

Shumaila Rafiq

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### **BANGLADESH:**

A court in southwestern Bangladesh sentenced 56 border guards Monday to prison terms of up to seven years for their role in last year's mutiny over pay disputes and other grievances that sparked violence that killed 74 people. Iran and Iraq have emerged as the possible buyers of the two million tons of surplus wheat from Pakistan. The U.S. Ambassador to India Timothy J. Roemer departed on Wednesday on an official trip to Bangladesh, said an official release on Thursday. Before departing for Dhaka, Ambassador Roemer affirmed U.S. support of close ties between India and Bangladesh. A news report says nine members of Bangladesh's main opposition party have died and 30 others were injured when their speeding bus collided head-on with a truck on the way to a political rally. Bangladesh's prime export industry textiles may suffer badly following India's restrictions on cotton exports this week, Faced with grim power

situation caused by acute shortage of gas, Bangladesh now appears set to turn to huge hitherto-unexplored coal reserve for generating electricity in the country. Bangladesh authorities on Friday arrested Golam Mostafa, who is the chief of Harkat-ul-Jihad al-Islami (HuJI) in Britain and accused of financing the banned Islamist militant outfit. Golam Mostafa, 45, is a Bangladesh-born British national. Prime Minister Sheikh Hasina has been cleared of another graft case filed during the past Bangladesh Nationalist Party-Jamaat regime, as the High Court on Thursday quashed all proceedings against her in the Meghnaghat Power Plant case. A parliamentary committee in Bangladesh is to probe a possible loss to the country from the sale of a substantial portion of mobile operator. The United States will invest more in Bangladesh's key sectors including gas and power to boost bilateral trade relations between the two countries. Bangladesh's consumers' price index (CPI) inflation rose to 9.06 percent in February 2010, up from 8.99 percent of the previous month, officials told AHN Media on Tuesday. The rate of inflation went up by 0.07 percentage point in February, over that of the previous month, mainly because of the increase in prices of food items." Bangladesh will receive about \$4.50 billion in loans from the Asian Development Bank (ADB) over the next four years to implement infrastructure development projects. The Bangladesh High Commission (HC) in Islamabad on Sunday celebrated the Bangla New Year – 1417 with a sense of jubilation, traditional enjoyment and gaiety. Bangladesh Prime Minister Sheikh Hasina has hinted at a probe against opposition leader Khaleda Zia who she says was “hiding for three days” before the country’s border guard troopers mutinied in February last year

**BHUTAN:**No meeting is slated so far between the premiers of India and Pakistan on the margins of a South Asian summit to be held next week in Bhutan, a senior Indian official said on Thursday. The government today told the Delhi High Court that extradition proceedings against a former pro-democracy Bhutanese leader would be dropped. At the kind invitation of the Royal Government of Bhutan, the 23rd Session of the Asia-Pacific Forestry Commission (APFC) will be held in Thimphu, the capital city of Bhutan, from 9 to 11 June 2010. State-owned Power Grid Corporation of India Ltd (PGCIL) is investing Rs4,404.57 crore in a transmission system for importing electricity from Bhutan. State owned Power Grid Corporation of India Ltd said that it would invest INR 4,404.57 crore to develop a transmission system for importing electricity from Bhutan. Eighty-two tourists from Europe have so far cancelled their trip to Bhutan after Iceland’s Eyjafjallajokull (pronounced Eye-a-fyat-la-jo-kutl) volcano erupted last Wednesday, disrupting air traffic and forcing thousands of airlines to cancel their flights, according to tourism council of Bhutan (TCB) officials.

**MALDIVES:**President Mohamed Nasheed of Maldives, a low lying atoll nation in the Indian Ocean which fears inundation rising sea levels, has won a top environmental prize from the United Nations, his office said. He has been named a winner of the 'Champions of the Earth' award for policy leadership. With the Maldives’ economy faring better than expected in 2009, it is now projected to grow at 3 percent for 2010 and 3.5 percent in 2011, the Asian Development Bank said in a report.

**NEPAL:**Agreeing to turn Nepal from a constitutional monarchy into a federal state is turning out to be much easier than agreeing on exactly what kind of federal system is best for this Himalayan country. More than three years after giving up armed struggle and joining mainstream politics, opposition Maoists in Nepal have begun training their cadres for a ‘decisive war’ against the

present government. Nepali Congress Leaders not united over future political course The Maoists had their agenda clear...they did not want to see peace process come to an end and drafting of the constitution to see timely conclusion”, said acting president of Nepali Congress Party, Sushil Koirala while addressing a program organized by Nepal Students’ Union (NSU) in Kathman. Analyzing the intensified intra and the inner party squabbling what becomes more than comprehensible is that none of the major parties are genuine and honest towards the draft of the new Charter on time. In the recent years, the political instability and continuing protests from opposing forces have gathered significant domestic and international attention. Speculations have that Nepal will soon be registered as a Failed State. A Failed State by definition is a nation which has proved incapable of ensuring political freedom, economic stability, hope of physical survival and elimination of poverty. For the first time in Nepal’s history, its minority Christian community Tuesday joined the socio-political process, beginning a “vigil” to ensure that the new constitution would be enacted in time and guarantee religious freedom to all. Prime Minister Madhav Kumar Nepal, while tackling queries raised by the CA members of his party expressed his dissatisfaction at the parliamentarians for not supporting his government in this transitional phase of the country in the Parliamentary Party meeting in Singha Durbar on Monday. At the social level, City-based mobile technology company, IMImobile, on Monday announced the launch of a wide range of data services for over 2.2 million

subscribers of Spice Nepal (brand Ncell) in Nepal. The public debate on federal restructuring should focus on three core agendas. First, federal restructuring should ensure strengthening of democracy in all three tiers i.e., national, sub-national and local level. Second, federal restructuring should be a vehicle for socioeconomic transformation to attain higher economic growth and development and a means to ensure social justice in polity, economy and society. Third, federal restructuring should be used as an opportunity to formulate a new development approach. Taking advantage of low duty tariffs, China is increasingly using countries like Nepal and Sri Lanka to dump its products in India.

**SRILANKA:** Sri Lanka’s new parliament sat for the first time on Thursday with the family of Mahinda Rajapaksa, president, cementing its grip on power amid words of defiance from the dissident former armed forces chief. Sri Lankan President Mahinda Rajapaksa yesterday (19) had informed main opposition United National Party leader Ranil Wickremasinghe that there was no obstacle for Democratic National Alliance (DNA) leader and former Army Commander Retired General Sarath Fonseka, who is currently under military custody, to take oaths in the Parliament as a member of parliament. Prime Minister Syed Yusuf Raza Gilani has sent warm greetings to Mr. D. M. Jayaratne, on assumption of office as the Prime Minister of the Democratic Socialist Republic of Sri Lanka. Veteran politician Dissanayake Mudiyanalage Jayaratne took the oath of office as Sri Lanka's 20th prime minister Wednesday after the ruling party won a large parliamentary majority. Senior member of Sri Lanka's main opposition UNP, John Amaratunga, is to be appointed as the Chief Opposition Whip of the seventh parliament. The Speaker of the new seventh parliament of Sri Lanka has appointed the leader of United National Party as the Opposition Leader at the legislature's first session. Assistant Leader of Sri Lanka's main opposition UNP, Rukman Senanayake has handed in his letter of resignation after being denied a National List slot from the party.

Sri Lanka's economy is expected to grow at a faster 5.5 percent of gross domestic product in 2010 but the country is facing a danger from excessive deficit spending, an International Monetary Fund (IMF) official said. The Central Bank of Srilanka on Thursday decided to hold its key policy rates at multi-year lows to foster economic growth in the country. The development of a port in Southern Sri Lanka to reap the benefits of busy international shipping lanes closer to Sri Lanka had been in the air for over three decades with successive governments taking no serious interest in it.

## **DETAILED NEWS:**

### **BANGLADESH:**

#### **Bangladesh sentences border guards for 2009 mutiny**

A court in southwestern Bangladesh sentenced 56 border guards Monday to prison terms of up to seven years for their role in last year's mutiny over pay disputes and other grievances that sparked violence that killed 74 people. The sentencing followed similar verdicts Sunday on 57 defendants in eastern Bangladesh, and verdicts earlier this month on 79 defendants in northern Bangladesh. Only mutiny charges have been dealt with so far, and those accused of crimes such as murder and arson in the uprising will be tried separately. The guards from the Bangladesh Rifles — the country's border security force — said they revolted over alleged discrimination and demands for parity in pay and other perks enjoyed by the army officers who command them. The two-day revolt in February of 2009 erupted with violence at the forces' headquarters in the capital, Dhaka, and then spread across the country. Fifty-seven army officers were among those killed. The killings occurred only at the headquarters. A special court in the southwestern district of Sathkhira sentenced 56 guards to prison terms ranging from four months to seven years. Twenty-four defendants received the maximum, Judge Maj. Gen. Mainul Islam said. An additional 32 received sentences ranging from four months to five years, he said. Islam said four were acquitted. None of the 56 were accused of slayings. Islam said the convicted guards found guilty of taking up arms, firing, driving their army commanders out of offices and homes and blocking a road during the Feb. 25-26 uprising. The mutiny occurred just two months after the country's powerful military, which has backed 21 coups in the country's 38-year history, relinquished power to a civilian government under Prime Minister Sheikh Hasina. The military was furious with how Hasina handled the mutiny, which was ended through negotiations, including offers of amnesty. But when dozens of bodies — including those of dozens of commanding officers — were discovered dumped into shallow graves or sewers on the sprawling compound, the government rescinded the amnesty offer for those who led the mutiny. Monday's sentences were the fourth set related to the mutiny. Fifty-seven guards were sentenced to similar jail terms in eastern Feni district on Sunday. Earlier this month 79 border guards were sentenced separately to jail terms ranging from four months to seven years in northern Bangladesh. The government has so far arrested 2,136 members of the force in connection with the mutiny, and has set up six special courts headed by Islam to hear the cases. Hasina has said she will ensure justice for the families of the mutiny victims.

#### **Iran, Iraq, Bangladesh to buy 2m tons wheat**

ISLAMABAD: Bangladesh, Iran and Iraq have emerged as the possible buyers of the two million tons of surplus wheat from Pakistan. The government-to-government contacts for the export of surplus wheat have resulted in very positive responses from these countries, and officials expect formal agreements would be signed next month when the procurement of wheat from farmers will be in full swing. Federal Minister for Food, Agriculture and Livestock Nazar Mohammad Gondal presided over a meeting on Wednesday to review the current procurement drive of wheat and progress on its export. The government has four million tons of surplus wheat in its stock from last year's crop and decided to export half of the stock while considering the fact that the fresh procurement together with two million tons in surplus stock would be sufficient to meet the country's requirements. Mr Gondal said that the decision of the cabinet to export the surplus wheat was followed by formal contacts with some countries through the Ministry of Trade and Commerce. The government was seriously considering the positive response from Bangladesh, Iran and Iraq to export wheat to these countries. The meeting was informed that nearly one million tons of wheat had so far been procured in the Punjab and Sindh by provincial food departments and Passco. Mr Gondal reiterated the government's resolve to guarantee the announced support price of Rs950 per 40-kg to the farmers

#### **US Ambassador to India visits Bangladesh**

The U.S. Ambassador to India Timothy J. Roemer departed on Wednesday on an official trip to Bangladesh, said an official release on Thursday. Before departing for Dhaka, Ambassador Roemer affirmed U.S. support of close ties between India and Bangladesh. "We support the efforts of India and Bangladesh to promote a strong and prosperous region. A strong partnership between them is productive for the people of Bangladesh and India and for the region as a whole." The Ambassador went on to underline the particular importance of enhanced regional counterterrorism cooperation. Roemer commended India and Bangladesh for their "significant step toward a more comprehensive regional approach to a threat we all face." In meetings with high-level government officials, microfinance experts and development leaders in Dhaka, Roemer will focus on the growing prospects for improved counterterrorism cooperation, trade and development, and regional integration

#### **9 opposition party members die, 30 injured in Bangladesh bus accident**

A news report says nine members of Bangladesh's main opposition party have died and 30 others were injured when their speeding bus collided head-on with a truck on the way to a political rally. The United News of Bangladesh agency says the victims were heading to the southwestern city of Khulna to attend a speech by former Prime Minister Khaleda Zia when the accident occurred Sunday. The area is 85 miles (140 kilometers) southwest of the capital, Dhaka. It says the victims belonged to Zia's opposition Bangladesh Nationalist Party. Officials were not immediately available for comment. Zia was expected to criticize the government over frequent power blackouts and high commodity prices.

