, electronic goods, cable operators and stock exchange members. While motor vehicles are the main target of the tax changes, their impact will be quickly passed on to the public at-large, escalating the vicious circle of poverty.

Scant effort has been made to tap the potential of agriculture sector taxes, presumably out of deference to the powerful farming lobby, which has strongly resisted efforts to tax agricultural income. Revenue generation should have been a key concern in view of the increased dependence on federal transfers. Punjab will receive PNR 85.2 billion from the divisible federal pool against a revised estimate of PNR 82 billion for 2001-02. Other federal transfers are estimated at PNR 5.5 billion, with provincial tax receipts totalling PNR 12 billion and property and enterprises estimated at PNR 1 billion. However, these benefits are largely neutralised by the jump in the non-development expenditure, which has gone up from PNR 101 billion to PNR 117 billion. Only debt servicing, amounting to PNR 25 billion, takes away a major chunk of the budget.

A record allocation of PNR 12 billion made for law and order is driven by investment concerns and business-friendly objectives. Included in the budget is a plan to advance soft loans of PNR 1.2 billion for small industries and a self-assessment scheme for social security. Up to 16,000 jobs are expected to be created during the first phase of the plan, and companies and individuals covered by the professional tax will pay it at the same rate next year.

Training facilities are being improved and export-processing zones in major industrial centres are on the anvil. However, greater attention should have been paid in the budget to the agricultural sector in view of the province's economic structure. PNR 656 million is, however, allocated for 40 farming development projects during the new financial year, aimed at improving per acre yield, achieving food security and reducing edible oil imports. PNR 2.3 billion will come from the federal government to mitigate the impact of drought. Improving irrigation is also an objective, though in view of high input costs, relief should have been given to farmers along with steps to improve production infrastructure and the marketing of crops to meet the WTO challenge.



Sindh

Like Punjab, Sindh's economy is also largely dependent on agriculture, although industry together with forestry, mining, fishing, shipping, and livestock also play important roles. The province's agricultural productivity increased substantially after 1961 thanks to agricultural research and an improved irrigation system that relieved water-logging and salinity. More recently, however, the public and political leadership of Sindh has warned of water shortages and the discriminatory nature of new and proposed water-related projects, such as the controversial Kalabagh mega-dam and the military government's recently launched Thal Greater Canal project. The soil of Sindh is plastic clay deposited by the Indus that develops into a rich mould with water but degenerates into desert without it.

Wheat (2.7 million metric tonnes), cotton (2.3 million metric tonnes), rice (1.8 million metric tonnes) and sugarcane (16 million metric tonnes) are the most important cash crops of Sindh, with secondary crops including barley, gram, pulses, rape-seeds, mustard and maize. The province accounts for a substantial part of the country's entire raw cotton production and is home to many cotton factories. The irrigation system in Sindh is well developed and relies on Indus water.

In addition to farming and agriculture, livestock and cattle breeding and poultry farming are also important economic activities in Sindh. In Thar and Kohistan, the population depends on livestock, and the province plays an important role in the inter-provincial trade of cattle.

At the time of Pakistan's independence, Sindh had virtually no manufacturing industry except for one large cement factory, a textile unit and a few odd manufacturing plants. Large-scale manufacturing began in the early 1950s with the imposition of quantitative controls on imports, which at that time consisted predominantly of manufactured consumer goods. Due to its location, investment in energy production, development of port facilities and improvement of infrastructure, Karachi witnessed vigorous growth in the fields of manufacturing, textiles, chemicals and pharmaceuticals, helping to convert Sindh into an industrialised region. Cement, automobiles, steel and most of Pakistan's other industrial output are today still produced in the factories of Karachi, Hyderabad and Sukkur. Pakistan Steel, the country's only steel mill, is also located in Sindh.

The industrial census of 1984-85 showed that Sindh, excluding Karachi,

accounted for only 10.6 percent of Pakistan's fixed industrial assets and 12.7 percent of its gross manufacturing output. The latest available data on industrial distribution indicates that 45 percent of Pakistan's fixed industrial assets are located in Karachi and account for 40 percent of the country's gross manufacturing output

Sindh's geology is composed primarily of sedimentary rock alluvium and desert sands, and there are only a few minerals of economic importance. There are, however, some oil and gas fields in Sindh. Four oil fields in Badin under a joint venture with the UTP Inc company account for about half of the total quantity of domestically-produced oil in Pakistan. Sindh also has coal deposits near Thar, which the provincial government intends to develop for power generation.

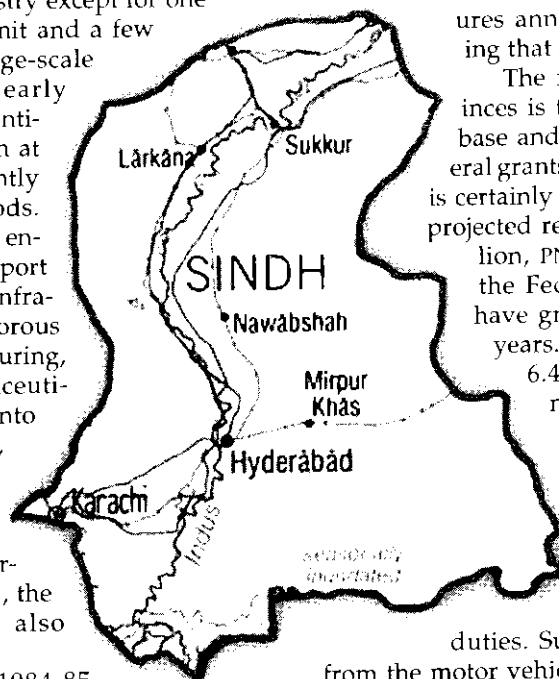
The economy of Sindh has suffered from the aftermath of 11 September, the drought and the resultant fall in agricultural production, the recurring sectarian violence and the declining trend in trade and investment. Administrative corruption was set to make the life of the common people of Sindh miserable before the government of Sindh imposed fairly successful financial discipline on itself. Unpaid dues to the tune of PNR 20 billion were recovered in 2001-02 and the province's debt to the State Bank was repaid in full. Proper financial management has helped the government draw up a PNR 93 million surplus in its 2002-03 budget.

The revenue expenditure of PNR 84.9 billion for the new fiscal year signifies an increase of 9 percent over the outgoing year's revised estimates. What is more significant is that the development outlay of PNR 14.4 billion shows a jump of 44 percent over last year's figures.

These increases are much more than the figures announced in June 2001, suggesting that economic activity is picking up.

The main problem facing all provinces is the inelasticity of their revenue base and their over-dependence on federal grants and of the divisible pool. Sindh is certainly no exception. Out of this year's projected revenue receipts of PNR 64.4 billion, PNR 55.9 billion will come from the Federal Tax Assignments, which have grown at a modest rate over the years. In 2002-03, the increase will be 6.4 percent. Provincial tax revenues account for only a small part of Sindh's income. As a result of the slowdown in economic activity, there was a marked decline in revenues under some heads, such as transfer of property taxes, professional taxes, and stamp

duties. Surprisingly, the increases came from the motor vehicle tax and the higher collection from health services.





Although social justice demands that agricultural income be taxed, the big landowners have been let off lightly. In fact, the budget estimates for 2001-02 agricultural tax income (PNR 700 million) registered a fall from the revised estimates for this year (PNR 550 million). With land revenue taxes having been abolished in 1999-2000, the landed aristocracy is having a field day. The government has now announced its decision in principle to abolish the motor vehicle tax (though it is shown in the budget), which will be replaced by a "revenue neutral" road user charge on fuel, the plan for which has yet to be announced. No new taxes have been imposed, although indirect taxation has not helped eliminate poverty, which the government claims to be its main priority.

The biggest chunks in the 2002-03 budget will be claimed by the administration (PNR 18.7 billion), debt servicing (PNR 18.33 billion) and the education sector (PNR 18.32 billion). The experiment in devolution, which has involved setting aside 70 percent of development funds for district governments, has yet to prove its efficacy. Given the resource constraints, the government's task of financial management is undoubtedly challenging. However, the Sindh government has signed a USD 300 million development loan with the World Bank, which has agreed to charge only 1.5 percent interest. The money will be utilised to complete ongoing and new development projects and will give a boost to the agri-economy of the province. Meanwhile, according to the *Dawn* newspaper of Karachi, nearly 50 percent of rural Sindhis live below the poverty line.

NWFP

NWFP has large potential for hydroelectric power generation and distribution with its many rivers and streams. In the last week of June, the Water and Power Development Authority (WAPDA) released PNR 4.3 billion net hydel profit share of the province to alleviate economic constraints, thus raising the total amount the NWFP received so far under this head to PNR 6 billion. This is the capped share amount, which the province has been receiving for the last decade.

Agriculture plays a vital role, with 80 percent of the population directly or indirectly dependent on farming. Various provincial agencies are working together to improve living conditions of the farming community by helping it achieve self-sufficiency in food production and export surplus yields. The soil in NWFP is fit for growing seed and plant varieties, and the agriculture extension department of NWFP has established 10 model farms to produce seeds of wheat, gram, paddy, maize, sugarcane,

pulses and oilseeds. NWFP's potential could help save farmers from WTO rules that give monopolies to and favour multinational corporations on the production of seed and plant varieties.

NWFP terrain is suitable for horticulture as the province is blessed with a large number of unique and diverse agro-ecological zones. Fruits and vegetables are produced in bulk in the province and orchard-cultivated areas have increased dramatically in recent years. The production of fruit and vegetables has grown from 256,880 tonnes in 1985-86 to 493,041 tonnes in 1997-98. The province is also rich in mineral resources, and deposits of about 51 different minerals have been identified in NWFP.

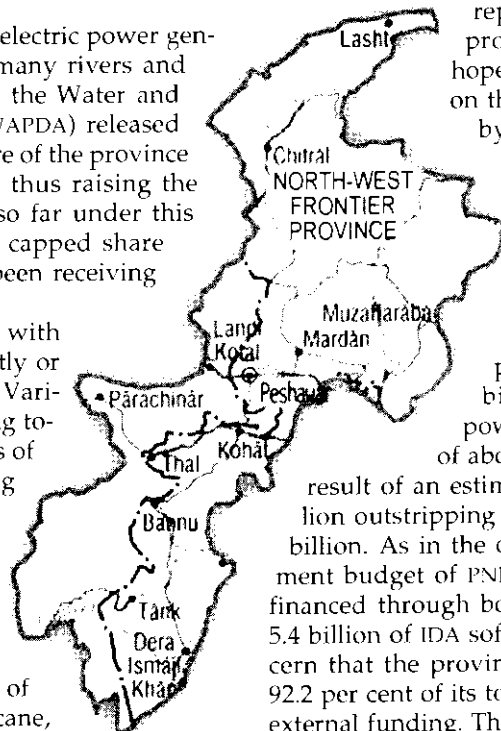
NWFP ranks third among Pakistan's provinces and territories in terms of industrial development. The 1984-85 industrial census shows that the province accounted for only 7.5 percent of fixed national industrial assets and less than 7 percent of gross industrial output at that time. However, these shares may have increased modestly in the interim years in response to a number of schemes to promote the development of small and medium enterprises. The most important industrial branches in terms of output value are food and tobacco processing, textiles and garments, non-metallic minerals and cement. The provincial government in Peshawar is keen to attract business from elsewhere into the province and offers various incentives like income tax exemption, duty and sales tax exemption, rebates in electricity tariff, and public-private joint ventures. Special incentives have also been given to investors for the Gadoon Amazai Industrial Zone.

The 2002-03 budget for NWFP is a repeat of previous budgets, and the province appears to have given up hope of reducing its fiscal dependence on the Centre after being disillusioned by Islamabad's failure to fully honour what is known as 'the AGN

Kazi formula' of sharing the net hydroelectricity profits from the Tarbela dam in the Indus. A built-in budgetary deficit of nearly PNR 13 billion is included in the budget and the province expects a shortfall of nearly PNR 10 billion in its income from hydro-

power profit share. An overall deficit of about PNR 3 billion has emerged as a

result of an estimated expenditure of PNR 48.6 billion outstripping the estimated income of PNR 46.8 billion. As in the outgoing year, the entire development budget of PNR 13.7 billion was proposed to be financed through borrowed resources, including PNR 5.4 billion of IDA soft loans. It is a matter of great concern that the province continues to raise as much as 92.2 per cent of its total revenue receipts from federal/external funding. This is the reason why the province's



Profile

debt servicing allocation has risen year after year, and shot up to PNR 8.7 billion in 2002-03 by PNR 440 million over last year's total.