#### **India's ban on cotton exports to hit Bangladesh**

Bangladesh's prime export industry textiles may suffer badly following India's restrictions on cotton exports this week, a business leader said on Thursday. Bangladesh buys 30 percent of its cotton needs from India transported by land, but supplies have stopped after the export ban was imposed, said Abdul Hai Sarker, president of the Bangladesh Textile Mills Association. "The decision will increase our production cost and also make it difficult for us to reach (send) our products in time to the importers," he told Reuters. Textiles, mainly ready made garments, are Bangladesh's main export, generating \$15.56 billion or 80 percent of the country's annual export

income in the fiscal year to June 2009. India, the world's second biggest cotton exporter, stopped cotton exports this week to cool rising domestic prices, which surged more than 25 percent since October because of poor harvests and expectations of higher demand. "The export ban will hurt our spinning mills and export oriented knitting manufacturing firms," said Kutubuddin Ahmed, a leading exporter of textile products. "The decision will not only hike yarn prices but will also hit export performances," said Ahmed. India's cotton exports have risen sharply since October last year as demand from China and Bangladesh soared, Ahmed, also a former president of Dhaka Metropolitan Chamber of Commerce and Industry, said. "Now we have to spend more money on importing cotton from other countries," he added. Bangladesh fills 60 percent of its annual demand of 4 million bales of cotton from Uzbekistan, the world's third-largest cotton exporter, officials said. It also buys cotton from Russia and U.S.A. worth more than \$1.5 billion.

### **Bangladesh turns to coal for generating electricity**

DHAKA, April 19 (APP): Faced with grim power situation caused by acute shortage of gas, Bangladesh now appears set to turn to huge hitherto-unexplored coal reserve for generating electricity in the country. The Ministry of Energy and Mineral Resources will review the draft coal policy to make it more environment and business friendly. "We shall meet on April 22 to further review the draft coal policy, especially of the possible adverse impact of mining on the people and environment at Barapukuria coal mine areas as per the Prime Minister's directives", a top Energy Ministry official told newsmen in Dhaka Monday. Although the draft policy has been reviewed six times, the ministry felt it needed further review to make it more realistic one. The government formed six committees in last 10 years but failed to finalise it. According to the Energy Ministry sources, Prime Minister Sheikh Hasina asked the ministry to formulate the coal policy urgently as it needed to deal with the coal sector. "We shall submit the caretaker government's recommendations of the latest committee, along with the draft coal policy, were placed before the Prime Minister's Office for approval soon", another top official of the Energy Ministry said. The energy officials at a meeting on April 8, with the Prime Minister recommended open-pit mining of the north side of the Barapukuria coal field in Dinajpur district. However, Sheikh Hasina told the meeting that her government would not make any hurried decision on open-pit mining as it is a densely populated area. "Petrobnagla, Energy Ministry and GSB (geological survey of Bangladesh) officials were invited to join the meeting", the Energy Ministry sources said. A high-powered committee, headed by former Vice Chancellor of Bangladesh University of Engineering and Technology (BUET) Dr Abdul Matin Patwari, prepared the draft coal policy and submitted it to the government. The committee suggested a pilot project at Barapukuria to find out the pros and cons of open pit mining. Although the government repeatedly said that coal is the alternative source of fuel but due to lack of policy it failed. Bangladesh has five coal mines with a reserve of about 4.5 billion tons, including 2 billion tons recoverable

### **British terrorist leader held in Bangladesh**

**Dhaka:** Bangladesh authorities on Friday arrested Golam Mostafa, who is the chief of Harkat-ul-Jihad al-Islami (HuJI) in Britain and accused of financing the banned Islamist militant outfit. Golam Mostafa, 45, is a Bangladesh-born British national. He was nabbed in Biswanath 'upazila'



(sub district) of Sylhet district in northeastern Bangladesh. Top Pakistani LeT militant nabbed in B'desh: official Assistant Commissioner of the Detective Branch Rafiqul Islam confirmed the arrest, the Daily Star said on Friday. He has connections with Faisal Mostafa, another British citizen and chief of Britain-based NGO Green Crescent, arrested March 24 last year for operating an ammunition den inside a madrasa-cum-orphanage in Bhola, a southern island of Bangladesh. Golam Mostafa was earlier arrested in 2007 with firearms and was sentenced to 17 years in jail.

HuJI planned terror attack in Hyderabad on R-Day

Later, he was freed on bail in January this year. The officer gave no explanation as to how and why Golam Mostafa was released on bail. The police described Golam Mostafa as a war veteran, who fought the Soviets in Afghanistan. Many of the Bangladeshis who fought in Afghanistan returned home to set up outfits aimed at establishing an Islamic monarchy in Bangladesh, the media report sai

### **Bangladesh HC quashes another graft case against Hasina**

Prime Minister Sheikh Hasina has been cleared of another graft case filed during the past Bangladesh Nationalist Party-Jamaat regime, as the High Court on Thursday quashed all proceedings against her in the Meghnaghat Power Plant case. After hearing the long-pending petition, a High Court division bench comprising Justice M Shamsul Huda and Justice Abu Bakar Siddiquee delivered the judgment. Quashing the case proceedings, the High Court said that there was no element of offence against Hasina in the case. Hasina was not named in the First Information Report (FIR), the court order said, adding that she was implicated in the chargesheet as a means of political harassment aimed at ruining her public image.

### **Bangladesh parliamentary panel to probe Airtel deal**

DHAKA: A parliamentary committee in Bangladesh is to probe a possible loss to the country from the sale of a substantial portion of mobile operator Warid's stake to Indian telecom firm Bharti Airtel. The parliamentary standing committee of the planning ministry Sunday asked the Bangladesh Telecommunication Regulatory Commission (BTRC) to submit a report on how 70 per cent of the shares of mobile operator Warid had been sold to Bharti Airtel only for Tk seven million (\$100,937), a newspaper reported on Monday. Committee chairman Oli Ahmed Sunday said: "The country and the government sustained a loss as Warid was allowed to hand over its share for such a low price." The media report said that the government lost millions of dollars in transfer fees as the commission allegedly allowed Warid, which invested more than \$600 million in the country, to hand over 70 percent of its stake to Airtel

### **U.S. To Invest In Bangladesh Gas, Power Sectors**

The United States will invest more in Bangladesh's key sectors including gas and power to boost bilateral trade relations between the two countries. Visiting U.S. Deputy Secretary of State James B. Steinberg announced the investment boost when he paid a courtesy call on Prime Minister Sheikh Hasina at her office in the capital, Dhaka, Thursday. They discussed a wide range of bilateral and multilateral issues including expansion of trade and business and U.S. investment in the country, a spokesman for the prime minister told reporters after the meeting. The prime minister urged the U.S. government and entrepreneurs to invest in Bangladesh's development sectors, especially electricity and gas, saying that a congenial atmosphere currently prevails in the investment sector in Bangladesh, the spokesman said. Describing bilateral relations between

the United States and Bangladesh as excellent, Sheikh Hasina expressed the hope that the relations would be further cemented in the days to come.

Steinberg said the U.S. will expedite its support to Bangladesh's economic sector and provide assistance for protecting human rights and curbing terrorism

### **Bangladesh Inflation Rises As Prices Of Food Items Spikes**

Bangladesh's consumers' price index (CPI) inflation rose to 9.06 percent in February 2010, up from 8.99 percent of the previous month, officials told AHN Media on Tuesday. The rate of inflation went up by 0.07 percentage point in February, over that of the previous month, mainly because of the increase in prices of food items. "The inflationary pressures on economy has slightly gone up during the period due mainly to the increase in prices of food items in the local market as well as in the global markets," a senior official of the Bangladesh Bank (BB), the country's central bank, told AHN in Dhaka. The official also said the existing upward trend of inflation might continue in the third quarters but it particularly in food inflationary pressure would decline in the fourth quarters of the current fiscal year due to arrival of new 'Boro' rice crop along with the government's market intervention. Food price inflation rose to 10.93 percent in February from 10.56 percent in January this year on the point-to-point basis due mainly to raise the prices of essential items including rice and sugar during the period. Despite good domestic output of the 'Aman' rice crop, a recent surge in domestic prices of essential commodities including rice, sugar, edible oil, pulses, onion, garlic and vegetables is the reason for higher inflation during the period under review, the central bank officials said. The inflation rate moved up to 5.95 percent in February from 5.67 percent of the previous month on the annual average basis, according to the state-run Bangladesh Bureau of Statistics (BBS) data, released on Monday. The central bank in its latest monetary policy projected a further rise in the country's CPI inflation on a point-to-point basis in the coming months. However, it expressed hope that the 12-month average CPI would be within a 6.5 percent range by the end of the fiscal year 2009-10, as earlier projected by the BB

### **Bangladesh to get \$4.5 bln loans from ADB till 2013**

Bangladesh will receive about \$4.50 billion in loans from the Asian Development Bank (ADB) over the next four years to implement infrastructure development projects, a senior government official said on Wednesday. "The ADB proposed to provide \$4.47 billion in loans over four years till 2013 for construction of a bridge and to implement a number of other projects," said Musharraf Hussain Bhuiyan, secretary of the economic relations division at the finance ministry. He said \$1.8 billion will be for constructing the bridge over the river Padma, and the rest for projects under regional cooperation and public private partnership initiatives. Musharraf told Reuters that the proposal was made by an ADB mission now visiting Bangladesh. "The ADB asked Bangladesh to step up efforts to develop regional transport connectivity, power exchange and ports," the official said. In 2007-09, the ADB approved loans totalling \$2.6 billion for Bangladesh. Bangladesh plans to complete the \$2.4 billion Padma multipurpose bridge, country's largest infrastructure project, in three years from December this year. The government has already invited tenders for constructing the 6.15 km (3.8 miles) bridge

which will also be financed by the World Bank, Japan International Cooperation Agency, Jeddah-based Islamic Development Bank and Abu Dhabi Development Fund.

### **Bangla New Year celebrated in Islamabad**

The Bangladesh High Commission (HC) in Islamabad on Sunday celebrated the Bangla New Year – 1417 with a sense of jubilation, traditional enjoyment and gaiety. A number of diplomats, Pakistan government officials, elite of the town, journalists, children, expatriate Bangladeshis and Bangladeshi students studying in different educational institutions in Pakistan attended the colourful programme chalked out for the occasion. The HC organised an event from morning to afternoon for familiarising the expatriate Bangladeshis and Pakistani people and children with the Bangladeshi culture and traditions. The Bangla New Year is usually celebrated on April 14 in Bangladesh. Known as “Boishakh” the first Bengali month, marks the first day of the crop season. Usually on this day, everybody thoroughly cleans and decorates his house. The people have a traditional bath early in the morning and come out dressed in fine makeup and the best of apparel. The young and old spend most of the day visiting relatives, friends, and neighbours. Several also through local fairs arranged in many parts of the country, where various agricultural products, traditional handicrafts, toys, cosmetics and various kinds of food and sweets are sold.

The event in Islamabad was marked with a colourful cultural programme, which included patriotic and folk songs, dances, children fashion show, recitation from famous poetry works of renowned Bengali poets and other family entertainment programmes. The children and teachers of several schools organised funfairs on this occasion. Toys and fancy jewellery exhibitions were a main attraction for those attending the festivity. Refreshing snacks were also distributed among the guests. Bangladeshi women also took part in pickle-making competitions. Bangladeshi dishes were also served to the guests as an added traditional cuisine. Later, Bangladesh Acting High Commissioner Mahfuzur Rahman awarded prizes to the winners of the competitions held among schoolchildren, ladies and gents. Rahman said the Pakistanis and the expatriate Bangladeshis made the event a success. Mohammad Ishtiaque Hossain, Press Counsellor at the Bangladesh HC in Islamabad also applauded the successful event. Dressed in an informal seasonal dress and with a wide smile Hossain was serving the guests with the things they required. His affable personality was pleasing and charming indeed. The gala ended with the High Commissioner thanking one and all for their cooperation and wished everyone a very happy Bangla New Year.

### **Justice in Bangladesh after four decades**

Bangladesh has begun trials for crimes perpetrated during the nation’s 1971 war of liberation. The New Age, a Dhaka daily newspaper, recounts that “horrendous crimes against humanity were committed during the liberation war.” Previous governments have been reluctant to bring the perpetrators to trial. The ruling Awami League government has announced a three-member tribunal and separate teams for the investigation and prosecution of the crimes in a release hours before Bangladesh celebrated the 40th anniversary of its independence March 26. Among crimes against humanity, the tribunal will try crimes against peace, crimes of genocide and violations of humanitarian law in line with the 1949 Geneva Convention, as Dhaka-based newspaper The Daily Star reported March 27. The trial will be conducted under a special national law, the International Crimes (Tribunal) Act of 1973. The United Nations is to give technical support in facilitating the sharing of related expertise and experiences of other countries for the trial of similar crimes, the Star reported. In a March 27 editorial, the Star commented: “The people of

Bangladesh in 1971 were the victims of one of the worst genocides and other forms of war crimes in history.” However, “it is a travesty that the perpetrators, for some reason or the other, have eluded justice ’til now.”The liberation war cost an estimated three million lives; 200,000 to 400,000 women and girls are reported to have been raped or violated by Pakistani forces and local collaborators who joined as auxiliary forces.According to the United Nations, one out of seven Bangladeshis, ten million in total, had to take refuge in neighboring India during the war.The trial of the war crimes has been a long-standing national demand in Bangladesh. The Awami League pledged this trial in its 2008 election manifesto. The Awami League is considered a secular and pro-Indian party.

Under the leadership of Sheikh Mujibur Rahman, the party led the nation in the war of liberation and formed a government thereafter.On Aug. 15, 1975, then-Prime Minister Rahman, whom the Bangladeshis widely revere as a founding father, was assassinated along with family members. Only two daughters, including current Prime Minister Sheikh Hasina, survived the assassination.After almost four decades, the trial has come as a huge challenge both for the Awami League and for the country, which is plagued with severe electricity crises, unemployment, a rise in radical militancy, deteriorating law and order and other problems. The culmination of these is likely to create public outcry and unrest which could bring an increase in demands for the government of the opposition, the Bangladesh Nationalist Party, to step down. The BNP is aligned more closely with pro-Pakistani interests.The alleged perpetrators of the war crimes have been mainly linked to a religious-based political party, Jamaat-e-Islami, and its allies, which reportedly have connections to Pakistan and the Middle East.Ziaur Rahman, the founder of the BNP, which held power between 2001 and 2006, is credited with patronizing the alleged “war criminals” to come out of hiding in the late 1970s to launch political parties.The Jamaat-e-Islami is on the defensive, sensing a mounting political and moral scrutiny by the public. According to the Star, Jamaat claims the government is attempting to prosecute in order to “eliminate” them from the “domain of politics.” Jamaat is preparing its defense.For its part, the BNP is opposed to the government’s move. According to pro-BNP (and Jamaat) lawyers, the attempted trial has a “political motive,” as the Star reported March 17.However, the mainstream human rights organizations and most of the media in Bangladesh appreciate the government working to, as a Star editorial sees it, “bring justice to the war criminals of 1971.” The influential daily newspaper Prothom Alo commented that the trial initiative brought forth a chance for bringing justice to the nation.Bangladesh won independence from Pakistan in 1971 after a nine-month guerilla war waged by the Mukti Bahini. These freedom fighters were civilians of all ages and occupations, men and women alike, who fought Pakistani military forces.But this trial process should be “a means of vindication not vengeance,” as the Star commented.

Columnist Sohrab Hassan wrote in Prothom Alo on March 31 that the attempted trial brings into question both the stability and the human rights record of Bangladesh. According to Hassan, party politics is unimportant. What matters is how the trial is conducted, whether the perpetrators are held to a just and moral standard and whether the trial process is accepted at home and abroad.A trial of such historic, personal and civil proportion calls for national consensus. Given the staunch opposition from the BNP, only time will tell how the Awami League government handles the matter.

**Zia went into hiding before border guard mutiny: Hasina**

Bangladesh Prime Minister Sheikh Hasina has hinted at a probe against opposition leader Khaleda Zia who she says was “hiding for three days” before the country’s border guard troopers mutinied in February last year. Repeating a charge that she had made on the floor of the National Assembly last year, Hasina told a meeting of her party leaders Monday: “Why she went out from her residence riding a black-tinted glass car just before the BDR mutiny? Did she know what will happen at Pilkhana?” Pilkhana is the Bangladesh Rifles (BDR) headquarters located in the heart of the national capital. On Feb 25 last year, thousands of troopers stationed there entered an officers’ meeting and gunned down several of them, including the force commander, Major General Shakil Ahmed. Seventy-one people, including 57 Bangladesh Army officers on deputation to the BDR died in the two-day mutiny that took place within six weeks of Hasina’s taking power. The troopers rebelled over low wages and poor working conditions. Media reports said Hasina asked of her arch political rival: “She was in a secret place for three days after hiding just before the BDR mutiny on February 25, 2009.” “Where have you been? How did you know what will happen there? What was in your mind?” She said there is a need for further investigation regarding the opposition leader’s movements on that particular day. “The reason why the opposition leader hid and the secret place should be brought into light.” Hasina alleged that the opposition leader, her family members and her finance minister earned black money during their tenure, The Daily Star reported Tuesday.

## **Bhutan**

### **No Singh-Gilani talks planned in Bhutan: India**

NEW DELHI: No meeting is slated so far between the premiers of India and Pakistan on the margins of a South Asian summit to be held next week in Bhutan, a senior Indian official said on Thursday. Ties between the two countries have been strained since the 2008 Mumbai attacks. “The answer is no. As of now there is no such meeting,” Indian foreign secretary Nirupama Rao told reporters. “I don’t believe in making forecasts. I would say you should wait and let’s see. There has been no request from the Pakistan side as of now,” she said. Talks between the rivals have always overshadowed summits of the Saarc, which groups eight nations in the region.—  
AFP

### **India to drop extradition proceedings against Bhutanese leader**

The government today told the Delhi High Court that extradition proceedings against a former pro-democracy Bhutanese leader would be dropped. Appearing for the Centre, counsel A K Vali told a division bench of Justices A K Sikri and Ajit Bharihoke that a decision has been taken to withdraw the proceedings against former leader of Druk National Congress (DNC) and United Front for Democracy in Bhutan (UFD) Rongthong Kunley Dorji at the instance of Bhutan government. Dorji was arrested in India in April, 1997, following the issuance of an extradition request by Bhutanese authorities. In June 1998, he was, however, released on bail but there were restrictions on his movements. Following the decision of the Centre, Dorji's counsel withdrew a petition seeking quashing of extradition proceedings before the court of the Additional Chief Metropolitan Magistrate here. According to Dorji's petition, he was arrested in Bhutan on May 18, 1991, and remained incarcerated till July six, 1991. He was, however, given a pardon by the Bhutan government before his release. The political leader came to India in 1991. He was unanimously elected as chairman of UFD in 1997 earning the displeasure of Bhutanese authorities.

## **Notice to Delegates coming to Bhutan for APFC 2010 Meeting in Bhutan**

At the kind invitation of the Royal Government of Bhutan, the 23rd Session of the Asia-Pacific Forestry Commission (APFC) will be held in Thimphu, the capital city of Bhutan, from 9 to 11 June 2010. The opening session will start at 0900 hours on Wednesday, 9 June 2010, and the session is scheduled to close in the afternoon of Friday, 11 June 2010. Field trips will be organised on 12 June 2010. Delegates wishing to participate in pre-session events, on 8 June 2010, should plan accordingly to arrive earlier.

**Arrival Details and Transportation:** All delegates planning to attend the Asia-Pacific Forestry Commission (APFC) 2010 Meeting in Bhutan will be required to travel by the only flight carrier for Bhutan - Druk Air. They have booking agents in Bangkok, New Delhi, Kathmandu, Bodh Gaya and Kolkata and delegates are welcome to use their service. For the convenience of international passengers, Druk Air has now launched online booking using credit card service (visa and master card). All incoming flights to Bhutan will arrive at the Paro International Airport which is about one hour drive from the conference venue, Thimphu. Delegates will be met and facilitated by Protocol Officers appointed by the organising committee.

Power Grid to invest Rs4,405 crore in Bhutan-West Bengal transmission line

State-owned Power Grid Corporation of India Ltd (PGCIL) is investing Rs4,404.57 crore in a transmission system for importing electricity from Bhutan. The board of directors of Power Grid Corporation, at its meeting held on 15 April, approved investment in a transmission system for development of polling station in northern part of West Bengal and transfer of power from Bhutan to NR/WR, at an estimated cost of Rs4,404.57 crore, the company said in a filing with the Bombay Stock Exchange (BSE). The project is tentatively scheduled for completion within 57 months from the date of investment approval, subject to CERC concurrence such that additional return on equity at the rate of 0.5 per cent is admissible commission, PGCIL said in its filing with the BSE. Power grid has also entered into an agreement with Karnataka Power Transmission Corporation Ltd (KPTCL) for turnkey execution of 4 units of 220 kV AIS line bays at Yelahanka 400/220 kV substation of Powergrid at an estimated project cost of Rs6.54 crore.

### **PGCIL to invest INR 4404 crore in Bhutan transmission system**

State owned Power Grid Corporation of India Ltd said that it would invest INR 4,404.57 crore to develop a transmission system for importing electricity from Bhutan. The company informed the Bombay Stock Exchange said that the board of directors of the company has approved the investment for development of the transmission system for transfer of power from Bhutan to northern and western regions. It said that the commissioning schedule of the transmission system is 57 months tentatively from the date of investment approval.

**Volcano ash costs tourism cash**  
Eighty-two tourists from Europe have so far cancelled their trip to Bhutan after Iceland's Eyjafjallajokull (pronounced Eye-a-fyat-la-jo-kutl) volcano erupted last Wednesday, disrupting air traffic and forcing thousands of airlines to cancel their flights, according to tourism council of Bhutan (TCB) officials. The volcano that had been dormant for nearly two centuries erupted on April 14, filling the European airspace with ash, which flight safety experts said could severely

damage jet engines. The cancelled trips of the 82 tourists are from April 18 until May 6, with stays in Bhutan ranging from five to 15 days. "The payment of all these 82 tourists have been made," said TCB's visa officer Sangay Lhaden. "Right now, the whole amount of USD 180 per tourist is with us and we'll be refunding their payments." The months of March, April and May bring in more than 6,000 tourists into the country every year. Last year, 8,190 tourists flew into Bhutan in these three months. One of the tour operators, Needup Wangdi of All Bhutan Connection, said that 19 tourists, 17 from Poland and two from Germany, who were scheduled to arrive for their six-day trip to Bhutan, cancelled their trip on April 19. "Their flights were cancelled when they were about to fly to Delhi," Needup Wangdi said. "We've spent USD 9,758 alone on tickets and we're not sure if it would be refunded." Of the USD 200 daily tariff, 10 percent is usually paid as commission to the overseas agent. Sangay Lhaden, however, said that some tourists might want to visit later. Druk executive travel's owner, Kinley Namgay, said that 13 tourists from Netherlands had cancelled their trip on April 17. "We've spent about USD 22,000 including the airfares," Kinley Namgay said. He said the Drukair tickets for this group were bought through block purchase, which has a very rigid booking and cancellation policy with no refunds. "We've requested Drukair, but they've indicated that they'll go as per the policy," Kinley Namgay said, adding that payment for hotel bookings, transportation and guides also have to be taken care of. Some of the travel agents, whose tourists have cancelled their trip to Bhutan, are Snow White tours with 16 cancellations, Rainbow tours and treks had seven and Luxury division and Bhutan Dorji Holidays with six each. According to royal monetary authority's 2008-2009 annual report, Europeans and North Americans largely dominate Bhutan's tourism market. The two blocs accounted for 71 percent of all visitors to Bhutan in 2008. With almost 75 percent of flight to and from Europe resuming yesterday, Bhutanese tour operators are hoping that there will fewer cancellations in the coming days. Iceland, located in the North Atlantic Ocean, is famous for its hot springs, geysers and active volcanoes.