One only hopes that the next NFC Award, which is expected to be based on a new formula of weightages, besides giving due consideration to the population of each province, will offer the smaller and relatively backward provinces of NWFP and Balochistan a larger share in the divisible pool. It would be appropriate for Islamabad to consider, when reviewing the present NFC award formula, emulating the distribution formula it has devised for resource distribution between the provinces and the local governments. This formula assigns a 50 percent share to population, 25 percent to backwardness and 25 percent to the state of infrastructure. It is on this basis that, like in other provinces, the NWFP budget proposes to distribute funds to local district governments out of its Provincial Allocable Amount, which is 60 percent of the total provincial receipts.

Balochistan

Like the other three provinces, agriculture and livestock are the most important economic sectors in Balochistan. Though only 4.6 percent of the total land is cultivated, agriculture has a major share in the province's economy. Water shortage and drought have hit the province and its people badly, creating food insecurity. Approximately 60 percent of total cultivated area is dry land agriculture, with wheat being a major crop. Off-season vegetables are also grown in some parts, and fruit and dry fruit production plays an important role in the economic activity of the province. Balochistan can be divided into four agro-ecological zones, including the uplands, plains, coastal zone and desert zone. Animal husbandry is the mainstay of Balochistan's rural economy, with the breeding of sheep being the speciality of herdsmen.

Four major industrial estates at Hub, Winder, Uthal and Quetta have been designed with a view to providing infrastructural facilities to would-be industrialists. A total of 250 industrial units are functioning in these estates. The major industries include textiles, engineering, food chemicals, plastics, leather, power generation, consumer goods, fisheries, fruit processing, minerals and ship building. By most indications, Balochistan is the least industrialised province of Pakistan. It accounts for a mere 2.7 percent of the country's fixed industrial assets and 2 percent of its gross industrial output, at least at the time of the industrial census of 1984-85.

Balochistan also has substantial mineral, oil and gas

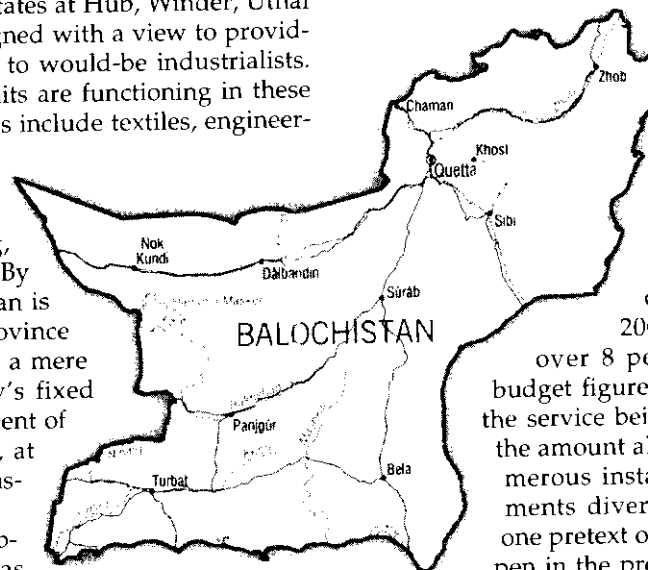
reserves which have not been exploited to their full capacity. The province has significant quantities of copper, chromite and iron, and pockets of antimony and zinc in the south and gold in the far west. Natural gas was discovered near Sui in 1952, and the province has been gradually developing its oil and gas projects over the past fifty years.

Balochistan's budget for fiscal year 2002-03 includes outlays of PNR 29.8 billion, which is 8.6 percent higher than the previous year's figure of PNR 27.4 billion. No new taxes have been proposed, and the budget has a large deficit of PNR 3.4 billion – almost 11 percent of the estimated revenue receipts. In fact, compared to the previous year, projected revenue receipts for 2002-03 are estimated to fall by some PNR 900 million to PNR 26.4 billion, in part because in 2001-02 seven local taxes were abolished. Nevertheless, the provincial government's aim of increasing self-reliance does not seem to have been achieved since it continues to be heavily dependent on Islamabad for financing. Around 90 percent of its revenue receipts are made up of federal transfers, including around PNR 6.2 billion coming in the form of subsidies or grants.

For 2001-02, the education allocation was more than doubled in absolute terms – from PNR 542 million to PNR 1.2 billion, but that does not amount to much when illiteracy in the province is considered, especially among women. The provincial finance minister has praised his government's focus on socio-economic development and said that an increase in development spending from PNR 7.9 billion to PNR 10 billion for 2002-03 was ample proof of that. However, given that this increase is close to the size of the projected deficit for 2002-03, it remains to be seen whether all of the expanded development priorities will be met. The reason for scepticism is that since the deficit is to be bridged by a higher-than-expected allocation from the NFC or by a federal grant, either of these pledges may fail to materialise.

One way of financing development without resorting to handouts from the Centre would be for the provincial government to trim its own expenditures. That, however, has not happened. Compared to 2001-02, what the government plans to spend on its own functioning in 2002-03 shows an increase of

over 8 percent. Like GNP statistics, budget figures do not show the quality of the service being provided – they only tell the amount allocated. There have been numerous instances in the past of governments diverting development funds on one pretext or another. This must not happen in the present case. ▽





The long wait for Pakistani television

Propagandistic and slow-moving PTV has long represented Pakistan's face to the world even as the Hindi satellite channels carve out a Sub-continent-wide footprint for themselves. Some of this may change, with private satellite channels coming online.

by **Beena Sarwar**

Pakistan was carved out of the Indian Subcontinent in 1947, born of a complex set of circumstances that have lent themselves to the controversy of whether it was meant to be an 'Islamic state', or a liberal, moderate Muslim nation built upon democratic principles. This confusion has also dogged the media policy of successive governments. The founder of Pakistan, Mohammad Ali Jinnah, declared that religion has nothing to do with the business of the state, but this view was literally censored shortly after his death in September 1948. The struggle to make public this perspective has been part of the battle of ideologies in Pakistan, and is reflected in the media.

Sections of the Pakistani press have put up a fight for democratic principles and editorial independence, but much of the media, especially radio and television, have largely toed the government's line, particularly on foreign affairs and domestic policies. This is thrown into sharp relief during times of conflict when 'national interest' is more 'paramount' than usual. Landmark instances include the 1965 war with India, the Baloch insurgency of the 1970s, the 1971 war with former East Pakistan, and the Zia years (1977-88) when there was strict censorship in any case. After the supposed restoration of democracy in 1988, the press generally played a more independent role, although this has been severely tested, as always, during conflict situations like the nuclear tests of 1998, the Kargil crisis of 1999, in post-9/11 events and the subsequent, ongoing tension with India.

Pakistan Television (PTV) was set up in 1964 as a public limited company with the government holding a controlling stake, pushed through by President Field Marshal Ayub Khan's recognition of its propaganda potential in his bid for a second presidential term – an objective of which the original managers of PTV were unaware. Since then the state's utility of it as a propaganda tool has outweighed the stated objectives of providing information and entertainment.

The propaganda model was strengthened, and the process of ideological indoctrination accelerated, after General Zia-ul Haq's military take over in 1977. The religious parties, already pandered to by the previous government of Zulfikar Ali Bhutto, were further encour-

aged to create a constituency for the military usurper, counter the movement for democracy, and build a base for the war in Afghanistan in which Pakistan was a frontline state. The increased use of religion as a political tool also led to an increase in religious programming and content in the media.

The media policy, pegged firmly on an ideological frame during the Zia years, largely continued to be aggressively followed after the dictator's death in 1988. Pakistan's 'moral and diplomatic' support to the uprising in the Kashmir Valley included stepping up the propaganda against New Delhi. News bulletins in Arabic and Kashmiri were added. The first Benazir Bhutto government attempted to open up cultural expression, but such efforts drew a storm from the religious groups that had been strengthened during the Zia years. Other attempts, such as establishing fairer ground rules for presenting government and opposition views, were subverted because the government was forced to make political compromises with the military establishment.

After Benazir Bhutto's government was prematurely dismissed, Gen Zia's political protégé Nawaz Sharif was sworn in as prime minister following general elections in 1990. Sharif's Muslim League, which had protested vocally about being excluded from the airwaves during Bhutto's tenure, predictably practised the same policies when in power between 1990-93. The process of accelerated indoctrination was revived, one symptom being the reinforcement of the *dupatta* policy whereby female presenters were required to cover their heads. Sharif was dismissed in 1993, and the subsequent general elections returned Benazir Bhutto to power. As one analyst observed, in her second term, Benazir Bhutto was more "proprietary" over the media, and one calculation shows that in the first four months of 1995, PTV news gave the opposition only 5 percent of the coverage given to the government. There was complete black-out of all criticism of government policies.

By contrast, Sharif's second tenure was marked by a more sophisticated media style. Question Time in Parliament, including criticism of government from the opposition benches, was relayed and PTV launched a programme called 'Open Forum', in which ministers and officials were subject to questioning by members of



PTV's Khabarnama news programme: what's with the competition?

the public. In substance though, little had changed. While the second Nawaz Sharif government had recognised that too much propaganda could be counter-productive, it showed no sign of surrendering control in this key area.

Zia to Musharraf

In the era of globalisation, market forces prevailed on the cultural censorship of television and the strictness that had long outlasted Zia was relaxed as a result of a strategic review of PTV's falling popularity and, consequently, growing debt. PTV was losing precious advertising revenue to the increasingly popular Hindi channels from across the border. Added to this was the financial mismanagement that had become a hallmark of the corporation. The government had an idea of establishing a broadcast regulator to issue licenses to and regulate the activities of private broadcasters, but this idea came a cropper as Nawaz Sharif decided to respond to the Hindi challenge instead by launching 'PTV World' in 1998.

Meanwhile, his government reacted strongly to the attempts of the country's largest publishing house, the Jang Group, to launch Geo, a satellite channel that would have 24-hour news and current affairs programming. The controversy that erupted was a messy one, ostensibly over old income tax cases dragged up against the Jang Group, and the Group appealed to the Supreme Court with journalists' organisations up in arms. Hostilities were finally settled out of court and although the terms of the ceasefire were never made public, the government stopped pressuring the group to sack or sideline specific senior journalists, withdrew the tax cases it had had slapped on the Jang Group and restored the Group's newsprint quota and government advertising. The Group stopped its public campaign against Sharif and his functionaries, and quietly, in-

definitely, postponed the launch of the new channel.

When the Sharif government was again dismissed in October 1999, this time not by presidential ordinance but a military coup similar to the one that had ousted Zulfikar Ali Bhutto, it was a secular-minded Chief of Army Staff, unlike the religiously inclined like Zia, who took over the reins of power. In fact, Gen Pervez Musharraf, who took on the title of 'Chief Executive' and later, President, is a self-proclaimed liberal who makes no bones about wanting to rid the country of religious extremism. But his stated objective remains in mid-2002 unfulfilled and the resulting ambiguity, with all its inherent dangers, continues to be reflected in the media.

Gen Musharraf may have been the first head of state to formally acknowledge the need for private and independent radio and television channels in Pakistan but PTV remains firmly in the government's control. Packed with bureaucrats, some unknowns, and two isolated private sector representatives, the television station's board remains unwieldy. Unless measures are taken to inject fresh, professional blood into the corporation, it is unlikely that PTV will be able to stand up to the competition provided by private channels now in the pipeline.

Although until just last year it seemed unlikely that a private terrestrial channel would be allowed, the Federal Cabinet in January 2002 formally approved the text of an ordinance to create an autonomous regulatory authority for independent electronic media. First initiated in April 2000, the authority was originally rather ominously christened 'Regulatory Authority for Media Broadcast Organisations' (RAMBO); it has subsequently been renamed the Pakistan Electronic Media Regulatory Authority (PEMRA). An autonomous Media Regulatory Authority was created under the PEMRA ordinance to award licenses for radio and television channels in the private sector.

For the first time in Pakistan's history, channels will operate outside government control from Pakistani soil and they might well challenge the very existence of a PTV over which the government's grip has tightened. However, the ordinance has been criticised for containing clauses that are biased against large print media groups. In fact, "these clauses have been inserted specifically to keep the Jang Group out, while media buying companies, like advertising agencies, have been given a go-ahead", asserts Imran Aslam, chief strategist for Geo, the group's satellite channel.

The private channels

It might appear that there is suddenly a great deal of freedom of information in Pakistan today, but this is an illusion that hinges on a new-found freedom for the media to criticise the 'jehadi' groups in the wake of the government's u-turn on its Afghan policy and its apparent dissociation from religious militancy, post-9/11. Media freedom begins and ends there, though.