## **MALDIVES**

### **Maldives president wins UN eco prize**

Apr 22, 2010 (LBO) - President Mohamed Nasheed of Maldives, a low lying atoll nation in the Indian Ocean which fears inundation rising sea levels, has won a top environmental prize from the United Nations, his office said. He has been named a winner of the 'Champions of the Earth' award for policy leadership. Maldives had committed a becoming a carbon neutral nation and is going ahead with multiple fronts to protect its ecological resources eco friendly. "It goes to show that by doing the right thing, a small country can make a big impact on the world stage," the statement quoted Nasheed as saying. The head of UN's environment program, Achim Steiner had said that Nasheed was not only a voice for the vulnerable and poor facing the challenges of global warming but was a politician who showed that even a small nations could be climate neutral. Previous winners of the award included former US vice president Al Gore, and former prime minister of New Zealand, Helen Clark. Zhou Xun, a Chinese film star and popular green lifestyle guru and Taro Takahashi, a pioneering Japanese earth scientist are among the winners this year.

Maldives' economy fares better than expected in 2009; Growth for 2010 projected at 3%: ADB  
With the Maldives' economy faring better than expected in 2009, it is now projected to grow at 3 percent for 2010 and 3.5 percent in 2011, the Asian Development Bank said in a report. The latest figures were published in the annual Asian Development Outlook (ADO) providing a

comprehensive analysis of economic performance for the past year and forecasts for the next two years for the Maldives. Inflation is put at 4.0% in 2010 and 3.0% in 2011, broadly in line with global commodity price assumptions where oil prices are expected to rise marginally and nonfuel commodity prices to remain stable," it said. Being a tiny, open economy, the report notes the vulnerability of the Maldives "to events beyond its control—including geopolitics, global economic developments, and climate change." Hence the ADB said the government "needs to correct structural economic imbalances, primarily via fiscal reform and consolidation as well as privatization of state-owned enterprises." It also acknowledged that the Nasheed administration is "attempting to correct structural imbalances and restore sustainable growth, including broadening the revenue base, rationalizing expenditure, and retrenching public employment." "It [Government] also supports privatization as part of a wider shift of the role of government," the report noted. The ADB report noted President Nasheed elected in 2008, implemented an emergency economic reform program "in an attempt to restore macroeconomic stability." "On the revenue side, airport passenger service charge has been raised, a business profit tax will be introduced, and the tourism bed tax will be transformed into a tourism goods and service tax, yielding substantially higher revenue." Aligning expenditures with revenues, "the government is streamlining administrative machinery by downsizing the civil service, reducing electricity subsidies, and linking power tariff adjustments to cost of inputs twice a year," it said. "The government also plans to privatize parts of the extensive network of state-owned enterprises." However, it expressed concerns over "weak institutions, human resource deficiencies and the fragmented structure of government" calling them "major constraints" in the development. "The significant income disparities between Malé and the atolls are continually widening," it warned. With the country lacking the natural capacity to expand its economic base beyond tourism and fisheries, the report recommended increasing value addition in those sectors as "vital". It however noted the government aim within tourism "to ensure better training of local staff to limit the current heavy reliance on expatriates, and within fisheries, to promote exports." Citing to the government's plan to group the atolls into seven provinces and develop regional administration and economic centers, the report said: "its hope is to concentrate and thereby improve service delivery, but given that it aims to reduce the cost to itself at the same time, this is a tall order." Recognizing the country's vulnerability to climate change with none of the islands standing 1.8 meters above sea level, in the short term, "all the government can do is attempt to minimize the disaster impact. It said the government "has strengthened mitigation responses for beach erosion." The ADB noted the government's pledge to go carbon neutral by 2019 "switching from oil to 100% renewable energy production to serve as a model for other nations." Meanwhile, the report faulted the former administration under President Gayoom over economic bungle, which worsened with the global economic recession. "Too rapid fiscal expansion in recent years and a global recession-induced drop in tourism have taken the economy to the brink of crisis." "The economy rebounded on the back of large tourism-related investment and substantial increases in government spending after the 2004 Tsunami." But "the fiscal expansion was, however, excessive, including as it did large increases in public sector wages and employment as well as subsidies," the report said referring to the economic management of the Gayoom administration. "It pushed budget expenditure to 63% of GDP by 2008 and the overall deficit to 17% of GDP." Given high import dependency, this fiscal expansion led to a "marked balance-of-payments deterioration." And when the country was hit by a drop in tourism triggered by the global crisis in September 2008, "the heavy domestic and



external imbalances threatened macroeconomic stability.”In these circumstances the economy struggled, with “GDP dropping by 3.0% (a 9 percentage point tumble) in 2009, due primarily to contractions in tourism (the current economic mainstay), construction, and fisheries, by 4.8%, 16.8%, and 26.7% respectively. Tourist arrivals declined by 4.0% in 2009. ““The drop would have been even worse,” it said “had it not been for a surge in arrivals from the People’s Republic of China, which helped offset a 7.1% fall in European visitors, a market usually responsible for around two-thirds of visitors (Figure 3.18.2).”Yet the “hotel occupancy rates declined to 70% from 78% the previous year.”

Fishing, the main source of employment, saw a 22% decline in the catch. Total fish and fish product exports fell by 36%, in part reflecting a drop in prices.The Asian Development Outlook in its annual report analyses the 45 economies that make up developing Asia.On a positive note it said the region is “emerging from the recent crisis and posting a strong recovery in the next 2 years, as a moderate global recovery supports a modest revival in global trade.”“Investment is expected to remain strong and private consumption is anticipated to improve. Inflation will pick up, but at manageable levels,” the report said summing up the performance in the developing Asia.However it cautioned that the “developing Asia faces the challenge of adjusting its monetary, exchange rate, and fiscal policies to foster macroeconomic stability and sustained growth within the broader direction of a return to prudence and discipline

## **NEPAL**

### **POLITICS-NEPAL: Himalayan Nation Split Over Federalism**

Agreeing to turn Nepal from a constitutional monarchy into a federal state is turning out to be much easier than agreeing on exactly what kind of federal system is best for this Himalayan country.As a result of disagreement on this issue, the thorniest among a host of other matters, the country's 601-member constituent assembly is poised to miss its two-year deadline of drawing up a new constitution by May 28.An interim constitution has been place in the country since 2007, when Nepal's major political parties agreed to transform this country of 27.5 million people into a federal state after sustained protests in its southern plains.Accusing the state of systematically discriminating against them, the Madhesis û the people of the plains or the Tarai û had demanded a separate state in the plains stretching from the east to the west of Nepal. While the demand for a separate state in the plains has long lost steam following a split in the Madhesi Janadhikar Forum û the party that led the protests in the Tarai û the major political parties are divided over an ethnicity-based 14-province model that was forwarded for the assembly's approval by its state restructuring committee.There are 103 ethnic groups in Nepal, according to official statistics.These political changes û and pains û are coming in the years after a bloody decade-old war by Maoist rebels against the state ended in 2006 and paved the way for Nepal's political parties and Maoists to abolish the monarchy and set up a republic. As part of this political transition, the country voted in a constituent assembly to draw up a new constitution. In its first sitting on May 28, 2008, 560 out of 564 assembly members who cast their votes supported the motion to declare Nepal a secular, federal, democratic republic.

But when it comes to the details of this debate and whether to base the division of provinces on ethnicity, different political parties and groups do not see eye to eye. While the Maoists are fine with the model forwarded by the state restructuring committee, which drew up the 14-province model from 22 maps forwarded by political groups and experts, the ruling Nepali Congress (NC)

and the Communist Party of Nepal - United Marxist-Leninist (CPN-UML) are averse to the idea of having provinces carved out on the basis of ethnicity. In a published article, NC central working committee member and former finance minister Ram Sharan Mahat says that basing the idea of a federation on ethnic groups carries risks. He said, "An ethnic state is contrary to the concept of equality and inclusive polity. History is replete with instances where the predominant community has used 'push factor' through various means, including violence vis-a-vis other minorities, to drive away weaker communities to make the region more exclusive and monolithic." "The criteria for demarcation should not be confined to ethnicity and should also include geography, language, resource endowment, population concentration and economic viability," Mahat added. But the Maoists beg to differ. Maoist leader Devendra Poudel says that though Nepal is a small country, it has a host of ethnic communities whose aspirations can be addressed only by ethnicity-based representation and political units. The formation of a state restructuring commission in early March to try to break the impasse was a compromise among the three parties, but differences over its jurisdiction persist.

While the Maoists, the largest party in the constituent assembly, want the commission just to have the mandate to fine-tune the model already proposed before, the NC and the CPN-UML, which are the second- and third-largest parties respectively in the assembly, say the commission should have full rights to propose a completely new model. The constitution has to be promulgated by a two-thirds majority and unless the three parties come to a consensus, the statute-drafting process will continue to linger. The Maoists have 38.1 percent seats in the constituent assembly, NC has 19.1 percent while the CPN-UML has another 18 percent. The rest of the seats are held by 23 other parties and independents. Moreover, the debate on federalism does not end with divisions on the model to be adopted. There are also voices demanding that a referendum be held to decide whether or not to go for a federation in the first place. On Feb. 22, Rastriya Prajatantra Party-Nepal, a party loyal to the ousted monarch Gyanendra Shah, enforced a Kathmandu Valley shutdown demanding that republicanism, secularism and federalism be decided through a plebiscite. Just over a month before the May deadline for a new constitution, it is clear that the constituent assembly's tenure has to be extended. But even with more time, there is no guarantee that a consensus on contentious issues such as federalism can be reached. "Federalism will continue to be a very, very contentious issue because the NC and CPN-UML had reluctantly agreed to go for a federation in the very first place," said Krishna Khanal, a political science professor at Tribhuvan University. "They haven't yet accepted the idea deep within their hearts."

### **Nepal Maoists train cadres for 'decisive war'**

More than three years after giving up armed struggle and joining mainstream politics, opposition Maoists in Nepal have begun training their cadres for a 'decisive war' against the present government. While the Maoist leadership terms it as lessons in self-defence, district leaders of Youth Communist League, the party's youth organization, say that they have been asked to prepare for a decisive movement. From Saturday, hundreds of YCL cadres of UCPN (Maoist), Nepal's main opposition party, are getting military training in several parts of Sindhuli district besides learning Maoist political ideology. Commanders of YCL are enlisting young boys and girls from villages and teaching them fighting skills using wooden sticks shaped like rifles and khukuris, a traditional Nepali dagger used in warfare. "We have a target to impart military

training to 3,500 people from our district for the decisive movement,” Rajan Dahal, a senior UCPN (M) leader from Sindhuli district stated. Reports quoting office-bearers of All Nepal Teachers Organisation, another sister organization of UCPN (M), say that similar activities have begun in nearly a dozen more districts and will soon spread to all 75 districts. As part of its movement to remove the present government and ensure that the new constitution gets adopted before the May 28 deadline, the Maoist leadership has threatened an agitation from the streets. In order to improve its image and ensure correct dissemination of news related to the party’s activities, UCPN (M) is also planning to start a TV channel and launch a national broadsheet daily. Two senior leaders Baburam Bhattarai and Dinanath Sharma have been asked to study the editorial and managerial aspects of how viable such ventures would be. The Maoist leadership including Chairman Pushpa Kamal Dahal ‘Prachanda’ and others also underwent a recent training from several senior journalists on how to handle the media efficiently.

### **Nepali Congress Leaders not united over future political course**

The Maoists had their agenda clear...they did not want to see peace process come to an end and drafting of the constitution to see timely conclusion”, said acting president of Nepali Congress Party, Sushil Koirala while addressing a program organized by Nepal Students’ Union (NSU) in Kathmandu. The NSU is the group of Nepali Congress affiliated students.

“We will not surrender to the Maoists, we will not accept their demands, we are ready to make any sacrifice but will not bow down”, he also said. “The Maoists’ have failed to accept norms of democratic system, they are on the way to state capture through the use of weapons”, said Ram Chandra Poudel, senior NC leader addressing the same program. Prakash Man Singh and Bimalendra Nidi were of the opinion that if the Maoists reject the offer for extending the CA tenure, the Nepali Congress must favor elections. Leader Gopal Man Singh was of the opinion that the Madhav Kumar Nepal Government must be replaced by the Nepali Congress led government. “A Nepali Congress led National Unity Government must replace the current government”, Singh demanded. The Nepali Congress spokesperson Mr. Arjun Nar Singh K.C. criticizing the government said he was not at all satisfied with its performance.

“If the Maoists abide by our demands, we are ready for the formation of a National Unity Government”, K.C. said. Contradicting views coming as it does from the Nepali Congress leaders itself suggest that the party seems not to be united on what course the Nepali politics should take?

### **Nepal’s Republican order has been wrongly handled**

**As a former career diplomat who served this country with all the capacities and abilities and someone who has been the eye witness of several ups and downs that gripped Nepali politics at different intervals of time, how do you Dr. Thakur now analyze the fresh political events that have unfolded in the country?**

**Ambassador Thakur:** I think your question is a timely one and loaded with meaning.

To tell you very frankly, before I left this country to serve as the Ambassador in the Arab Republic of Egypt some four and half years ago, the situation then was not that worse. After I returned home, I find everything that was in order is in a total mess. There is no rule of law, democracy has turned into mobo-crazy, now violence reigns supreme here, there is no water, there is no electricity and anarchism prevails all over the country. I thank God that our country is still not a Failed State but I fear that we are heading into that direction and we will eventually reach there if we do not make timely corrections and take visionary decisions.

This Nepal, as built and unified by King Prithivi Narayan Shah has lost its direction completely. It has become radar less. Here is no communal harmony instead communal hatred is on an increase. People have begun fighting for petty personal issues. We remain no longer united as we had been in the not so distant past. I feel some times that I have come to an alien land. This is not the new Nepal we had dreamt of. Not at all. I feel pained when I see the disturbed state of my own country. It is really sad.

**Ambassador what is so unnatural in our decision as you just stated? Please elaborate it further.**

**Ambassador Thakur:** Do not forget that Nepalese are peace loving people, we are non-violent by nature and we are a highly religious minded people. Political developments that we have witnessed in the recent years have gone against our natural behavior, our trends, traditions and culture as well. We have resorted to violence and we have become selfish. All steps that we have taken in the recent past have been counterproductive which have well been recorded. I see that the current disorder is only because we have begun behaving in an unnatural manner. We have very few options left before us to control this degrading situation.

**Why don't you tell our readers what those option(s) are?**

**Ambassador Thakur:** We have been affected by some sort of unconventional disease. The cure obviously should be unconventional. I for one believe that the cure is through imposing a state of emergency in the country because we are under-going through a crisis situation. There is no electricity, there is no water, no security and corruption is at the peak. Law and order situation is at an all time low. This is because of our political leader's gross inefficiencies; they should be ashamed of their behavior. They have failed to deliver basic necessities to the common men. But, people should take the emergency in a light manner as it is needed at this moment and this is the only unconventional remedy for the country. Let's observe iron discipline. It is needed for our political stability, the people should understand. But, utmost care should also be taken to take situation under control during that period else threat will remain that we may lose our unique identity itself. Nepali identity must remain safe at all cost.

**What sort of crisis are we heading for?**

**Ambassador Thakur:** We are in the midst of crisis. Let us accept that Afghanistan is a Failed State. It is technically alive but it cannot function on its own. We are zeroing in to the Afghanistan like scenario. We have been derailed from the normal track. The country was running on track but we derailed it. In fact, we are only looking for changing a driver, and we have done that repeatedly in the recent years. But what we need to do is first bring the country back on track. Bringing the derailed locomotive into its original track should be accorded top priority. Change of the driver is secondary.

**Are you not satisfied at all with the Republican order?**

**Ambassador Thakur:** I accept that it is the best system that the world has recognized. A political system in itself cannot be good or bad. We need good leaders to operate the system properly and effectively. After all, who does not want total freedom and total liberation? In that sense advent of Republican order is not bad either. Here, I am not saying that Britain, Japan, Spain and Norway with Monarchical system have no freedom or liberation. Britain with monarchy has the reputation of being mother of parliamentary democracy. But change should be made step-by-step. I think that the country was not ready for the republican order and unfortunately it has been wrongly handled.

What troubles me most is that we were perhaps not at all ready to accept this change. We did not create a system equivalent to Monarchy prior we sidelined the Royal institution. The current instability is the result of this political vacuum. Most importantly, our instability has already begun hurting our immediate neighbors. China feels insecure from Nepal because of Tibetan case and India is already concerned over whether the prevailing instability would turn Nepal into a major terrorist hub?

**So you think that the instability is mainly because of absence of Monarchy?**

**Ambassador Thakur:** It is not an unlikely proposition, isn't it? A dead parliament was resurrected by the King. The parliament then declared the country secular and did away with the Institution which gave it a new lease of life. Was it a Constitutional step? If there is nothing constitutional then where is democracy? It was not the mandate of the revived parliament to do whatever it preferred. It was at best just an interim set-up. How can an interim set-up take such revolutionary decisions that have vast political ramifications? I think best way to sort out contentious issues such as fate of Monarchy and Secularism is through the conduct of a referendum.

**Do you see Nepal finally drafting the constitution?**

**Ambassador Thakur:** I am not hopeful in this aspect. This issue has become damp squib already. As long as the parties continue to fight for petty political issues they will not succeed in drafting the constitution through this unnatural alliance that it is.

**How will people at large react in the situation that constitution is not drafted on time?**

**Ambassador Thakur:** Nepali population, as I have already said, is peace loving breed by nature. Since they do not come to the streets protesting against 12 hours plus load shedding every day and for one hour of water in a week, I don't think they will come to the streets crying for the new constitution

**The Final Battle** Thus we have now only 37 days left from the billed total 730 days for the draft of the New Republican Constitution. Analyzing the intensified intra and the inner party squabbling what becomes more than comprehensible is that none of the major parties are genuine and honest towards the draft of the new Charter on time. Nepal, in one way or the other, has become cheaters paradise. The assassination of the awarded time continues even in a frightening manner. Several lunch and dinners are being thrown in order to befool the people once again. People's hands are tied.

Though even if they vow perchance to draft the new Charter on time, they can't do it as several **contentious Himalayan issues** remain at hand that need serious discussions and debate among the differing parties and the population as well prior to the incorporation of those issues in the Charter, the charter would certainly be an incomplete one worth burning in the Kathmandu streets. But they will not do so as their fraudulence and deceit has already been tested several times in the past. Instead, what they want to do now is to go for either the CA tenure extension or at best throw the country to yet another election to seek a fresh mandate from the people. So billions of rupees appear to be again drained from the national exchequer should elections are declared. The idea of the CA tenure extension, as analysts claim, is to pouch some more money by draining the national coffer and enjoy the rest of the life in a prosperous way. But will the conscious population allow going the things their desired way? To recall, some 60 billion rupees have already been swallowed up by the 601 white elephants at the CA body in the name of the draft of the republican constitution which in essence they did not want to draft because neither it was their agenda nor desire. The lay men indeed had a keen desire to have a new draft.

Kathmandu based analysts in a determined manner have now begun claiming that the mandate of the last popular movement was something different than what queer decisions the Constituent Assembly later took after it came into existence. "The CA body exceeded its limits and mandate", opine a section of analysts. Now let's take up the up-and-coming politics.

The noticeable difference the country's politics saw well within the last seven days were, first, the reluctant parties who were yet to speak their mind that the constitution could not be drafted now within the remaining days and have now demanding the CA extension, and second, the Maoists suddenly made public its dangerous stance that the talk of CA tenure extension was a distant affair as is being talked in some political circuit, however, the Maoists have had extended an olive branch to those who preferred the CA tenure extension stating that "if the incumbent government quits voluntarily and a national unity government under their own command was allowed to take a formal shape then the party of the ex-rebels may think of the proposal of the CA extension tenure".

The UML stalwart, K.P. Oli is against CA extension though.

The sudden and devastating sort of fresh Maoists proposal jolted the NC and the UML and some countries near and far from within and without and hence they too devised a new political scheme wherein they stated that "we will prefer to embrace yet another election rather than allowing the government". Clearly an alien brain.

Interestingly, the parties which have freshly been voicing in favor of a fresh election are the ones who in one way or the other toe the line of the South Block just across the border.

To the extent that Kamal Thapa-the Chairman of the RPP-N too strongly favors fresh elections than going in for the extension of the CA tenure. Should this then mean that Thapa too is very close to the Indian regime? This sudden development in favor of fresh elections apparently is being voiced hoping that should there be another election, the Maoists may not emerge as a powerful political entity as they are at the moment. But are the Maoists that fool? Certainly not. Had they been fool as understood by Kathmandu's ruling elites then they must not sent **AMRESH KUMAR SINGH, a JNU Graduate** to New Delhi to mend their "differences" with the New Delhi regime. Mr. Singh is already in New Delhi, claim Nepal media reports.

After all, according to C.P. Bastola, a NC functionary, only recently revealed that the Maoists were provided "loving care" by the South Block, and thus the obligation remains, let's presume so, yet to be paid (See Nagrik daily, April 1, 2010). But at what cost?

This will have to be carefully watched and then only arrive at a conclusion as to what influences the Maoists each time to seek the Indian favor? And why they talk double very often? Question could also be asked at to whether the Indian regime that has been forced to brave debacles in series will trust Maoists even if Mr. Singh touches the feet of Dr. Singh?

Nevertheless, the Maoists, we have been told, remain in a state of preparedness to face any political eventuality which means that they are ready to face the election as is being talked.

Subtle diplomacy and war preparedness are going in parallel.

No wonder, realizing that the conduct of fresh election could be round the corner, the Maoists have begun educating their militant cadres at different locations across the country and mind it that the party of the ex-rebels still possess UNMIN unregistered weapons, outside the cantonments, as is being given to understand by the parties other than the Maoists.

The Maoists have been providing training to their militant cadres openly. Nothing to hide. They do it openly. The idea is to influence the upcoming election if at all that happens.

Several Nepali media have of late been carrying pictures of such training. The one appeared today, April 21, 2010, was a training session with **KHUKURI** war tactic.

Moreover, the Maoists are all set to bring in their thousands of cadres from across the country as a show of their military prowess perhaps with a view to terrify the parties and the population.

Thus no wonder that the Nepal Army too remains in a High Alert situation, analysts have been told. The Nepal Army is to soon receive the US Army Chief by mid May, next month.

The sum total is neither the Madhav Nepal Government will resign as wished by the Maoists nor the Maoists will be allowed to capture the State which is their ultimate goal. The two way high voltage tussle thus is round the corner. This is simply because two “powers” have appeared in the country’s politics that tentatively possess revulsion for the Nepal Maoists, have suddenly become active. Yes! The US-India axis has once again been subtly revived in order to corner the Maoists. The US for all practical purposes possesses distaste for the Nepal Maoists. To hate communists is the US structured policy.

The terrorist tag still hangs on the head of the party of the ex-rebels and is likely to continue for some time more. Interestingly, the terrorist tag still hangs but yet the newly arrived US Ambassador met Prachanda today, April 21, 2010. The US policy is simply unbelievable.

Moreover, the new US envoy also met the Nepal Prime Minister, April 19, 2010 and apparently encouraged the latter to face the Maoists come what may. He is also reported to have told the same to Nepal FM Sujata Koirala. “The US is ready to extend “any” support to Nepal is what the US envoy beamingly assured Sujata of the MRP negative fame. This does mean, if so as is being rumored, that the political situation will get further compounded due to the presumed US pressure on the Maoists. In addition, the Indian establishment has perhaps nothing more to understand the inner politics and the real intent of the Nepal Maoists whom she provided with “loving care” for some eight years plus definitely to do away with the Nepal Royal institution.

Old friend has now become a trouble maker.

The Nepal cabinet abrupt cancellation of the fresh Machine Readable Passport deal with India must have been read and understood by the Indian regime as to have been a “structured and calculated” pressure policy of the Nepal Maoists to “expose” the Indian ulterior motives (?) hidden in the said deal. The Indian Ambassador Rakesh Sood has abundant reasons to go berserk against the Nepal Maoists. Hopefully, Sood will do whatever is within his capacity and ability to damage the political credentials of the ex-rebels and analysts have been told that the process of penalizing the Maoists is already in progress. But how? Remains yet unclear.

No wonder then again, the US and the Indian establishments once again join hands in order to tame the Maoists. However, how this new axis that has come into existence with the fresh arrival of new US envoy will corner the Maoists will have to be keenly observed.