An example of the strict control on the state-run media was when in September 2001, soon after terrorist strikes in the US, a short news film, showing a protest against Gen Musharraf and US President Bush, was telecast from the Tando Allahyar relay centre in Sindh, apparently by accident. The PTV management suspended the entire technical staff at the station for violating the policy against covering anti-government unrest.

The government's policy appears to have changed in a minor way: some dissent is now allowed on the talk shows that are broadcast on PTV. This may owe to the competition that emerged in the form of two new Pakistani-owned satellite channels, Indus Vision in Karachi and ARY Digital in London, that began broadcasting Urdu language news and current affairs programmes in the fall of 2001.

Indus Vision began test transmissions in December 2000, with an uplink provided by PTV. Permission for the channel to begin operations in Pakistan is believed to have had a lot to do with the identity of its then major investor, Shaheen Foundation, a charity run by retired Pakistan Air Force officers. Shaheen eventually pulled out for various reasons, but the channel attracted enough private investment to jump into the independent news and current affairs fray in October 2001, with a half hour Urdu news bulletin. In this, it was given a vital push by what Ghazanfar Ali, the Director, terms the '*halla gulla*' (commotion) that followed the US-led bombing of Afghanistan. PTV provided temporary uplinks for news broadcast by foreign channels like BBC and CNN, and at that point the government couldn't very well refuse Indus Vision. This was the first time a channel based in Pakistan was allowed to broadcast news and current affairs.

London-based ARY Digital began test transmissions in August 2001, with an initial uplink from its UK base. The satellite channel, which bought into the company Assalam-o-Alaikum Pakistan, has subsequently been able to uplink from Pakistan. Its regular programming, which started in September 2001, also received a boost with the war in Afghanistan. "We are the number one channel in the country", says SM Shakeel, ARY Digital's Senior Reporter based in Karachi. According to him, there is no pressure of any kind from the Pakistani government, and the news and current affairs programmes enjoy complete editorial independence. However, the channel's attempt to please the authorities was evident in the way Gen Musharraf was eulogised as 'leader' and 'statesman' when, in April, the channel carried the news of the May referendum.

Long before the current crop of private channels had come up, in 1989, a private limited company named Shalimar Recording Company had been allowed to operate a television channel amid allegations of nepotism. The owner of what came to be the Shalimar Television Network (STN) happened to be a friend of then-Prime Minister Bhutto's husband. STN was fifty per cent government-owned and it gained viewership by

The other electronic media

Government-owned Radio Pakistan, the country's first broadcaster, began transmission at zero hour on 14 August 1947. The station was converted into a corporation in 1973 (now the Pakistan Broadcasting Corporation Act under a 1993 law), but continued to maintain its call sign of Radio Pakistan. Its board is autonomous in budget and expenditure matters, but "a director can be removed at any time by the government". Furthermore, the powers of the Board can be delegated to the Director-General, who also holds office at the pleasure of the government.

The advent of television in 1964 overshadowed the popularity of radio, but the less glamorous broadcaster still reaches a larger section of the population than television: its coverage is 95 percent of the Pakistani territory, according to the Pakistan Economic Survey (2000-01). The advent of the privately-owned FM 100, although initially devoid of political content and dedicated almost exclusively to glamour and entertainment, did a lot for the revival of radio, particularly in urban areas.

virtue of broadcasting some BBC and CNN programmes, including news bulletins. However, STN's autonomy was compromised by being obliged to carry official PTV news bulletins and it has not been able to make much headway today as the other private channels enter the fray. It is however, the third largest channel, covering all the major cities and metros through its 13 transmitters, which can broadcast independently. Today it has practically no programming, and is currently hooked to PTV World.

The privately-owned satellite channels in Pakistan include Indus Vision and its music channel, Indus Music; ARY Digital; and Uni Plus, owned by the Din Newspaper Group, which focuses on music videos.

Besides STN, there are also several privately owned cable networks including Shaheen Pay TV and Info-highway (owned by the Jang Group). A host of private cable operators provide services in the major cities. These operators worked informally until May 2000, when they were legalised and issued licenses by the Pakistan Telecommunications Authority (PTA). Since then, a wider range of information and entertainment has been legally available at far cheaper rates. In September 2000 the government responded to criticism from the religious right that cable operators were corrupting impressionable young Pakistani minds by making it mandatory for them to transmit PTV news broadcasts and religious programming. Meanwhile, Indian TV channels also operate through associates within the country. However, tensions between India and Pakistan often result in Indian channels being banned or blocked.

Amidst this plethora of private and foreign channels available to the Pakistani viewer, it would be wrong to write off PTV. There are said to be about 4 million

television sets in Pakistan and more than 40 million adult consumers of terrestrial television, which gives PTV by far the highest viewership in Pakistan by virtue of its high degree of penetration. PTV has a daily broadcast of about 12 hours, the satellite channel PTV-3 (beamed on Thai-Sat Com) has a daily broadcast of about seven hours and PTV World (beamed on Asia-Sat) is a 24-hour channel. In addition, there is Prime TV, which caters to Pakistanis settled in Europe, launched in June 2000. As happened in India, where the state broadcaster Doordarshan improved its programming and image when private competition was allowed, PTV may also be able to extricate itself, even partially, from the grasp of the administrators.

Relative openness

As the only source of Pakistani news and current affairs programming until October 2001, PTV has periodically tried to update its stodgy, governmental image. In October 2000, the corporation introduced its own current affairs and news channel, including an unprecedented live political interview series. During the SAARC Information Ministers' Conference in Islamabad in March 2002, to the astonishment of viewers, PTV even broadcast a live interview with the Indian Information Minister Sushma Swaraj.

While discussing the degree of freedom of expression in the government-controlled electronic media since the present government took over power in October 1999, Gen Musharraf's one-time information minister, Javed Jabbar, finds several issues on which opinions critical of the present government's policies and programmes have been broadcast by PTV and Radio Pakistan: the devolution of power; the state of the economy and rising prices; the poor quality of law enforcement; the arguments against signing the Comprehensive Test Ban Treaty; the accountability process; the Kalabagh Dam debate; government policies on education; aspects of culture; social and developmental issues; and, aspects of governance.

Says Jabbar, "The expression of such critical opinion takes place in current affairs programmes, talk-shows, sometimes even in Khabarnama, in lines spoken by characters in plays, as an aspect of satire in entertainment shows. However, because radio and TV omit coverage of the words and actions of political leaders and others who are harshly critical of the Chief Executive and of the government, the predominant conviction in the minds of most Pakistanis is that there is neither pluralism of opinion nor credibility in the political and general content of our electronic media".

Since 9/11, there has been an increased openness due firstly to the need to convince Pakistanis that the government's u-turn in its Afghanistan policy was a correct and necessary move, and secondly, to the increased demand for news displayed through the increased popularity of channels like BBC, CNN, Star and Zee News. However, regional and sectarian conflicts

within the country are still reported as aberrations, notes media critic Sarwat Ali: "The ethnic situation within Pakistan is presented as if all are brothers, living with equal rights in one country and whatever little conflict there is it is because of some miscreants or agents of the neighbouring country". Ali does see that there have been changes, however: "The content of the news has remained more or less the same with TV serving as a mouthpiece of the government, but the scope of the debate presented has widened".

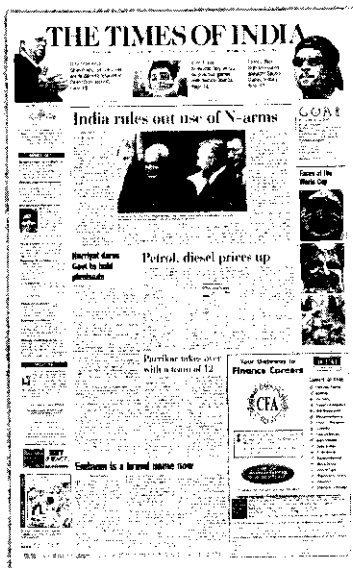
Indus Vision and ARY Digital have to walk a fine line in their news and current affairs programming, in spite of being private broadcasters. The Indus slogan 'Freedom with responsibility' is an indication of how acutely aware the management is of the limitations that come with its license to function. There is an awareness that certain things are not to be touched. Neither channel would talk about the Inter Services Intelligence openly, for example, or broadcast comments by politicians that criticise the government. Any private channel that is dependent on PTV for uplinking, such as Indus Vision is, is at the mercy of the government and that will undoubtedly affect its professional freedom.

What can be expected of the evolving television media of Pakistan? A look at the larger media picture shows that the state-owned electronic media and the Urdu press of Pakistan uphold a conservative view that has been appropriated as the 'ideology of Pakistan'. The independent print media, particularly the English and Sindhi language press, have maintained a relative freedom of stance. Given the demands of the population for more and better news and entertainment on the one hand, and the constant presence of Indian (Hindi) satellite channels beaming down on its territory on the other, the Pakistani state has no choice but to allow more freedom to the private channels and the state broadcaster PTV. The evolution of Pakistani television will therefore depend upon the professionalism and circumspection of the new players and the government's willingness to take a long-term vision on the power and potential of terrestrial and satellite television.

At the very least, it can be said that Pakistani television is in for a change. When that happens, with professional and credible output, perhaps the rest of South Asia will also begin to spare some time for satellite programming from Pakistan the way they do today for channels uplinked from New Delhi.

Government-owned Radio Pakistan broadcasts a total of 302 hours daily from 23 stations around the country, reaching a wide domestic and international audience on medium and shortwave bands. The country's first private radio station, FM 100, became operational on 23 March 1995. Owned by Assalam-o-Alaikum Pakistan, FM 100 operates from the metropolitan areas of Karachi, Lahore and Islamabad, and is also backed by Radio Pakistan's high frequency stereo transmitters. In October 1998, the government also set up FM 101, which broadcasts 24 hours from three stations. ▽

THE TIMES of India started it, and the landslide soon carried away all the Delhi news-papers. The size of the Indian National English Dailies (INED) suddenly came down from broadsheet to near tabloid size. What this does is bring down costs for publishers dramatically. You use less paper, and the narrowed space means that you print fewer articles, and spend less on ink, reporters and opinion pieces. An 1100-word editorial page piece now has to be managed within 800. Possibly the one category to lose out in this reshuffle is the reader. But we will all adjust, we will all adjust. Less think in print media and more television all around.



IN JANUARY, Pakistani publishers were disallowed from attending and opening stalls at the World Book Fair in Delhi. Even if they had got the visas (they were denied), they would have had difficulty coming over given the snapping of rail and air links between India and Pakistan. Subhas K Ghai of the Federation of Indian Publishers is hopeful that the Indian government will be more circumspect the next time around, so that up to 50 Pakistani publishers may attend. The Pakistani presence tends to be a bonanza for Indian bookworms for the high-quality Urdu books it brings in, as well as the quality English output from publishers such as OUP in Karachi and other imprints such as Vanguard, Paramount and Liberty. The Pakistani distributors also take back with them a fairly large stock of Indian books, picked up at good discounts at the book fair. For the direct and indirect sharing of knowledge that all book fairs represent, which is what ultimately leads to peace and harmony, the New Delhi authorities may consider extending a welcoming hand to Pakistani delegates for the next *kitaab mela*. If New Delhi wants to host the premier book fair in the Subcontinent, this is the way to begin.

YOU WILL not have me believing that the Central Bureau of Investigation's raid into the offices of Tehelka.com on 26 June was 'coincidental' with a crucial hearing in which the dotcom's chief editor, Tarun Tejpal, was to testify before the Venkataswamy Commission. (This commission was set up to investigate the corruption scandal uncovered by the website in March 2001 that implicated Defence Minister George Fernandes and Bangaru Laxman, then president of the BJP, in arms deal corruption.) Neither will you have me believing that Alex Perry of *Time* magazine was hauled in by the Immigration Department in New Delhi in a matter unconnected to his magazine write-up which supposedly displays Prime Minister Atal Behari Vajpayee in a bad light (shot of whisky in the evening,

a sep-tuagenarian dozing off in the afternoon, what's wrong with either?). Of course, these were attempts to harass and silence journalism. In a Subcontinent that is generally devoid of investigative journalism, this was an attempt to cow down those who try to deviate just a bit from the straight and narrow path of *haanji-journalism*. The real point of concern is that the authorities (politicians and bureaucrats) are oblivious to the obvious perception of harassment – they seem not to care. Lastly, if such is the case of celebrated national and expat journalists who have the run of drawing rooms inside the Ring Road, what of poor hacks all over who try and do real reportage come what may. No wonder investigative journalism – *khoj patrakarita* – is in such

short supply.