The cancellation of MRP deal with India must be taken by the Indian regime and its Kathmandu representative (he is currently in Delhi) in a very light manner because some twenty years ago or even more, it was the Indian establishment which had snatched the Kohalpur-Banbasa Road construction bid from China and had pocketed the same in its favor.

To recall, China had quoted the lowest price for the tender bid in an official and transparent manner but an India in frenzy heavily influenced the then Nepali regime under late King Birendra to revert the tender bid in its favor and so it was changed overnight.

The functioning Indian envoy then in Nepal, I presume, was Arvinda Ram Chandra Deo.

An annoyed China since then began keeping Nepal at a comfortable distance which perhaps continues yet. So nothing to panic. Ambassador Sood must realize that such “things” do happen at times. Not necessarily all the time India should be honored.

But yet, the Nepal government committed a blunder. It scrapped the MRP deal with India through a cabinet decision when the issue was already a subjudice one. What if the Apex Court decided MRP deal again in India’s favor? The likelihood remains.

All put together, politics of this country is proceeding fast towards an avalanche. The major parties-say the Heroes and Builders of New Nepal- have been contributing immensely in this regard. The Maoists are in a state of preparedness. This preparedness is dangerous. Nepal Army remaining in a state of high alert too has some dangerous political connotations. The Indo-US axis is thinking big perhaps which hopefully may add some more new troubles to the already troubled politics. The new axis too should think in advance of what may happen if the cat is excessively pushed to the wall? Panic among the population thus is increasing which is very much natural.

How the politics will chart its course in the days ahead given the dangerous statements coming as it does from differing political quarters. Which M then will prevail over the country after May 27, 2010, late evening? The Maoists? The Military or the third M that has been sidelined? Or a Presidential rule? Keep on guessing. Anything could happen, yet much will depend upon whom the Indian establishment puts its entire weight. Thus the days ahead are fraught with danger. Bear with it.

### **Remembering Janandolan-II**

Janandolan-II was a major milestone in Nepal’s democratic movement. The main objective of the democracy movement or as it is known in Nepali, was to institutionalize democracy at all levels. objectives: Institutionalization of inclusive democracy, establishment of a secular republic, and restructuring of the state. Constituent Assembly (CA) was entrusted with the responsibility to fulfill these objectives. How far have we come through this period to fulfill these objective is a matter of discussion and a prime area of analysis. The present political scenario is eerily similar to the post-1992 scenario when political horse-trading was rampant. Although Nepali people have supported every democratic movement, institutionalization of democracy has not yet occurred. Political changes resulting from democratic movements failed to transform discriminatory socio-economic structures as per the people’s wishes. CK Lal, a prominent Nepali columnist, often claims that due to the longstanding clientelist mechanisms of political control inherited from the autocratic Rana and Royal regimes, democratic political leaders in the past failed to reform discriminatory, political, social and economic structures. Majority of the people who fought for democracy were from the poor, marginalized and excluded backgrounds. The new statute is the only way to fulfill these people’s democratic aspirations. However, fear of losing power has made political leaders do absolutely nothing to change the centralized, dominating, and patronage-based political system. Political parties fear that new constitution might challenge the status-quo, and are delaying its promulgation. By doing so, they are grossly undermining the achievements of the people’s movement.

It appears that CA was seen a vehicle that could be abandoned as soon as it ceased serving its purpose. There is a strong possibility of major political parties starting movements throughout the country to derail the peace process and stall constitution writing. Without a broader political



consensus, it will be wrong to assume that the Maoist-led government can resolve the political deadlock and be able to take the peace process to its logical conclusion, and promulgate the new constitution. First of all, Prime Minister Madhav Kumar Nepal can continue leading the government until he does not resign. Second, even if he resigns, there is a possibility of him leading a caretaker government. Third, the UCPN (Maoists) can overthrow the already discredited government either through a cadre-based anarchist movement or through number games in CA. However, even then, they (Maoists) would hardly receive support, solidarity and sahayog from anywhere. We have to learn the lessons from history. In 1929, Stalin adopted a strategy of 'revolution from above'. Stalinism has six main features: One party, one ideology, police terror, communication monopoly, weapons monopoly and central economy. The Nepali Maoists' drive for forming the government is more or less influenced by this Stalinist strategy. Finding a timely solution would be an intellectual step rather than losing face and power of the government. Consensus is, thus, the only way that can maximize the goals of individual political party and minimize risks of losing political power. However, it does not justify the argument that there is a direct connection between constitution writing, Maoist combatants' integration and or rehabilitation, and formation of a new government. Understanding the complexities of interests and issues, which are quite different by nature, is indeed difficult, but not impossible. Any attempt to make a political consensus is directly connected with the issue of essential change in power dynamics, without which, the country will not get a new constitution even after extending the CA term for several years. Leading the government allows direct access to resources. Facing a resource scarcity to feed full-timer paramilitary forces, the Maoists are hastening their efforts to lead the government. Similarly, why would the present alliance of twenty two political parties resign when it is enjoying the state resources? Who knows whether they will get another such chance or not? By setting aside the national agenda of reforms and strengthening democracy, the leaders are discrediting the democratic system. The main reason why we have not been able to institutionalize democracy and the society is still suffering from grave injustices. It has set an example that democracy without democrats rarely survive. Moreover, the new generation, which is more knowledgeable and enthusiastic, simply avoids politics. It perceives politics as the genesis of all problems and confusions. Lack of proper political vision and willingness to work together for country's good on the part of political leaders has only added to the frustrations among the youths. The system has failed miserably and the examples abound. Teachers protest when they are stopped from cheating in the teachers' qualification examination. Doctors padlock hospital emergency wards endangering lives of hundreds of patients awaiting treatment. Public demonstrations have now become normal. Similarly, the Public Service Commission's examination is boycotted by the law students wishing to become civil servants, due to the gross negligence on the part of examiner. Both Nepalis and foreigners are cheated and manhandled by taxi-drivers at Nepal's "international" airport. Our business houses protest against the government's decision to regulate tax system. What can the public do in such a situation? Is this why the people supported the democratic movement? How do families of martyrs feel about the situation? Do political leaders dare ask those involved in the movement about their level of "satisfaction" from the current "change"? What kind of change the mass was expecting and made sacrifices? What is done to address the people's problems? This is about time we made democracy function for people, not just the leaders. Political consensus, participation of people in decision making processes and addressing the public concerns at all levels are the keys to functioning democracy. We have been ignoring the consensus based politics. Addressing public

concerns is confined to consolation. People's participation has been confined to participation in periodic elections without realizing it is shifting the emphasis from 'users and adopters' to 'makers and shapers' of new constitution. The benefits of consensus based political-culture include a shift away from the traditional model of power bargaining to the collective decision making that can address the concerns of excluded and marginalized groups. To unlock a political impasse that continues to hunt the peace and constitution writing, this strategy could be applied in Nepal. For a win-win situation for both sides, let's develop TOR for a property return commission. The UCPN (Maoist) too need to abandon violence formally and transform itself into a civil party. The twenty two party alliance should agree to form a national unity government lead by the UCPN (Maoist). They should all work toward respectable integration and or rehabilitation of Maoist combatants. Avoiding anarchism, Maoism and militarism require a timely civic intervention based on the '2 for 2' foundational blueprint.

### **Saving Nepal from Failing**

Although rich in mountains, vegetation, biodiversity and rivers, Nepal has never been affluent. In fact the country stands as one of the least developed nations in the World. Besides poverty, Nepal has been heavily plagued by political turmoil and social inequality. In the recent years, the political instability and continuing protests from opposing forces have gathered significant domestic and international attention. Speculations have that Nepal will soon be registered as a Failed State. A Failed State by definition is a nation which has proved incapable of ensuring political freedom, economic stability, hope of physical survival and elimination of poverty. While state failure is multidimensional, the remedy might be simple. Mandatory imposition of adult literacy programs is all that will be required to save Nepal from impending crisis.

Before analysing the connection between adult illiteracy and the state failure, it will be appropriate to elaborate on some of the grave issues surrounding the potential failure of Nepal, the most acute of all invariably being political instability. The causes of present day political chaos can be traced to the civil war, which took place from 1996-2006. Initiated by the Maoist communist party with the noble objective of restoring economic and social equality, the civil war marked one of the bloodiest events in the history of Nepal, claiming the lives of 13,000 people and the destruction of property worth the budget of 2006. Following the signing of the peace accord in November 2006 which ended the decade long civil war, Nepal became the youngest republic of the world.

The aftermath of signing of the peace agreement saw a flurry of ethnic and political protests. Ethnic groups around the nation demanded for a re-division of the country on the basis of ethnicity. Similarly, notable political parties from Southern Nepal (Terai) started staging violent protests for an independent Terai. India started encroaching into Nepali territory and displacing Nepalese living along the border. The Maoists put up separate sets of demands asking for immediate integration of the Maoists soldiers into the Nepal Army. Gradually the culture of staging protests got so pervasive that even the doctors and the civil societies were going on hunger strikes. Nepal is probably the only country that maintains an official calendar of strikes and blockades. While the malpractice is thriving, the country is gradually disintegrating.

The second biggest issue leading to gradual state failure is poverty and underdevelopment. Even the affluent areas in Kathmandu receive electricity for only 12 hours daily. People are dying

from preventable diseases because of the lack of medical facilities. For example, in June of 2009, 400 died and 65,000 suffered from the episodes of diarrhea. Malnutrition is a major concern in the hills, where people can even die of starvation. The country has not been able to provide jobs to the people. With economic, social and political problems in place, which can only be projected to be graver, it will not be unjustifiable to claim that Nepal is heading towards becoming a failed state.

Many may be curious as to why adult literacy might be the much needed ingredient for lifting Nepal out of this quagmire. But before jumping into the analysis, it will be essential to understand the existing educational landscape. The statistics are very dismal. According to the world reports, only 49% percent of the people are literate, putting Nepal at 191st most illiterate country out of 200. The situation of women is even more precarious with only 35% of them being literate. In the Southern parts, there are ethnic minorities whose condition is even severer. Only 24% are literate. Kamis, one of the lowest castes, have only 1% literate. The lowest caste also exhibits widespread apathy to school. The data does full justice to demonstrating the living conditions of variety of groups that exists in Nepalese society today.

Illiteracy has multiple bearings to underdevelopment. The most important might be the fact that it creates the vicious cycle of poverty. Having practiced farming, Nepalese farmers rear their children to become farmers as opposed to sending them to schools. The legacy is passed onto the subsequent generations. Consequently, 80% of the Nepalese are still subsistence farmers, and struggle to generate two meals a day for their family. Widespread poverty and low economic activity are key components of state failure. Nearly one third of the population of 29.6 million people live under \$1 a day and Nepal is the twelfth poorest country in the world.

In addition to begetting the cycle of poverty, illiteracy also generates an unskilled population. According to CBS news, Nepal severely lacks skilled manpower. Only 6% are in industry while the rate is as high as 27% for developed nations like Germany where literacy rate is 99%. Only 18% of Nepalese are employed in service sector, while the same goes to 67.8% for Germany. Because of lack of adequate skills, 42% of Nepalese are unemployed. The rate is as low as 7.9% for Germany. Inability to employ the citizens is also among the principal causes of state failure. Sadly, this has already been observed in part through the exodus of Nepalese workers abroad. A 2.2 million strong labor force, constituting of 15% of employed population works abroad. Nepal has not been able to utilize the economically active population, let alone provide jobs to the unemployed 42% of the population.

Illiteracy dictates the degree of political freedom. According to noted American psychologist Abraham Maslow, people tend to satisfy primary needs before looking for the secondary. For poor and illiterate, food and job security are always the first priority while participating in politics, including elections, might be secondary. Although rarely reported by international news, illegal trading of votes for money is commonplace among the poor population. Having grown up in rural Nepal, I have frequently observed how election campaigns are always loaded with false propaganda, usually involving raising false hopes pertaining to economic and food security. The poor fall for the deceitful politicians, losing their only chance to select an apt leader, who could speak their voice. Literacy equips people with skills to make informed choices.

Detractors of the proposition that literacy is the key to solving crisis might argue that restoring literacy is not enough to save the nation from failing. A country can fail due to poor regulation of laws, exorbitant external debts, deplorable international trade, faulty foreign relations and widespread terrorism. While it is false to claim that Nepal is safe from any of these factors, illiteracy by far has the biggest contribution in downgrading Nepal because of its causal relationship with poverty. It will be enough to state that present political crisis was the direct consequence of the attempts of Maoists to establish economic equality and stability. Restoring equality lies at the heart of communistic philosophy and it was exactly the same motive which saw the introduction to Maoism in Nepal.

Perhaps the importance of literacy can be acknowledged only through considering its importance in bridging social differences. Nepalese society is divided into four castes and hundreds of sub-castes. The highest caste, also called the Brahmin, consists of educated people. Consequently, Brahmins are renowned for holding important positions in the government and the service sectors. Compared to 56% of educated Brahmins, only 24% of the lowest caste people, called the Dalits, are literate. Dalits, on the other hand, are underrepresented in politics and also in service sectors. In the villages, Dalits are considered untouchables. Such social differences have ignited reactions which have taken the form of ethnic riots. These are among the very ethnic groups that are claiming re-division of Nepal on the basis of ethnicity. Literacy programs can help tackle the problem in two ways. First, literate population will denounce untouchability and second, literacy to all will promote equality across the entire population by instilling nearly the same basic vocational and academic skills.

It might also be argued that promulgating literacy is only secondary to prioritising global functions like the international trade or foreign relationships. International trade has not been helpful. Nepal imports more than it exports. According to the World Bank Reports, the exports from 1995 have been decreasing while the imports are increasing. In order to succeed in trade, Nepal has to be able to produce quality goods and services, which is only possible with skilled manpower. As per maintaining foreign relations, Nepal has sound relationship with China in the north although not so well with India. However, in the era of globalization where international security has been a collective goal of nations, it will be impossible for India to cross limits to such an extent that Nepal will be incapable of protecting its borders, unless Nepal chooses to do so.

When it comes to solving crisis, donations and international aids have always been acclaimed as easy solutions. Historically, such aids have been lucrative sources to boost economy and build infrastructures. Some of the instances of large scale donor programs are the operation of World Food Program in 73 countries, serving 90 million people. United Nations Children's Fund is operating in 34 nations, providing assistance to AIDS victims. Recently, flow of aid to Haiti helped the crumbling nation fight a devastating natural disaster. While international aid can help fight crises and save nations, it has to be appreciated that acquiring aid is not under the control of a nation as much as promoting literacy is. Considering foreign aid to be the ultimate answer is not always wise.

State failure is a combination of multiple factors. For Nepal, most notable ones include underdevelopment, political instability, widespread poverty, and ethnic riots. While there could be several forces which could mitigate statelessness in Nepal, mandatory imposition of adult literacy programs will prove best, for literacy bridges social differences and eliminates poverty by generating skilled manpower. As state is the combination of individuals, uplifting a country requires uplifting the skills of the people. After all, richer countries are always more stable than poorer ones

### **Nepal Christians begin vigil for new constitution**

For the first time in Nepal's history, its minority Christian community Tuesday joined the socio-political process, beginning a "vigil" to ensure that the new constitution would be enacted in time and guarantee religious freedom to all. The open-air stage in Tundikhel, traditionally the bastion of political rallies, overflowed with Christians from different denominations, including a large number of women, who prayed with hands raised, sang prayers and clapped with gusto when their demand for a timely constitution, which would also defend secularism, was joined by Nepal's biggest party, the Maoists.

The Maoists, who had fought a 10-year war from 1996 to abolish the Hindu kingdom of Nepal and usher in secularism, was the only party to throw its weight behind the call for secularism in public. C.B. Gahatraj, general secretary of the Central Committee for Christian Recommendations for the New Constitution, came down heavily on the ruling parties - Prime Minister Madhav Kumar Nepal's Communist Party of Nepal-Unified Marxist Leninist (UML) and the Nepali Congress (NC) - for staying away even though their top leaders had said they would come. "The top leaders who had spoken for secularism during the heat of the pro-democracy movement of 2006 are now conspiring against it," Prachanda said.

"Nepal is a country of many communities, languages and religions. Yet for centuries, one community, language and religion ruled," the former revolutionary said. "Our party has been urging special measures for the communities that have been marginalised and oppressed for centuries. We spoke for Dalits, women and Muslims. We are speaking for Christians too."

Amidst admission by the ruling parties that the new constitution would not be enacted by May 28, Prachanda said it was still not too late. "There's still more than a month left and a lot of work has been already done on the constitution," he said. "A timely constitution is possible if the ruling parties rectify their mistakes." Prachanda said though people had voted for his party during the 2008 elections, "traditional, feudal agents who opposed democracy, secularism and federalism" brought his government down. "If the unholy ruling alliance is dissolved and a new national government is formed, it is still possible to form a new constitution in time," the Maoist supremo said.

The expressions of solidarity by Prachanda and former Maoist minister Pampa Bhushal at the first political rally by Christians in Nepal is bound to garner greater support for the former guerrillas in the Christian community.

It is estimated that there are at least 700,000 Christians in Nepal, which has a population of 27 million.

While the prime minister's party, as communists, does not publicly support Hinduism, the largest party in the coalition government, the Nepali Congress, however is showing itself to be pro-Hindu.

Several of its ministers and leaders have begun supporting campaigns by Hindu groups for the restoration of Hinduism as the state religion and the President, Ram Baran Yadav, has been attending all Hindu festivals in his official capacity though Nepal became secular in 2006.

### **PM declares readiness to step down if Maoists oblige**

Prime Minister Madhav Kumar Nepal, while tackling queries raised by the CA members of his party expressed his dissatisfaction at the parliamentarians for not supporting his government in this transitional phase of the country in the Parliamentary Party meeting in Singha Durbar on Monday. He said that he is ready to step down to form the national consensus government provided the Maoists adhere to the conditions forwarded by the top two parties, Nepali Congress and CPN-UML. The conditions laid down by the parties are for the Maoists to withdraw their anti social activities, end the paramilitary structure of the YCL and return the seized land of the civilians. His statement comes amidst demands for his resignation by the Maoists and his party leaders. The ruling CPN-UML chairman Jhulanath Khanal also tackled queries raised by the CA members of his party in the Parliamentary Party meeting. It is also reported that concerned UML ministers would also furnish replies to the queries later.

Earlier during the five day parliamentary party meeting the parliamentarians had raised queries about the peace process, political deadlock, and taking the peace process to its logical end. They had urged to restore peace and ease the constitution making process. It was also reported that in yesterday's meeting they demanded that the current government be dissolved and a national consensus government be formed. They had stressed on the formation of a consensus government to meet the target of the nation to take the peace process to a logical conclusion. They had also expressed views on constitution drafting process and the government's performance. Meanwhile Bhim Rawal raised the issue of Digendra Raj Bamsi, who committed suicide on April 17 at the party office Balkhu, accusing the party of not supporting him. His family members are accusing Rawal for being responsible for his death. However, he insisted that he was not responsible for his demise.

### **IMImobile launches data services for subscribers in Nepal**

City-based mobile technology company, IMImobile, on Monday announced the launch of a wide range of data services for over 2.2 million

subscribers of Spice Nepal (brand Ncell) in Nepal. The launch provides subscribers ready access to a rich catalogue of content including wallpapers, ring tones, animations, themes and games as well as a host of information and utility services, the company said in a release here after the launch of services in Nepal. Vishwanath Alluri, Chairman, CEO and Founder of IMImobile said all the services are discoverable over multiple channels like SMS, Web and WAP. The portals also act as a one-stop launch pad for users to access popular social networking and web mail services such as Facebook and Gmail. These services have been brought to market for the very first time for Nepal's subscribers. Spice Nepal is the first private mobile operator in Nepal and launched its services under the Mero Mobile brand in 2005. The company recently rebranded itself and currently provides its services under the new and vibrant Ncell brand. TeliaSonera, a leading European provider of telecommunication services in over 20 markets,

owns a controlling stake in Spice Nepal. "We are very pleased to have been selected by Ncell for the launch of value-added data services for their subscribers. The services are powered by our carrier-class DaVinci Service Platform hosted and fully managed in the cloud epitomizing the platform-as-a-service model," Alluri said. Pasi Koistinen, CEO of Ncell said "We look forward to a long and fruitful relationship with IMImobile and their contribution in strengthening the proposition of our new brand."

### **Revisiting economic policy**

The public debate on federal restructuring should focus on three core agendas. First, federal restructuring should ensure strengthening of democracy in all three tiers i.e., national, sub-national and local level. Second, federal restructuring should be a vehicle for socioeconomic transformation to attain higher economic growth and development and a means to ensure social justice in polity, economy and society. Third, federal restructuring should be used as an opportunity to formulate a new development approach.

After the global financial meltdown, the idea that "the government which governs the least is the best" has received a serious setback. The government has now become the largest entrepreneur even in the US and Western Europe. The debate and discourse on state intervention in economy have once again come to the fore. Therefore, it is high time to revisit our economic policy even here in Nepal.

Nepal initiated structural adjustment program in 1985 under the International Monetary Fund (IMF) conditionality for Special Drawing Rights to mitigate the Balance of Payment crisis. Later on, rampant economic reform policy measures were applied after the restoration of democracy in 1990 under the conditionality of IMF, World Bank and their Asian brother Asian Development Bank. "Deregulation", "decontrol", trade and financial "liberalization", "privatization" and "globalization" were frequently used as economic mantras by the far-right to ultra-left policymakers and politicians in the country.

The data of multilateral institutions such as World Bank and IMF reveal that Nepal experienced less than 5 percent economic growth rate even in the "golden era" of liberalization. The neo-liberal policymakers and politicians were often mesmerized even with that sluggish growth rate when, in essence, they needed to be more concerned with the structure and quality of economic growth. The government did not take corrective action timely; even that economic growth rate became lopsided and flawed in Nepali economy and society. Determined efforts are needed to avoid economic growth that is jobless, ruthless, voiceless, rootless and futureless in Nepal. The widening of the vertical and horizontal disparities in economy is creating two types of Nepali societies that are polarized in terms of income and poverty. Nepal has become more divided in terms of access to health, education and political economic resources. The gulf between the poor and rich has widened even further during the last decades when the neo-liberals and free market policies assaulted the common mass. Out of US\$ 5.4 billion GDP in 2003/4, US\$2.88 billion was shared by the richest 20 percent of the population and only US\$0.286 billion was shared by the poorest 20 percent.

**Jobless growth:** The overall economy grew a bit but did not expand the opportunities for employment creation. The unemployment rate has remained at 45 percent throughout the last two

decades. Jobless growth has meant long hours of work and very low income for the hundreds of thousands of people in low-productivity agricultural and informal sectors of the economy.

**Ruthless growth:** This means that the fruits of economic growth mostly benefit the few handful rich traders, few assembling industrialists and the powerful elites, leaving millions of people struggling in poverty. Statistics reveal that the poor became poorer and the rich became richer during the same period. The Gini coefficient soared to 47.3 in 2005 from 35.4 in 1994/95. The share of income of the richest 20 percent soared to nearly 54 percent from 39.67 percent in 1994/95. Another indicator of poverty measurement – the Kuznets coefficient, which is the ratio between the share of income of the richest 20 percent and the poorest 40 percent – soared to 3.76 in 2004/05 from 2.82 in 1994/95.

**Voiceless growth:** This means that the growth of the economy has not been accompanied by an extension of democracy and empowerment of the people. Political repression of the mass and authoritarian tendency to control resources and power have silenced alternative voices and stifled demands for greater social and economic inclusion and participation. We have witnessed even policymakers debating whether they should choose economic growth or extensive participation, assuming that these are mutually exclusive. That debate is dead. People do not want one or the other; they want both. But too many people are still denied even the most basic forms of inclusive democracy. Voiceless growth gives women only a minor role in polity and economy. If politics and government are not engendered, it is endangered.

**Rootless growth:** This causes people's cultural identity to wither. It is believed that we have more than 200 distinct cultures, many in a dangerous risk of being extremely marginalized or eliminated in the future. In some cases, minority cultures are being swamped by dominant cultures whose power has been amplified with that rootless growth. In the Panchayat regime, the government had deliberately imposed uniformity in the pursuit of nation-building, say with a national language and national attire.