IN NEPAL, the press is coming under pressure from a quarter quite different. The country is in the middle of a state of emergency, the Maoists are about and the military is out of the barracks to tackle them. The mainstream press has been cowed into submission by the emergency and other regulations, but the fact remains that it has not put up a fight, nor tried too hard to expand the envelope within which it functions. And it is the 'national' journalists who are found wanting, whereas those in the *mafasal* (spelt mofussil elsewhere in South Asia) are more vulnerable both to the Maoists and the military. Meanwhile, journalists who may be termed 'Maoist supporters' are being caught in the net of the security forces and, in some instances, have 'disappeared'. Krishna Sen, a Central Committee member of the Communist Party of Nepal (Maoist) and former editor of the far-left tabloid *Jana Aastha*, was taken by armed men in civilian clothes on 20 June. He was subsequently delivered dead, apparently having been tortured, to his family. As Reporters sans Frontieres declared from Paris, "The death of a journalist under torture, even if the latter supported the Maoist movement, can in no way be justified by anti-terrorist war".

THIS ARRIVED in Chhetria Patrakar's email inbox, titled 'Beware of Media' and signed 'Ashok Sharma':

PRINT AND TV MEDIA – beware of this dangerous enemy!

It is amazing how with all this threat of catastrophic nuclear battles in days to come with total death of all of us, the media, as if under a spell or bewitched, refuses to move out of the rut. It would not move to play the monster down. Whereas it should be obligatory for media to point out and expose the stuff and dirty games of governments and has a social responsibility to expose

all fallacies, remove distempers of society and bring to light that which is good for the society.

Now good and honest reporting of what is critical and urgent issue for the world has to first suit the choice and policy of the media. The availability of time and leisure of the editors and chiefs so that it should not interfere in what they wish to do at their own will and choice. We do not know how would they react to a certain situation that may arise for many considerations shall come between what can be done and should be done and what they choose to do.

Media has become a sly autonomous body which is too prone to criticise the world but resents the least aspersion on its own integrity. Too autocratic now to be a safe companion for us. Is it not ?

TIBETAN SPOKEN in Pakistan? But of course. The Balti are a Tibetan-speaking people, but their Tibetan script has long been lost. Thanks to Sid-dharth Varadarajan of the New Delhi-based *Times of India* for bringing to light the story of the effort to reintroduce and revive the script in far-off Baltistan. Writing from Skardu, Varadarajan reports, "In what must be one of the most improbable attempts at linguistic revival anywhere in the world, the Tibetan script is slowly making a comeback in this corner of Pakistan-occupied Kashmir, fighting not just the cursive dominance of Urdu but also the suspicions of mullahs and officials who feel both Islam and Pakistan might be undermined". Balti is a language of the Tibetan-Ladakhi family, spoken by more than three lakh people of this region. Says Syed Abbas Kazmi of the Baltistan Cultural Foundation, "We are the only people in this region to have had our own script since the sixth century AD, but due to the narrow-mindedness of the mullah class people were told to stop using Tibetan. Persian alphabets were not suitable (for us). Many Balti words could not be written and hence our language became like a stray animal, our prose and poetry withered". The reintroduction of the Tibetan script has been in the works since 1999 with the support of the Aga Khan Cultural Services Pakistan and the London-based Tibet Foundation.

AS PART of a chain email letter, I was the worthy recipient of 108 names of Lord Ganesh. I will not inflict the entire chain on you, but have chosen to share, in alphabetical order, just a few. Clearly, here is someone (i.e. Ganesh) who can be nominated President of South Asia for the meritocrat he (i.e. Ganesh) clearly is. Anantachidrupamayam: Infinite and Consciousness Personified

Avaneesh: Lord of the whole World
 Bhuvanpati: God of the Gods
 Buddhinath: God of Wisdom

- Devavrata: One who accepts all Penances
- Devendrashika: Protector of All Gods
- Kaveesha: Master of Poets
- Prathameshwara: First Among All
- Varaganapati: Bestower of Boons
- Vighnaraja: Lord of All Hindrances
- Vishwaraja: King of The World
- Yashvasin: Beloved and Ever Popular Lord
- Yogadhipa: The Lord of Meditation

DRINK TEA for stronger bones, said the Reuters feature in the *Times of India*. And who does the *TOI* have sipping a cuppa of the therapeutic brew in the accompanying picture? Danged if this is not Anuradha Koirala of the Maiti Nepal organisation in Kathmandu, the *bete noire* of all pimps, traffickers and body snatchers of the Subcontinent who would want to trade in Nepali women. I am sure Ms Koirala likes her afternoon cuppa, but should the editors go for any picture that comes out

of their photo archives when illustrating articles? Next time I have to illustrate a story on sunglasses, I will get Bal Thackeray, or perhaps even young Prince Paras of the Himalayan kingdom!

THERE IS something distressing in the "We told you there would never be a nuclear war" admonitions that came the way of the anti-nuke wallahs as the India-Pakistan tensions finally began to subside over the second half of June. What these people mean to say is that they were always dead sure that the two countries would never go to war, and that the war if it happened would never lead to a nuclear exchange. This faith in the politico-military mind and the victory of good sense remains pathetic, as far as Chhetria Patrakar is concerned. Just because we got past this one without a conflagration does not mean that the next time around, South Asia will stop this side of the brink. Besides, the fallout of nuclear exchange would be such total devastation that even a 0.2 percent possibility of nuclear exchange should be considered shockingly and inexcusably high. However, our strategicians, media heavyweights and politicians seem to be willing to live with as high as 25 percent chance of nuclear war. This is why we should call this The Subcontinent of the Mediocre.

AND NOW here is a Discussion Paper, put out by the South Asia Watch on Trade, Economics and Environment, and the riveting title reads, "Sanitary and Phytosanitary (SPS) Measures in SAARC Countries". The 43-page report has a list of 73 acronyms (including US = United States, MOH = Ministry of Health, ALARA = As Low As Reasonably Achievable...). I can sort of make out that this report has to do with laws and standards regarding food quality control and contamination

Drink tea for stronger bones

CHICAGO: Czech researchers who analysed the chemical composition of tea and found that it contains compounds that may help to strengthen bones. The researchers found that the polyphenols in tea, which are antioxidants, may help to prevent the loss of bone density. The study was published in the *Journal of Bone and Mineral Research*.



The relationship between tea drinking and bone formation and bone loss. Inger Christensen is a scientist who has a close relationship with tea in Penance and normal health.

A green tea, which is antioxidant and anti-cancer, which is partially fermented and popular in Asia while in the West, fermented black tea - often taken with milk - is usually preferred. The researchers analysed 1,000 chemical compounds that can have effects on health, the report said.

These reports speculated that the high fluoride content in tea, especially green tea, as well as flavonoids and polyphenols may help to strengthen bones.

The researchers found that the polyphenols in tea, which are antioxidants, may help to prevent the loss of bone density.

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related issues, but nowhere do I find explanation of the term 'phytosanitary', which is what this whole report is all about.

■
THERE IS a One India One People Foundation, whose charter is impressive, as it includes such laudable principles as: Total Adherence to the Constitution by All Citizens, Equality before Law, Accountability in Public Life, Justice without Delay, and Separation of Judiciary from Executive. But then I am brought up short by this one: Teachers, Judges, Writers, Scientists and Artists to be First among Equals. Uh-huh, not much egalitarianism there. And then, down here, the Charter ends with: "The creation of a first-class military and economic power, Unchallenged and unchallengeable, Living in peace with its Neighbours (! – my exclamation), And a source of strength to the United Nations". Hamara Bharat Mahaan with a human face, obviously.

■
WHEN SOUTH Asian papers dub someone a billionaire, you would presume that they mean billionaire as a person who has more than a billion rupees (INR, NPR, PNR) or taka in the kitty. No sar. When a recent Sunday special of an Indian daily decided to look at the billionaires brigade in India, they were clearly counting dollars. You can even see it in the graphics used with the article. And those who make the grade are Dhirubhai Ambani, Azim Premji, Lakshmi Mittal, Shiv Nadar and Kumar Mangalam Birla.



■
ELKE VERVOORT is studying Indology at the University of Ghent, Belgium, and wants to translate some Hindi ghost stories into Dutch. His research took him to a rationalists group in Punjab called the Tarksheel Society Bharat (www.tarksheel.com), which seeks to enlighten the public against beliefs in ghosts and miracles. That was hardly a help. And so young Mr. Vervoort wants to talk to people who do have ghost stories to share. So, anyone in India (although surely if ghosts exist they are to be found in the neighbouring countries as well) wanting to share information "about *bhuta*, *preta*, *pisacha* and all" may please send information via tellshivam@yahoo.co.in.

■
WAS INTERESTED to read *The Dawn's* online coverage on 28 June of New Delhi's decision to ban Dukhtaran-i-Millat (Daughters of the Nation). Forgive me, however, as I'm just a bit confused about what Dukhtaran-i-Millat is. Consider the two stories that appeared at the top of the *Dawn* webpage side-by-side about the banning. Story #1: "India's interior ministry on Thursday banned the radical Kashmiri women's separatist group Dukhtaran-i-Millat, which espouses a strict adherence to Islamic

tradition and has urged Muslims to wage holy war." Ok, gotcha. Dukhtaran-i-Millat is a violent militant group. But wait, consider Story #2: "Pakistan has condemned India's decision to ban Dukhtaran-i-Millat, a representative organisation of Kashmiri women seeking an end to the Indian occupation of the state of Jammu and Kashmir by peaceful means." Hmm...

■
BOMBAY FILMMAKER Anand Patwardhan once again faces obstacles from the Indian Censor Board, whose members have decided that they intensely dislike his latest award-winning documentary "War and Peace", which is a Gandhian film on the danger of nuclear war in the Subcon and an indictment of the "invisible forces" in India and Pakistan that do not want peace. "War and Peace", three hours long, won two major awards at the 7th Mumbai International Film Festival, an event organised by the Films Division of the Government of India. Here is a sample of what the Censor Board members suggest to the Patwardhan before they will okay his film for public screening: "Delete the entire sequence with visuals and dialogue spoken by Dalit leader" ... "Delete the visuals and dialogues of entire *tehelka* episode wherever it occurs in the film" ... "Delete the entire visuals and dialogues spoken by Political Leaders including the Minister and Prime Minister". To send a petition in support of Patwardhan's freedom of speech (regardless of where you live in South Asia) go to http://www.petitionOnline.com/ekta_wp/petition.html.

■
IN TIMES like these, it is important to go back to Gurudev, and read these lines from *Gitanjali* (ignoring that last reference to 'father'):

Where the mind is without fear and the head is held high
Where knowledge is free
Where the world has not been broken up into fragments
By narrow domestic walls
Where words come out from the depth of truth
Where tireless striving stretches its arms towards perfection
Where the clear stream of reason has not lost its way
Into the dreary desert sand of dead habit
Where the mind is led forward by thee
Into ever-widening thought and action
Into that heaven of freedom, my Father, let my country awake.

—Chhetria Patrakar

Scientists as shamans

After Pokhran II in May 1998, the *sangh parivar* in India wanted to distribute the radioactive sand of the Thar desert as the symbolic *prasad* of India's atomic deities. When some sensible scientists pointed out the dangers involved in the exercise, the scheme was quickly abandoned, and instead the idea of building a temple at the epicentre of the nuclear blast was floated. Better sense prevailed yet again, and the plan for the temple gave way to the enclosed open-air memorial that exists today.

In one memorable picture taken immediately after the Pokhran tests, APJ Abdul Kalam raises his hands along with fellow technocrats of India's atomic establishment accompanied by a jubilant George Fernandes and a satisfied-looking Atal Behari Vajpayee. The joy, alas, was to be short-lived for the Indian *bhaktas* of *Nucleareshwar*. Before long, the Chagai hills of Pakistan were trembling to Pakistan's own nuclear explosions. Pakistanis dutifully paraded on the streets, celebrating the arrival of Islamic science. The 'Hindu' bomb and the 'Islamic' bomb were now arrayed against each other, expressions of Indian and Pakistani boastfulness.

In reality, there is nothing 'Hindu' about the Indian Bomb, nor do the Pakistani nukes symbolise the cultural strength of Islam. These weapons of mass destruction are products of a pseudo-scientific mindset that is unconcerned about the ultimate effects of their obsessions. There can be no science without a sense of ethics and morality, but there will always be technicians who rush to fabricate weapons, ready to feed off the hubris of the ruling elite. It is the collective insecurity of the very small power elite in South Asia that transforms these purveyors of falsehood and fabricators of weaponry into angels of truth. But before getting into the messy business of exposing technofascism, I would like to debunk the myth of APJ Abdul Kalam, Republic of India's president-to-be, and the poster-boy Muslim of the likes of Deputy Prime Minister Lal Krishna Advani and Gujarat Chief Minister Narendra Modi.

The straw man

Contrary to the carefully cultivated image, APJ Kalam is no scientist, not by a long shot. Not one of his hypotheses has withstood peer review, he has not published in a scientific journal, and has not written a book in the discipline he claims to have mastered. Incidentally, he is no 'doctor' either – he got the prefix the way Mulayams of the region do – his degree is honorary. This was what made the prestigious Indian Institute of Science decline Kalam a professorship. His only formal qualification is a diploma from a technical institute, and all else in his eventful career is the result of the resolve of a marginal man to succeed in the mainstream at any cost.

The Indian media has been adulatory, describing Kalam as a scientific manager par excellence. Anyone familiar with the ways of the defence establishment in India, though, would be forgiven for suspecting this claim. The fact is that the republic puts so many resources at the disposal of institutions associated with weaponisation programmes that there is no incentive to optimise results. All that is needed is an ability to negotiate with component suppliers – the system takes care of the rest.

No one has cared to explain the exact role of Kalam in the building of the Indian Bomb or the fabrication of the missiles; for all we know, he may have been pushing files. But even if he were directly involved in hush-hush schemes, it is quite unlikely that he has anything to do other than read drawings supplied by the Russians and the French, or decipher the users' manual of the component suppliers from Germany and other west European countries. It is no secret that the Indian – and Pakistani – nuclear devices and missiles have been assembled from kits bought, begged, borrowed or stolen from countries that have the systems in place to produce such toys for the insane.

The assumption that Kalam may have been propped up by the *sangh parivar* to wash its sins of communal carnage is only partially true. A Muslim president of saffron India does give a soothing message to the world, but very few in South Asia are fooled by this empty gesture. Kalam's Muslim name is just an accident of birth.

If APJ Abdul Kalam is such a straw man, where is the need to demolish him? It is a legitimate question – after all, the office of the President of India remains largely ceremonial. To see another septuagenarian safely ensconced in the sprawling complex of Rashtrapati Bhawan on Raisina Hill should actually be vaguely comforting. Besides, Kalam the President will cause less harm to the rest of us in South Asia than he would do by being an unguided missile of the hawks in the defence establishment.

But Kalam's elevation to the highest post of the largest republic in the world signifies much more than the survival instinct of a mediocre man in a hostile environment. It heralds the acceptance of a pseudo-scientist as the new shaman of a society mired in backwardness and orthodoxy. More than Kalam's personal success, it is the trend of treating technocrats as the new saviours that merits attention. Kalam's entry into the ruling coterie of New Delhi is merely the most prominent symptom of a disease that is currently sweeping South Asia – technomania.

The process of the deification of 'scientists' started in Pakistan where Abdul Qadeer Khan, accused in the West of nuclear espionage, was worshipped country-wide as the Father of the Islamic Bomb. When Kalam did his bit, he was similarly heralded as a great son of India and promptly decorated with a Bharat Ratna in 1997, the highest civilian honour of the country. All

heads of state and government of Pakistan have hailed Dr AQ Khan for his 'major' contribution. Indians are going one better – they are in the process of making Kalam their head of state.

The technology creed

Kalam's punchline in his 13 June press-meet was dutifully repeated by media-persons, perhaps more in amusement than anything else. But if the "the nation is bigger than the individual" chant is the core value of the president-to-be of India, then the future of liberty in this region will require more careful monitoring. For, rhetorically, would Kalam have paused to reflect upon the definition of nation in the context of South Asia? Had he done so, he may have realised the pitfalls of this dangerous doctrine in a region where cultural diversity is a fact of life while the civilisational hubris is a fiction that resides in the minds of men (and a few women too, I must add) too ignorant to be plagued by self-doubt.

Not that there are no psychological explanations for the naive statement of the president-to-be. Kalam is an unmarried man, and leads a life bordering on asceticism. Such men, as Bertrand Russell shrewdly observed, pursue power with abandon, for, "asceticism stimulates power impulses". In a different context, Garry Wills opines, "A man without a wife to puncture his pomposity, without children to challenge his authority, in relations carefully structured to make him continuously eminent, easily becomes convinced of his superior wisdom".

Psychological analysis of an individual, though, is inadequate to explain the eminence granted to such men by a fawning social elite. It overlooks the social processes that give birth to the phenomenon of worshipping self-proclaimed technocrats as saviours. It does not explain why cardboard replicas of Chagai hills dominate the skylines of Islamabad and Karachi. It does not say why people in Pakistan do not object to the missile cutouts that stare at them from hoardings on public thoroughfares. Nor why we South Asians have learnt to deify the 'father of the nuclear bomb' or the 'missile man' just as we do our cricket stars and glamour queens.

Part of the explanation is surely the public disenchantment with politics itself. Politicians as a class invite derision and contempt. This is ironical, because not many people are yet ready to trade the inept administration of politicians for the firm rule of generals, *maulavis* or high priests. After the initial honeymoon following the ouster of the corrupt Nawaz Sharif regime, even General Pervez Musharraf of Pakistan has ceased to inspire confidence. Vajpayee may doze off during meetings, as the controversial Perry report in *Time* alleges, but who is ready to replace him with General Padmanabhan? Scientists, however, are in another league: they are the secular priesthood of the creed of Technomania.

Our blind faith in the wonders of technology would be touching, were it not so dangerous. For, what we consider science is not necessarily science. This, after all, is the region where the former physics professor Dr Murlji Manohar Joshi goes gaga over the supposed science of Indian astrology. Dr Joshi's emphasis on what he calls a traditional knowledge system says as much about the saffronite conception of science as about the status of the discipline in South Asia. We are more interested in the 'wonders' of science than in its intricacies. So, what we get are Prithvis, Ghauris, Pokhrans and Chagais, not new vaccines, seeds with better yields or more reliable monsoon forecasting techniques. Scientists in South Asia are shamans who can unleash evil spirits on the enemy at the command of anyone who is ready to pamper their under-served egos. And increasingly, this 'enemy' of the power elite is us – we, the people of South Asia.

Science in our part of the world is Shiva the Destroyer, the Sword of the Caliph ready to draw the blood of the enemy. There is no *bhakti* of Vishnu and no sacrifice of the Sufis in the science of the Subcontinent. So the weapons that we have are named Prithvi and Ghazanavi – after warlords who did little to relieve human misery. The new aristocracy comprises not teachers, doctors and engineers, but generals, wheeler-dealers and technicians with egos bigger than their capabilities. They value uniformity, order and security, not diversity, organism and survival.

Had it been in the times of statesmen like Jawaharlal Nehru or Mohammed Ali Jinnah, the elevation of the bachelor from the backwaters of Tamil Nadu to the highest post of the biggest democracy may even have been welcomed with satisfaction for signifying the recognition of the underdog. But with a saffronite leadership east of the Wagah, and General Sahib lording it to the west, a missile man in Rashtrapati Bhawan makes South Asia even more volatile and dangerous. Politics may be dirty, but the dangers of bomb-makers as rulers – and generals as dictators – are too horrible to contemplate.

There is no magic cure for the ills besetting societies in South Asia. The process of change is slow and messy, a few steps forward and then some backward. To expect that generals and 'scientists' can rule better than the politicians is like living in the dark ages of all-powerful medicine men who could unleash the forces of the unknown. It is time for us to grow up – unknown forces are malevolent more often than not. The salvation of South Asia lies not in the hands of the prowess that shook Pokhran and Chagai. It resides in the hearts and minds of common people who know that food, shelter, medicine and education are far more urgent than a quest for renaissance through long-discredited doctrines such as Mutually Assured Destruction (MAD), or weapons of mass destruction with mythical monikers such as Nag and Trishul.

– Saarcy

KR to Kalam

Caste, religion and the Indian presidency

by *Siriyavan Anand*

"Can you tell me why, in 3000 years of our history, people from all over the world have come and invaded us, captured our land, conquered our minds?

From Alexander onwards. The Greeks, the Portuguese, the British, the French, the Dutch, all of them came and looted us, took over what was ours. Yet we have not done this to any other nation. We have not invaded anyone.

We have not conquered anyone. We have not grabbed their land, their culture, their history and tried to enforce our way of life on them".

APJ Abdul Kalam in an interview to Pritish Nandy, October 1998.

Soon after Abdul Kalam's nomination, a brahmin reporter of a leading Tamil magazine based in Madras read Kalam's autobiography, *Wings of Fire*, and decided to chat with a colleague. "Tell me, are you an extremist Muslim?" she asked. Shocked and cornered, he replied, "I don't offer *namaz* even on a Friday". Emboldened by the response, she went on to suggest, "Why don't you all be like Kalam".

When *Panchajanya*, the Hindu-fundamentalist Rashtriya Swayamsevak Sangh's mouthpiece, of which today's prime minister is a former editor, predictably claimed APJ Abdul Kalam as their man for the Indian presidency, Saeed Naqvi, a senior Indian journalist, sought to locate Kalam in a different tradition: of Sufis and poets who had claimed the mythic god, Ram, as their own. According to Naqvi, "Kalam, for all his devotion to Rama, still has to catch up with Abdul Rahim Khan-e-Khana's verses in Sanskrit to Dasarath's son".

What is it that forces Naqvi to seek to relocate Kalam's coordinates? On a recent Star News debate with RSS 'intellectual' Seshadri Chari, and in his article for *The Indian Express* the next day (21 June 2002), Naqvi turned the debate on its head by attempting to reclaim Kalam from the RSS. His *Express* essay, 'Islam's many children', had the strap: "A salam to Kalam for demolishing the stereotype". Naqvi was glad that Kalam – the *Gita*-quoting, veena-playing, vegetarian, Ram-*bhakt*, celibate, teetotaler, non-Urdu speaking technocrat Muslim – will help break the three broad stereotypes of the Indian Muslim: as a butcher "who marries several times, multiplies like a rabbit and bathes only on Fridays..."; as an "Urdu-spewing paan-chewing, hubble-bubble

smoking decadent nawab, leaning against a brocade sausage cushion, listening to B-grade Urdu poetry with a mujra dancer in attendance"; and the latest: "bearded, wears a skull cap, his pyjamas pulled above the ankles and his outsized shirt almost touching them. He breeds in madrassas where he plots against the state". (Never mind that in Naqvi's narrative there is no place for Muslim women; the veil remains.)

Such popular perceptions make Naqvi run into the 'syncretic' arms of Kalam. Arguing that there is no such creature as "the real Indian Muslim", Naqvi says, "The Indian Muslim, like any other Indian, is a creature of his village, district, state". Of course. But where does Naqvi – as a journalist with a Muslim-sounding name – place himself while performing this thankless task? And why does Naqvi fail to problematise Kalam's jingoistic nuclear pronouncements? Not once is Pokhran or Kalam's overenthusiastic role in India's nuclearisation mentioned. But who is responsible for a situation that produces Kalam's, and the Naqvīs who invest them with secular innocence?

Almost anticipating Naqvi's essay, some six months ago, another familiar commentator on 'Muslim/communal issues', Mushirul Hasan, was forced to ask in the columns of the same newspaper: 'The Indian Muslim and the loyalty test: Did I pass or fail?' (14 November 2001, reproduced in *Himal*, December 2001). Naqvi's essay was an attempt to pass this test. Unwittingly, Hasan, too, was trying to pass it. But unlike Naqvi, Hasan was at his angry and mocking best: "Life goes on with the accusing finger pointed at the Muslims, regardless of whether one is an atheist or a believer, secularist or Islamist, Marxist or Congressman... And our educational institutions – not the Gurukuls and the RSS schools – disseminate 'mischief', and produce unpatriotic men and women like Badruddin Tyabji, Azad, Ajmal Khan, Ansari, Rafi Ahmed Kidwai, Zakir Husain, Amjad Ali Khan, Ustad Bismillah Khan, Begum Akhtar, Azim Premji, Abdul Kalam, Shabana Azmi, and the nawab of Pataudi".

Like the unnamed Muslim journalist-friend from Madras, who like Kalam knows no Urdu, but unlike Kalam cannot quote the *Gita*, Muslims in India have always been cornered into thinking more about how others (caste Hindus) perceive them. It is very, very difficult being a Muslim, of whatever class-caste-

linguistic background, in India: post-partition if you are North Indian, and post-Babri across the nation. (It is after all a nation, where, as former president Zakir Hussain once said: it is easier for a Muslim to become the president than become a clerk.) And, however well Mushirul Hasan is able to intellectualise his predicament – 11 September compounded by the fundamentalist Hindutva and fundamentalist Islamic pressures – he is forced into offering a list of “Muslim achievers”. Though it seems to go against the thrust of his own essay, he ends up reminding his readers: “We too have our icons”. (Why did his list not feature Yaseen Malik or Mirwaiz Umer Farooq? Such names would perhaps render the list ‘anti-national’ and make Hasan fail the ‘secularism’, and also the ‘Indian loyalty’, tests.)

After Kalam’s nomination for the post of president by the Bharatiya Janata Party (BJP)-led National Democratic Alliance, it was Naqvi’s turn to bear the burden of “secularising Kalam” (and by extension “secularise Islam”). Sadly, though their intentions might be different, there is a lot that binds Naqvi’s and the RSS’s appropriation of Kalam. Both seem happy with a Gita-quoting Ram-bhakt occupying Rashtrapati Bhawan: a president who will be Muslim, yet an un-Muslim Muslim. Seshadri Chari of the RSS said on Star News that not only Muslims, but also Hindus should emulate Kalam’s “*bharatiyata*”. “Even the Hindus do not quote the Gita”, he said with regret.

Muslim intelligentsia and caste

To understand the rise of Kalam, and the kind of positions that Naqvi or Hasan are forced to assume, it is necessary to ask why the followers of Islam in India – the second largest religious minority in the nation at 12 percent after the dalit-untouchables who constitute 15 percent – have not produced a comprehensive intellectual-philosophical critique of Hinduism and its core texts. In fact, they have only seriously flirted with it. Even the secular-liberal Muslim elite of the pre-partition, pre-independence period, did not produce scholars willing to mount a critique of the *vedas*, the Gita, *dharmastras* or *puranas*. And when someone like Bhimrao Ambedkar mounted a sustained attack on Hinduism and all that it represented, the Muslim intelligentsia refused to stand by him or even engage with him. This, theoretically, may owe to fears of persecution and reprisals. But one is not talking here of engaging with the RSS or affiliates of the *sangh parivar*. The 20th century Muslim intelligentsia refused to even appreciate the intellectual challenges posed from dalit-bahujan positions.

I am reminded of a meeting at Urdu Hall on Maqdoom Marg in Hyderabad, Andhra Pradesh. It was 1997, a year after Kancha Ilaiah had written *Why I am Not a Hindu: A Sudra Critique of Hindutva Philosophy, Culture and Political Economy*. The book raised a furious debate in academic, intellectual and political circles and went into a quick reprint. The Urdu Hall meeting was a

discussion of the book by ‘progressive writers’. A sizable number of Muslims were in attendance. ‘Hindus’, in fact, were in a minority at the meeting. (Hyderabad has a tradition of secular-liberal and left-oriented Muslims – that is, it has more than its share of articulate Saeed Naqvis and a Muslim intelligentsia that is tired of Asghar Ali Engineer’s Quran-centric ‘secularism’.) Most speakers reviewing the book came down heavily on Ilaiah for “attacking everything in Hinduism”. Some senior Muslim speakers felt his attack on Hindu scriptures, especially the *vedas* and the Gita, was simply unacceptable and even scandalous. Here was a scholar who was looking for some solidarity not from a group of mullahs or brahmins, but ‘secular’ writers and thinkers. All he got was their ire, and refusal to engage with ‘anti-Hindu vitriol’.

Ilaiah’s book was remarkable for what it sought to achieve in post-Babri Masjid, post-Mandal India, and instead of at least being tacitly supportive, forget taking the cue, the Muslim intelligentsia was extremely hostile. ‘Books like these will feed the Hindutva goons’, was the sentiment. It is such ostrich-headedness that has resulted in Muslims being increasingly alienated and monolithised in a post-independence India that had been Hindutva-ising much before the BJP came to power or was even born. And not much seems to have changed. The same Ilaiah recently wrote an article in *The Hindu* (29 May 2002) ‘Dalit, OBC and Muslim relations’, coming down strongly against the Muslims. Two crucial paragraphs are worth quoting *in extenso*:

The Muslim intelligentsia must also be held responsible for an indifference to the issues of caste and untouchability... Muslims rulers and scholars did not bother to understand the caste question. A visiting scholar like Alberuni threw a cursory glance at the question but no Indian scholar or poet wrote at length on these issues. Quite surprisingly, they took no social or educational work to the dalit-bahujans. Because of the influence of the brahminic ideology, the Muslim scholars thought that caste system and untouchability were spiritual and that they should not interfere.

Before the Bhakti movement, a few Sufi propagators mingled with the Sudras/Chandalas of that period. But in the modern era, particularly in the post-independence period, no Muslim intellectual worth his name has worked among the dalits, *adivasis* and OBCs. No Muslim intellectual stood by Ambedkar when he started the liberative struggle of the dalits. Following the Mandal movement no Muslim scholar wrote even one serious book formulating an Islamic understanding of caste and untouchability. How do bridges get built among communities? They get built only when one oppressed community gets the support of another and each relates to the other on a day-to-day basis. For that, a theoretical formulation is very essential.

So far, there has not been one decent response to the article. Many of my ‘progressive’ friends wondered if this – post-Gujarat – was the time for such an essay.

That was the response, if any. We have earned an Abdul Kalam with our long silences on issues that matter – we deserve him. It is not as if Muslim scholars and intelligentsia have been unaware of the situation Ilaiah is referring to. Mushirul Hasan in the article cited earlier: “The Muslim intelligentsia – from the days of Shah Waliullah in the eighteenth century to Iqbal in the 1920s and 30s – dialogued with itself and not with others... Today, it is easy to notice the scholarly inertia in Muslim institutions, and the absence of protest, dissent and political activism. Lamentation rather than self-introspection is the dominant refrain. Not much has been done to interpret Islam and analyse Muslim societies”. Even here, Hasan calls only for self-introspection by Muslims, saying nothing about the need to build bridges with oppressed communities such as dalits or Christians.

Perhaps the restricted definition of communalism has something to do with this. The last person to seriously view the dalit question – along with the Muslim question – as ‘communal’ was Ambedkar, who went to great lengths to try and convince the British, and the likes of Gandhi, that dalit-untouchables were a community separate from the Hindus, as much as the Muslims were. There were no takers for this view, despite the fact that dalit oppression is rooted in the caste system — the bedrock of Hinduism — and, therefore, is carried out in the name of religion. So, when dalits are under attack, neither Muslim nor caste Hindu intellectuals posit this as a ‘communal/religious’ problem.

In fact, in post-independence India, dalits are the most visible and brutalised victims of a communal violence that is far more crude, sustained and regular than the attacks on Muslims. Around the time of Kalam’s elevation, two dalits in Thinniyam, a village in Tamil Nadu’s Tiruchi district, were forced to eat shit. There are at least a dozen such reported instances every year. In Melavalavu, Madurai district, Tamil Nadu, seven years ago an elected dalit *panchayat* (village council) president was beheaded along with six others. Till date, the caste Hindus of Melavalavu refuse to employ or socialise with dalits of the village. This is the reason why in Tamil Nadu, since the Meenakshipuram conversions of 1981, dalits have increasingly and regularly sought physical, social and spiritual comfort in Islam to escape Hindu violence.

Internal matter

The Indian government calls the caste and untouchability issue an “internal matter” of the nation. When Christians were under attack from the same Hindutva dispensation in 1998-99 the international (Christian) community was “concerned” and sought assurances

from the BJP-led government. When Muslims are under attack in Gujarat, there is a diplomatic fallout to think about. But when dalits are subjected to attacks on a daily basis, no one bothers. Forget international reactions, since untouchables and untouchability are exclusively Subcontinental problems, it fails to outrage media-managers, the political class, and intellectuals inside the country. Arundhati Roy periodically publicises her rage on a great many issues. But violence against dalits leaves her cold. Gujarat is outrageous, but the silence on anti-dalit pogroms is equally reprehensible.

It may be asked why dalit intellectuals have not reacted to Muslim issues. The short answer to it is that dalits have not been allowed the kind of institutional backing and public space that Muslims, by virtue of being a recognised minority community, have. How many visible dalit intellectuals have emerged compared to Muslim? In the ‘national’ Hindi and English-speaking fora one knows only of Chandrabhan Prasad and Udit Raj. And it is worth noting that India does not

have a single accredited dalit journalist. Tamil Nadu’s thriving dalit intellectuals are relegated to little magazines. Readers of *Himal* may not know of any at all.

And what is the role and responsibility of Muslims in this active suppression of dalits at the intellectual level? Under Articles 29 and 30 of the Constitution of India, religious minorities have special rights to run educational institutions that cater

specifically to a particular community. According to a survey by the Aligarh Muslim University (AMU), as of 2000, there are 92 major modern Muslim-run colleges in India (*Milli Gazette*, 1 January 2000) where 50 percent of the intake can be Muslim. The “ratio of non-Muslim teachers in 44 percent of these colleges exceeds that of the Muslims”. We were not told, however, of the percentage of dalits here. Perhaps because there exist none.

In November 2001, a member of the National Commission for Scheduled Castes and Scheduled Tribes (NCSCST) met the AMU authorities to inquire about the implementation of reservations for Scheduled Castes and Scheduled Tribes in the appointment of teachers and employees and admission of students in the university. AMU Vice-Chancellor, Hamid Ansari, and other authorities told him: “there is no scope for the implementation of this policy in this university” (*Milli Gazette*, 15 November 2001). In 1995-96, of 1280 faculty in AMU, there was not one dalit. In Delhi’s Jamia Milia Islamia, of 350 teachers, there was only one adivasi (‘Dalit Diary’, *Pioneer*, 30 June 2002). The Sri Chandrasekharendra Saraswati Swami Viswa Mahavidyalaya, a deemed university run by the Kanchi ‘Sankara math’ in Tamil Nadu, and the six Indian Institutes of

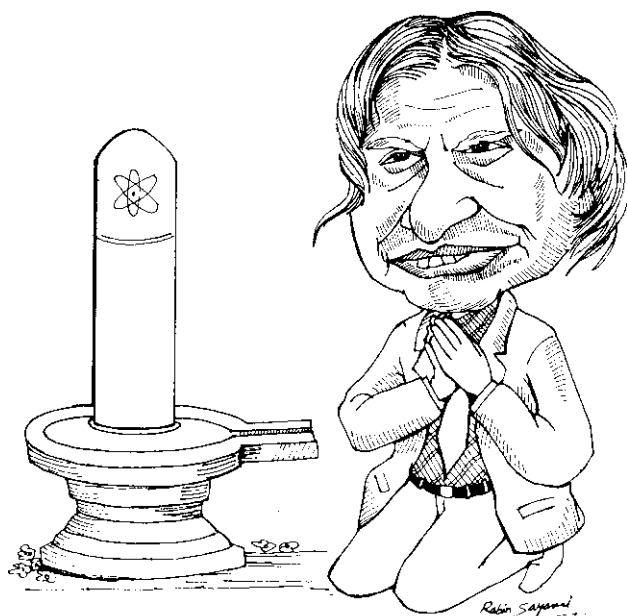
**Unflinching loyalty
to the majority is
the deracinated
minority’s price
for ceremonial
recognition.**

Technology (IITs) funded by the University Grants Commission, follow a similar dalit-free policy unabashedly. Of some 400-odd faculty members in IIT Madras there are two dalits. In IIT-Bombay, there is none. In the once-left bastion, Jawaharlal Nehru University, Delhi, it is the same story. Muslims, and 'secular' and non-secular caste Hindus, all seem to think alike about dalits, their 'merit' and nurturing dalit intellectuals. According to the NCSCST, hardly two of hundred dalits and adivasis avail of the reservation policy, which guarantees them a 22.5 percent quota in jobs and education. How will such a scenario throw up dalit intellectuals?

The few national voices we hear, like Chandrabhan Prasad, will only be irritated by a category he dubs "Mandi House Muslims" – mostly *ashrafi* Muslims, that is 'noble' Muslims who descend from 'foreigners' or are converts from '*dwija*' (twice-born) Hindus – who are content to dialogue with 'liberal-secular' caste-Hindus and keep off 'merit-less' dalits. There are very few *ajlaf* voices – lower class Muslims, literally 'wretched' or 'mean people' – heard in the media or make it to the mainstream of the Muslim intelligentsia. When there is hardly a dalit voice that can be heard on dalit issues, in what way can 'dalits intellectuals' vocalise support for Muslims-in-distress? Millions of dalits have over the centuries embraced Islam, and continue to do so. But some Muslims, such as Kalam, have converted to brahminism: the rare case of a non-Urdu speaking shudra-*ajlaf* integrating with the brahmanical order.

It is against such a backdrop that the BJP with one hand did in the Muslims of Gujarat and with the other hand held aloft a Kalam, while snubbing KR Narayanan with a 'no-thanks'. In the circumstances, it is not surprising that the replacement of the dalit scholar-diplomat, KR Narayanan by the pseudo-Muslim, *faux* scientist, Abdul Kalam, has evoked only a muted public response from the dalits. What is surprising, however, is the ease with which the few caste-sensitive sub-altern voices who have access to public fora have reconciled themselves to this retrograde change of guard. Ilaiah's rejection of the glorification of Kalam as a missile man is at best oblique. In his view the unfortunate obsession with Kalam's role in India's missile programme detracts from his contributions in "other areas of science". He of course does not illuminate for us these other contributions.

Ilaiah is asking for something that is not there. All that Kalam has done is help put together bombs whose kiloton value is suspect and 'reverse engineer' rockets without much success. Sadly, dalit intellectuals like Chandrabhan Prasad and OBC intellectuals like Ilaiah have been a little too casual in reconciling to Kalam's elevation. While Chandrabhan's anger against "Mandi House Muslims" is understandable, this cannot translate into support for a shudra-Muslim who serves the caste-Hindu cause. Forget Kalam's views on Gujarat and the prospect of a nuclear war, we would be better



off not knowing what this Ram-bhakt has to say about the Babri Masjid demolition or the VHP's current agenda. Since for Kalam, 'the nation is above the individual', it may logically follow that a temple at Ayodhya would have to be considered – in the 'national interest'. In this, Kalam could be abetted by Jayendra Saraswati, the self-imposed 'Sankaracharya' of the non-existent fifth Kanchipuram math, whose ardent devotee Kalam is. In a recent interview, Saraswati referred to Kalam as a friend and 'soul-mate'. Clearly, Kalam will restore a presidential tradition – broken briefly by KR Narayanan – of the head of state prostrating at the feet of fundamentalist Sankaracharyas.

Communitarianism, Nehru and Kalam

The caste-less, creed-less, nationalist Kalam's proximity to brahmin seers raises interesting questions about the liberal conception of the state and public office in India, particularly in the light of the 'secular' and 'non-secular' irritation with Rafiq Zakaria's communitarian objection to his nomination. Zakaria – to whom the media prefixes the tag 'moderate' – is a Muslim who decided not to take the 'loyalty test'. He argues that there is nothing Muslim about Kalam except the name. "[H]e should not be put in the same category as the two former Muslim Presidents, Dr Zakir Husain and Mr Fakruddin Ali Ahmed. Both of them were as great patriots and Indians to the core as Dr Kalam. But they were also Muslims in the real sense of the word; they believed in the tenets of the Quran and faithfully followed the traditions of the Prophet. They worked for the uplift of the Muslims as much as for the progress of India" (*Asian Age*, 19 June 2002).

Zakaria does not regret Kalam's imminent elevation. Nor is he too bothered about Kalam's ballistic bombast and his nuclear pro-activism. He only objects to his



From Narayanan to Kalam, a squandered legacy

being called a "Muslim", for he has "kept himself completely away from Muslims; he refused to mix with them and even when invited to participate in their nationalistic activities, he politely declined". So Zakaria, one of "Islam's many children", has a take on Kalam as much as Naqvi does. "His roots are really in Hinduism and he enjoys all the sacred Hindu scriptures. Hence the credit for his elevation, in communal terms, should go to the Hindus; to give it to the Muslims would be wrong. In fact Dr Kalam himself would be happy if he is not described as a Muslim". While seeking to problematise Kalam's intractable 'Muslim identity', Zakaria never once invokes the Gujarat massacres, or how Kalam is the 'dream Muslim' of the sangh parivar. Zakaria seems absolutely rooted in his commitment to his community and religion (irrespective of the language and regional moorings of the person in question), and, unlike Kalam, refuses to 'rise above religion' as the (Indian) 'nationalist' media loves to put it. Zakaria's comments about an unrepentantly unrelentingly un-Islamic Kalam annoyed several Hindu commentators, because Kalam's conscious distancing himself from the Muslims – in food habits and cultural and spiritual moorings – was directly proportional to his proximity to brahminism.

An open airing of such communitarian (not *communal*) concerns will obviously worry liberals and democrats of the classical mould. In this conception of liberal democracy the 'individual' should not be bound or weighed down by categories of religion, caste and community. But India has never been bound to the principles of liberal democracy in practice. There are only institutions – from parliament to courts – in place. In a Hindu-dominated society that swamps both Christianity and Islam with the vulgarities of the hierarchical caste system, thousands of communities are bound by the specificities of their problems. Individuals who drift away from their communities after tasting success – especially when they come from oppressed, minority groups – are seen as betrayers. Social scientist Gopal Guru has theorised on the dilemma of those dalits who seek the "authentication of modernity on terms set by

the twice-born", the *dwija*. The modernist dalit who develops a detached view of his or her community invites the wrath of the communitarian dalit and earns the tag "dalit-brahmin". But the alienated dalit can never become brahmin, thus being doubly alienated ('Dalits in Pursuit of Modernity' in *India: Another Millennium*, Ed. Romila Thapar, 2001). In Kalam's case, we might be witnessing the emergence of a new category – the Muslim-brahmin, applauded by 'secularists', communitarian brahmins and shudras alike.

It was not as if Kalam was born in a place and time where there was no social ferment. Kalam, at 71, would have witnessed Tamil Nadu's zealous non-brahmin movement (1920s to 1950s) and the subsequent rule of the shudras by the DMK. As a teenager Kalam must have heard (if not read) Periyar EV Ramasamy, the anti-brahmin activist and ideologue. Most Muslims of the state – who pre-Babri considered themselves as much Tamil as Muslims, and did not feel constantly persecuted like their north Indian counterparts – threw their political weight behind the DMK at crucial times. Yet, we see that the best-known Muslim from Tamil Nadu today has emerged as a brahmin, and is praised by the shudra leader Karunanidhi as the 'ideal candidate' for presidency. Kalam's brahminic success is equally the failure of the anti-brahmin movement and the DMK which inherited its political legacy.

Comparing the brahminical Kalam with the communitarian-dalit Narayanan is inevitable. No dalit grudged Narayanan his pursuit of the good life, a Burmese wife, or the evening scotch. The only expectation was that he should not forget his community and the millions who look up to him. Narayanan never forgot (nor was he allowed to forget his origins by the media). Narayanan's detractors claim that he started talking about 'dalit issues' only after becoming president. But former Mizoram governor A Padmanaban's book, *Dalits at the Crossroads: Their Struggle, Past and Present*, 1996, which documents Narayanan's speeches much before he became president suggests the contrary. The media saw Narayanan as a dalit first, president next. It never needed to remind S Radhakrishnan, Shankar Dayal Sharma or R Venkatraman about how rooted each was in his caste and religion. Sharma presided over vedic *sammelans* and more often was found in Tirupati than in New Delhi; RV was an unabashed brahminist whose main worry was the manoeuvres at the Kanchipuram 'Sankara math'; Radhakrishnan was much the same but managed to hide behind the mask of a 'philosopher'. These men were brahmins first, presidents next.

Mayawati as chief minister, reporters from Uttar Pradesh tell us yet again, is making no bones about her preference for dalits in the bureaucracy and the establishment as such (despite her alliance with the BJP). Yet how many reporters have bothered to investigate the number of Kashmiri pandits who benefited during Nehru's premiership? How much was Nehru able to rise above caste? Here's an avowed leftist, Ashok

Mitra, fondly remembering Parameswar N Haksar on his death: "The Kashmiri Pandits, the entire tribe, are all related to one another in some manner or other. So it was not difficult for Haksar to come to close to Jawaharlal Nehru... This man, rich in talent, an Allahabad Nehruvian to his fingertips, a song of socialism in his heart, of impeccable Kashmiri Brahmin stockage..." ('The P.N. Haksar story' 12 December 1998 <http://www.rediff.com/news/1998/dec/12mitra.htm>). After running amok in the foreign service during Nehru's regime, he became Indira Gandhi's backroom boy. The hold of the Kashmiri brahmin mafia - Kauls, Dhars, Haksars, and Kaos - spread from foreign service (Haksar) to the secret service (Rameshwar Nath Kao, former chief of India's foreign intelligence bureau, Research and Analysis Wing, who died this year) with governorships, plum foreign postings and secretaryships thrown in for good measure.

The paradoxes of liberal political practice in India are much too obvious to be ignored. The privilege of communitarian loyalty is permitted only to caste Hindus, who despite their overt religiosity and their blatant favours to caste members while in public office, are still called secular. Narayanan and Mayawati on the

other hand, while being constantly reminded of their caste, are denied the privilege of empathising with their community. It is not very different for the Muslim either. Farooq Abdullah, who for political reasons must assert a mild form of *Kashmiriyat* and the autonomy of his state, will not be accommodated in the Rashtrapathi Bhawan even as the second man - the vice president. It takes a Kalam who renounces his caste, rejects his religion, embraces the *sanathan dharm*, denies the social realities of the nation, and cultivates a militant patriotism, to become the head of state. Unflinching loyalty to the majority is the deracinated minority's price for ceremonial recognition.

Kalam's elevation represents the collective failure of Indian polity and society. It is another phase of brahminic revivalism in India - brahminism parading with a Muslim name. Personally, I am dreading the next Republic Day, the day when for five years Narayanan used make stirring, thoughtful speeches. We will now have to put up with schoolboy compositions. And we have earned this: a man who is aware of invasions and colonialisms (see epigraph), but is innocent of the colonisation of his own mind. △

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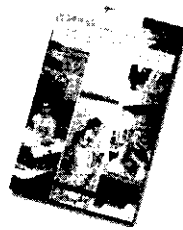
The long history of everyday communalism

The late 19th and 20th centuries witnessed concerted efforts by Hindu middle class publicists to fashion a new social and moral ethos. In this deeply gendered project the Muslim played a central role as both a subject of anxiety and an object of envy. Consequently, there was a certain ambiguity in the masculine vision of the publicists. For some, collective Hindu nationalist identity was to be founded on disciplined masculinity and virtuous femininity. Against this, another impulse valorised a sexually charged masculinity, which ran counter to the idea of the disciplined celibate. These competing notions of masculinity were argued in a public sphere that was acutely fraught. Charu Gupta's book, *Sexuality, Obscenity, Community*, is a laudable effort to grapple with the complexities of this collective Hindu project. The issues raised in the book are particularly significant in the contemporary Indian context. Some of the major developments of the last decade illustrate the thematic relevance of the book.

In 1991 the government of India, following the imperatives of globalisation, set out to liberalise the economy. This was accompanied by an open-sky policy that initiated and accelerated the growth of satellite television in India. Due to its visibility and psychological force the cultural anxieties of the middle class began to be articulated through debates on the media and its effects. Urban India's moral panic revolves around several fears, notably the fear of the visual and its presumed capacity to 'cause deviance', as well as the fear of losing control and thereby one's 'culture' and 'heritage'. Besides popular cinema, satellite television also brought more culturally unfamiliar

visual fare to middle class homes in an unprecedented manner. In some ways, television had 'corrupted' the sanctum sanctorum of middle class existence – the family. These developments ran concurrently with the darkest phenomenon of the nineties – the rise of the Hindu right.

The advance of loud Hindu conservatism in India has been accompanied by an aggressive 'cultural nationalism' that projects a pure and originary concept of



Sexuality, Obscenity, Community

Women, Muslims and the Hindu Public in Colonial India

Charu Gupta

Permanent Black, 2001

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reviewed by Shohini Ghosh

Hindu culture. The Hindu right bases its cultural vision on what it describes in its election manifesto as a "cultural heritage that is common to all regions, religions and languages and is a civilisational entity". Under this semi-mystical idealised Hindutva, which literally translated means "Hindu-ness" or "the essence of being Hindu", the Hindu right has opposed satellite television because it promotes a promiscuous Western culture and threatens 'Indian values'. The cycles of moral panic that marked the decade of the nineties, while being initiated by the Hindu right, were not exclusive to them. A

spiral of physical, often violent attacks on certain kinds of cultural expression characterised the cultural interventions throughout the period. The attacks were aimed at images and representations (mostly of women's bodies) that were deemed to be "obscene" and "vulgar" or at those deemed to have "hurt the religious sentiments of the people". The renowned painter MF Hussain was physically attacked for having painted Hindu goddesses in the nude and thereby having hurt religious sentiments.

Hindu ideologues and their supporters invoke a nightmarish spectre of moral decay whose origins are 'foreign'. After the re-release of Deepa Mehta's film *Fire* about a lesbian relationship, BJP ideologue KR Malkani wrote that the film was a threat to the "very foundations of the institutions of marriage" and cautioned Indians against the "death wish that has gripped millions of Americans" and "all societies that go American" where "non-marriages, teenage mothers and single-parent families" have become common. Hindutva's rise to power and the recurring spirals of moral panic have complex connections and divergences. Charu Gupta's book is both timely and informative because it provides a historical backdrop to these events that we might mistakenly assume to be new developments that break with the past.

The first half of the eight-chapter book explores the defence of "the roots of moralism". Gupta reiterates the feminist position that the "discursive management of female bodies" was essential to project a "civilised and vibrant, sectarian Hindu identity and a new nation". The second half deals with the deployment of communal speech that attempted to demonise "the other", in this case the Muslim.

Exploring the construction of communal identities, the author moves away from moments of high violence and spectacular events and focuses instead on the growth of Hindu communalism in everyday

sites and relationships. Gupta looks at the gendered nature of communal speech in the dual project of Hindu publicists, of building a Hindu nationalist collective identity and creating a distinction with the Muslim "other". In the chapter titled 'Redefining Obscenity and Aesthetics in Print', she discusses the contested terrain of sexually explicit popular literature and the anxieties of the Hindu middle class. Against the backdrop of burgeoning public institutions like libraries, publishing houses, presses, newspapers and journals, a vocal and influential section of the Hindu middle class literati of the United Provinces sought to create a new Hindu collective identity. In this determined intervention, the sexually assertive female protagonist gave way to a new image of the Hindu woman. Among the texts Gupta discusses is *Priyapravas* by Ayo-dhya Singh Upadhyay (alias Hari-oudh), which tells the story of Krishna's departure for Mathura, leaving Radha behind. In this version of the story, the passionate and joyous Radha is transformed into a passive, restrained and moral woman who abandons sensual love for a sense of duty.

Concurrent with stipulations about women's bodies and sexuality, men were urged to follow sexual restraint and celibacy as enshrined in the principles of *brahmacharya*. Summarising a tract from the *Kangri Gurukul*, Gupta writes:

Man was never to sit alone with a woman, nor even sit where a woman had sat before. Man was not to wear bright dark clothes. Watching women dance, frequenting theatre, *rasila*, *nautanki* and cinema, listening to songs and music – especially those sung by women in marriages – and reading novels related to romance and *shringar ras* were proscribed. Contact and conversations with lower class and lower caste women were prohibited. He was not to ride on horses or camels; presumably



Radha, transformed into "the passive, restrained and moral woman".

these activities would stimulate his manhood. He was not to eat spicy food, not to dream of women, and not to employ language or expression which might increase sexual desire. He was even to give up wearing shoes, carrying an umbrella, using scented unguents and flowers, and sleeping on a soft bed.

Together with these developments, another kind of popular writing and advertisements sought to promote an entirely different notion of masculinity. Advertisements for aphrodisiacs in the mainstream newspapers "transformed the secrets of sex into a public spectacle". Publicising and circulating aspirations of a different masculinity, these ads elicited enthusiastic responses as well as anxieties around 'bad' uncontrolled sexuality. The celebration of the excessively sexualised masculinity in the ads

also underscored a deep fear of femininity and impotence. The *Chaklet* (Chocolate) controversy highlights the anxieties around manhood and masculinity. In 1927, a charge of obscenity was made against the book *Chaklet*, authored by Pandey Bechan Sharma alias 'Ugra' (Extreme). A collection of eight short stories, *Chaklet* deals with homosexual relationships and caused a public furor. Gupta writes that the attack on *Chaklet* was also part of a nationalist critique of the "de-gendered male" as one "stereotype of colonial domination" and it served to "cast doubts on the stability of the heterosexual regime, on procreative imperatives, on modern monogamous ideals of marriage".

The next three chapters, 'Sanitizing Women's Social Spaces', 'Mapping the Domestic Domain' and 'The Icon of the Mother', deal with Hindu publicists' attempts to create

social and domestic spaces that would help nurture the ideal of chaste Hindu womanhood. Gupta traces the details of how arguments in favour of essentialism, biological determinism and Hindu notions of 'pativrata' were used to maintain unchanging separate privileges and functions for men and women. Men were to produce and women were to preserve. The subsequent chapters, 'Us and Them: Anxious Hindu Masculinity and the Other' and 'Hindu Women, Muslim Men', study the deep anxieties and fears that arise around Muslim men's attraction to Hindu women and vice versa.

By deftly demonstrating how the gendering and communalising of spaces worked towards further polarising Hindus and Muslims, the book draws attention to various key texts and published material such as Kalicharan Sharma's *Shivaji va Roshanara*. In this supposedly historical story a hyper-masculine Shivaji waylays Aurangzeb's daughter Roshanara and marries her. Emphasising the masculine physicality of Shivaji, this passionate love story plays out the Hindu fantasy of 'conquering' the women of the enemy. While Hindu men were being exhorted to follow Shivaji's example, Hindu women were being asked to be wary of Muslim men. Conversion of Muslim women to Hinduism was encouraged but there was the ever-present fear of Hindu women falling in love with Muslim men. Hence, practices like *pir* worship were condemned and women were warned against the promiscuous designs of Muslim men. Gupta points out that the first generation of popular novelists in Hindi, Devakinandan Khatri, Kishorilal Goswami, and Gyanprasad Gupta, who all started writing around the 1890s, characterised the Muslim male as a degenerate hyper-sexual and religious fanatic.

For those concerned with issues of identity and community, Charu Gupta's book is quite invaluable. Its greatest strength lies in the extensive fieldwork and the vast body of

primary and secondary sources that it refers to. Moreover, for those who are struggling to understand the rise of the Hindu right and its methods, the book provides innumerable insights. One of the most horrific aspects of the recent Gujarat carnage has been the large-scale sexualised nature of violence against women. Without drawing easy and direct links between the past and the present, Gupta's book indicates that the 'theory' behind the 'practice' has a long history. Some continuities are easily discernible even in the realm of rhetoric. Hindutva's political slogan, *Ek Hindu ka naara hai:*

**Many secular men
and women are
complicit in the
silencing of speech
and images deemed
to be 'vulgar' and
'obscene'**

Hum do Hamare do, Jabki ek Muslim ka naara hai – Hum Paanch, hamare Pachchis. (The slogan of the Hindu is "We are two, we have two" / the slogan of the Muslim is "We are five, we have twenty-five".) Here a popular family planning copy has been rearticulated to reinforce the myth of the rapidly and promiscuously multiplying Muslim.

Since the book so competently identifies the complex intersection of different identities, it is a pity that some formulations stop short of deeper probing. For instance, was the puritanical impulse exclusively the domain of Hindu publicists? Without positing any direct connections, I would like to point out that the puritanical impulse behind the moral panic of the nineties was not a preoccupation exclusive to the Hindu right. Many secular organisations (including women's groups) have articulated anxieties about 'obscenity' and 'vulgarity' in a way that has often dangerously over-

lapped with the concerns of Hindutva. There is no doubt a crucial difference in the positions taken by the women's groups and the Hindu right. Secular women's groups critique images and representation while simultaneously critiquing women's subordination in traditional family and cultural values. The Hindu right, alternatively, harps on the traditional role of women in the family and looks upon feminism itself as an assault on traditional family and cultural values. Such fundamental differences notwithstanding, many secular men and women are complicit in the silencing of speech and images deemed to be 'vulgar' and 'obscene'. Contemporary yardsticks cannot be used to talk about the late nineteenth and early twentieth centuries, but it is certainly worth considering that among the harshest critics of Ugra's *ghasleti* literature, writing that is derisively likened to a crude form of kerosene, was also the Hindi litterateur and editor, Munshi Premchand.

Another question concerns the power dynamics between the Hindu and Muslim communities. The Hindu right's pernicious attack on Muslims intensified in post-partition India because of demographic, political and social inequalities. What kind of counter-strategy were the Muslims of undivided India working on? How did they attempt to counter vicious Hindu propaganda? Was the Muslim response, effective to whatever degree, homogeneous or heterogeneous? Did Muslims in undivided India also mobilise their community along similar lines? A rigorous engagement with these questions is important to point out critical departures between the past and the present. The reader, especially someone who is not a historian, may otherwise assume that the position of the Muslim has remained unchanged in pre- and post-partition India. This goes against the idea of a multi-religious, pluralistic society.

The implications of the term 'sexuality' are also worth consi-

Lorry Art and Us

In South Asia we are prone to put the bullock behind the cart, whereas in other subcontinents they tend to have the horse before the trolley. The proclivity to go for form rather than content saps our energy in a billion different ways day-in and day-out, which, among other things, is why we continue to walk when we could rather ride.

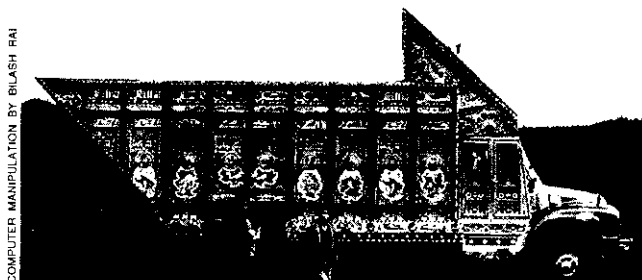
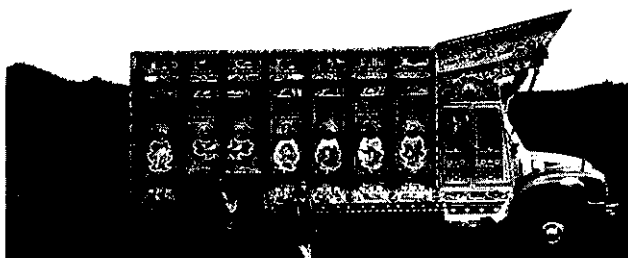
Take a look at the much-adorned prototypical Pakistani truck (top picture) and you will get my drift. Every principle in the book *The Inscrutable Law of Aerodynamics* would tell you that the last thing you want to do with a vehicle of sizeable cross-sectional mass that needs to travel at speed is, to not make it easy for the said vehicle to cut through the air.

Instead, what do we have in the Land of the Pure? The exact opposite in design – trucks (doubtless nicely trussed up) whose proboscis jut out towards the front, constructed just perfectly to deliver massive air resistance the faster the truck moves. You would expect better from a nation that can now build short-range and long-range missiles which actually leave the launchpad.

For decades, we have marvelled at the bejewelled wonder that is the Pakistani lorry, but never have we thought of the extra diesel and gasoline burnt because of this triumph of art over science. Some may argue (as contrarian South Asians always do, pouncing on an opening for an argument just because it presents itself) that “art ko bhi to jagah chahiye” – that painted trucks too have a role to play in society. But at what cost?

My answer to the contrarians is, let the Pakistani artists continue with their psychedelic art, but have the truck chassis configured differently. Like so (see bottom picture). With the truck's front swept back rather than lunging forward, the same painters can continue with their art and yet not spit on science.

Now that the intractable problem of lorry art vs



Proposed re-engineering for areodynamic success.

lorry science, which has confounded sages and scientists alike down the millennia, has been finally solved, we must move on to other areas where form has taken over function, and do something about it.

Some say that South Asians are innately intelligent (having discovered the ‘zero’, remember?), and automatically shift to whatever is more economic, more efficient, more sensible. Well, it just does not happen that way, and the Pakistani Truck proves it. What the psychedelic lorries show, instead, is our need to show off, grandstand, exaggerate, at the cost of our own income, health and peace of mind. Rather like the South Asian

peacock who might be pretty to look at as he struts his fan during courtship season, but is completely burdened by that tail the rest of the year. Just watch a peacock trying to fly, lugging that cumbersome tail behind him. Inefficient flying, just as the truck represents inefficient cargo movement.

Perhaps this propensity for overstatement, embellishment and embroidery is all a gender thing. The peacock is a male. The peahen can do nothing but roll her eyes and wish mating season were over. And so are the truck drivers, owners, chassis-makers and painters of Pakistan, all male. The gaudiness of the vehicles must be in inverse proportion to the sense of self-fulfilment of the driver or bird, is my guess.

You only need to take the theory one step further to understand how all the geopolitical cracks in our region have perhaps to do with deep insecurities of macho malehood. No names shall be listed, obviously, to protect life and limb, but exceptional ladies who display similar tendencies in countries that shall remain unnamed only prove the point.

Thus do the gaudy ostentation of Pakistani truck art and of the male peacock help explain the here and now....

Astu.

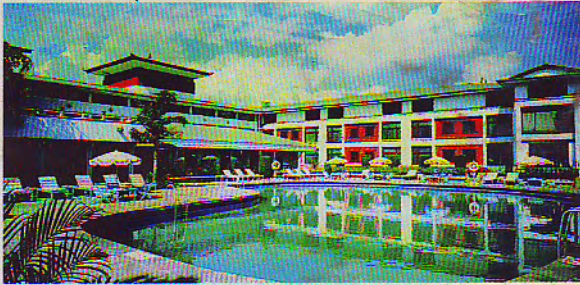
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