**Futureless growth:** Such growth is “cosmetic” in nature, sustained only by remittance inflow and foreign aid/grant and INGOs spending in their “development enterprises”. The high rate of unemployment and underemployment is one of the key factors behind this kind of growth. However, increases in aggregate demand and national income increased due to remittance inflow, donor's funding and INGOs' spending but not because of real sector development like agriculture and manufacturing. Twenty five years later, World Bank is ‘convinced’ that the agricultural sector holds the key role in the economic development of Nepal. Who will take the responsibility to compensate the damage that has already been done?

In sum, as Adam Smith said, no society can surely be flourishing and happy, of which by far the greater parts of numbers are poor and miserable. The development that perpetuates today's inequalities is neither sustainable nor worth sustaining in the future. Similarly, the structure and quality of growth demand more attention to contribute to esteemed and dignified livings, ensuring social justices, poverty eradication and sustainability. If we aspire to see social inclusion, socioeconomic transformation, the role of state is mandatory. It is obvious that market



alone cannot bring social justice and socioeconomic transformation. The role of state is equally essential. So, it is time to revisit our economic policy as we work to create a federal Nepal.

### **Five reform agendas**

If someone asked you to enumerate five reform agendas that will kick-start Nepal's jammed growth engine and sustain 5 percent plus annual growth rate, what would be your response? Recently, I was asked this question. By considering the pattern of reforms in countries that have passed through the existing development state of our economy and the evolution of institutions, culture, reforms and constraints in Nepali economy, my non-exhaustive list of reform agendas were: (a) Infrastructure (electricity and roads); (b) contemporary industrial policy; (c) overhaul of education and healthcare sectors; (d) governance and regulations (financial and non-financial sectors); and (e) social safety nets.

Before explaining the rationale behind this hierarchy of policy reforms, let me be clear about two key assumptions. First, it postulates that political situation will eventually be stable. Second, as is the case with the emerging economies, an increase in economic growth rate will lead to poverty reduction.

When macroeconomic situation is in a mess, we need to first ensure that fundamental variables are promptly taken care of. We need to identify the most binding constraints on economic growth in order to tackle the most troubling aspect of the economy. Studies have shown that the most binding constraint right now is lack of infrastructure, mainly roads and electricity. With the supply of electricity about five times less than the demand, it is not only difficult for entrepreneurs to start new business, but is equally hard for the existing firms to keep their machines running. Note that Nepal has the highest electricity tariff (dollar per KWh) and lowest electric power consumption (KWh per capita) in South Asia.

An inadequate transport infrastructure increases transportation and transaction costs, leading to loss of competitiveness. Nepal has the highest transportation costs and lowest road density in South Asia. Provision of good infrastructure facilities provides incentive to domestic entrepreneurs, both agricultural and non-agricultural. It facilitates the rise of small and medium enterprises (SMEs), the main source of employment for people and revenue for entrepreneurs. It kick-starts the growth engine but won't guarantee speeding up of the engine fast enough.

For this to happen, we need to prop up firms that can exploit economies of scale and expand markets abroad. A contemporary industrial policy (IP) that can 'lead the market' and 'follow the market' is required to speed up growth rate. South Korea adopted 'lead the market' principle, where it picked potential winners and promoted 'winning' industries. Meanwhile, Taiwan adopted 'follow the market' principle, where the state 'nudged' firms to upgrade their technologies through appropriate incentives, performance requirements and facilitation of transfer of technical know-how and capital. Any such promotion of domestic industries should have industry-specific sunset clauses to eschew misallocation of resources, price distortion, and repression of incentives.

To achieve a 5 percent plus growth rate in an undeveloped but budding economy likes ours, it is necessary to start from something that will first lubricate the growth engine, then speed it up, then attain stability, and then ensure sustainability of growth rate.

The state has to play a vital role in propping up markets when there is substantial underinvestment in promising sectors. Just setting up ‘enabling’ environment is not enough amidst information asymmetries and coordination failures in the market. In Nepal’s case, the state could speed up the establishment of Special Economic Zones (SEZs), Export Processing Zones (EPZs) and Garment Processing Zones (GPZs); extend tax holiday in key industries; guarantee investment insurance in hydropower sector; facilitate export of labor services to growing middle-income countries facing shortage of manual and semi-skilled labor; subsidize loans and provide easy credit to strategic firms; train human resources; promote tourism; facilitate trade; create backward and forward linkages in the industrial sector; and borrow new technology to enhance efficiency and productivity, among others.

A good industrial policy helps to stimulate the economy and speed up industrialization, leading to absorption of surplus agricultural labor in industrial sector. A potential source of investment in the short term could be remittances, if only the policymakers can figure out how to channel it into the productive sectors for investment rather than for consumption of imported goods and for investment in real estate sector.

For a vibrant market and a sustainable growth rate, it is equally important to ensure smooth supply of quality human capital. To make the previous two reform agendas sustainable, it is necessary to reform the existing Nepali education and health sectors. An education sector that is geared toward the need of the domestic and international markets is vital to fulfill the demand for human resources in rapidly growing sectors. The banking sector is already suffocating from a short supply of competent human resources. Given the immature state of our financial markets, there is a huge demand for educated, well-trained young professionals who are capable of analyzing market fluctuations and investments. Along with the education sector, we need to improve on the provision of health services, especially in rural areas. It will ensure a constant supply of healthy, competent human capital to the industrial sector.

With booming economic activity also comes complexity. Some agents in the economy always want to earn more profits than others, often by going roundabout established rules. To keep unhealthy competition and risky investment activities at bay, it is necessary to have good governance and regulations. Nepal’s notorious public sector, which is infested with corruption culture, needs to be reformed. This will not happen overnight. But we can at least take corrective steps by empowering the Commission for Abuse of Authority (CIAA), the main corruption watchdog, with more manpower, expertise and funding so that it can spread its wings to all districts. Furthermore, having proper regulation in place for the rapidly growing financial markets, which usually is the main artery from where investment spending is pumped out into the economy, is essential. This helps to check malpractices in the public and private sectors, and the financial markets.

Finally, with booming economic activity and growth of financial markets, also come unpleasant and unintended outcomes: Rise in inequality, which retards growth rate, and increase vulnerability of poor people. This is why we need to have adequate safety nets, which can be funded by taxing the richest people in the highest income quintile. This has to be done without killing incentives of entrepreneurs. To uplift living standard of the lowest quintile and to

stimulate rural economy, we need public work programs, conditional (or unconditional) cash transfer programs, short-term employment during lean agricultural season, and training programs aimed at graduating low-skill workers with updated skills consistent with market demand.

Let me emphasize that these reform agendas are not comprehensive. Depending on objectives, there could be an entirely different set of hierarchy of reforms. However, to achieve a 5 percent plus growth rate in an undeveloped but budding economy like ours, it is necessary to start from something that will first lubricate the growth engine, then speed it up, then attain stability, and then ensure sustainability of growth rate. Drawing out a simple set of national reform agenda endorsed by all political parties despite their divergent ideology would do a lot in terms of generating high and sustainable growth rate in Nepal.

### **Financial problems & optimum currency**

We need perhaps a sophisticated computer to keep an account of our current domestic and external problems. Basically, to be precise, we are bogged down by three pressing problems: (1) Political problems, which are too complicated involving too many leaders; (2) economic problems (output is stagnating, price increasing, balance of payments deteriorating and poverty increasing); and (3) financial problems which, notwithstanding the seriousness of the problem to be discussed here, were confined, until now, to the fight between political parties to select, by hook or by crook, a governor of the central bank from their own party.

Though the three issues are not unrelated, it still has not been made clear to the general public the reasons for the problems and the policies and programs to be pursued by the policy makers because, it appears, they are not clear about the problems. They give speeches which hardly mean anything, and, financial problems have continued to develop.

The most important issue that has been widely discussed in the press is the so-called liquidity problem, the reasons for which have not been clarified by the monetary authority. Sometimes, the border trade with India is blamed where only Indian currency is used. And some other external reasons, including import of gold or other goods, are also cited most of which do not make any sense in a economy following liberal policy.

The interest rate has reached up to 18 percent with the spread rate reaching as much as 7 percent, perhaps the highest in the world! The difference between interest rate on inter-bank loan and treasury bill rates differ dramatically. It is well known that in a normal economy the two rates differ very little. A large difference means that banks do not trust one another.

Banks are run on public trust meaning they can run smoothly as long as the public trusts them. Once they lose it and the public starts withdrawing their deposits from the concerned banks, the banking system and the national economy itself can collapse like a house of cards as we have seen in the 1930's in the US and many countries in Europe.

A close analysis of the speeches of the policy makers of the monetary authorities and the analysis published by them on current problems show that the central bank is behaving as if it can control any thing it wants and the public will support all of their activities however undemocratic they may be.

The central bank, as we all know, is maintaining fixed exchange rate with the Indian currency, and the exchange rate with other currencies move with that currency. In such circumstances, the central bank cannot control both liquidity and balance of payments problem of the country.

If the liquidity is increased, naturally balance of payments will deteriorate and vice-versa. The central bank can control either the liquidity in the economy or the balance of payments; it cannot control both because of fixed exchange rate system that it is maintaining.

In the first six months of the current fiscal year, for example, broad money liquidity increased only by 5.4 percent compared with a growth of 12.4 percent the same period last year due to increase in domestic credit at a rate much higher than last year. As a result, domestic demand increased at a rate much higher than the increase in the domestic production of goods and services. As expected, trade deficit increased at a very high rate and the country witnessed a deficit in the balance of payments.

The main problem with monetary policy of Nepal is that the authorities are not sure what monetary policy can or cannot do and how it should be operated. As a result, the economy is where it was before. On the other extreme, it is moving in the line to follow a controlled regime, for example, in the import of gold. Similarly, it has imposed severe restrictions on the purchase of Indian currency.

The total reserve of Indian currency with the commercial banks was just Rs.33.9 billion or 14.1 percent of the total compared with Rs. 206.9 billion of convertible currency. The Indian currency is sufficient just for four months of import. According to press reports, the exchange rate of Indian currency in the Tarai region, and even in Kathmandu, the capital city, is higher than the official rate.

As I said earlier in a paper presented in a seminar organized by the Nepal Rastra Bank (NRB), the Indian currency is slowly emerging as optimum currency in Nepal (in that it is more preferable for the citizens at large, given the current policy of the central bank of Nepal, to use Indian currency not only for external but domestic transactions as well).

It is amazing that NRB is trying to hide all these problems, which are deteriorating at a very fast rate, from all sources. Recently, it has started to stop publishing some important information in its monthly publication – a regular feature since the past two decades. It may be recalled that NRB used to publish about 46 tables with detailed information of deposit of the commercial banks, sectors and security wise details of credit flows of commercial banks, position of Indian currency and several other information on the economy.

Now it has decided to produce just some information. This procedure will enable NRB to provide wrong information, if they so want, to the public – a usual practice followed by the central bank even in the past. The new management has killed the public right to information. I am amazed how this was approved by the Board of NRB, which also consists of a few so-called democrats. If such wrong policies continue for, say, even six months, I have no doubt that Indian

currency will emerge as optimum currency. Against this background, it is safe to conclude that there is cancer growing in the financial sector. It is growing daily and at a compound rate.

### **Chinese dumping via Nepal, Lanka**

Taking advantage of low duty tariffs, China is increasingly using countries like Nepal and Sri Lanka to dump its products in India. If China's 'indirect' export is accounted, it will further accentuate existing huge trade imbalance between India and the neighbouring country with odds favouring China. India has trade agreements with both Nepal and Sri Lanka and some products enjoy zero duty or marginal duty status and China is exploiting the low tariffs to push its products in India. There is huge deficit of over \$23 billion in trade between India and China. India's total imports from China in 2008-09 was \$32.497 billion while its exports there stood at \$9.353 billion. Trade experts cannot quantify a figure to project China's indirect export to India. China exports finished and value added product to India while it imports primary goods.

India's total import from Nepal in 2008-09 was \$1.914 billion and export was \$1.570 billion. While India's import from Sri Lanka in 2008-09 was \$0.356 billion and export was \$2.425 billion.

Experts say China is using Nepal in a big way to flood Indian market with its products. "India's terms of trade with Nepal are much relaxed as compared to other countries. It is easier to flout rules. For example, a few years back we had noticed that Nepal is exporting huge amount of batteries to India. The total export was much more than total battery production in Nepal. Which implies that a third country is using Nepal as a transit point to send its goods to India," Ajay Sahai, director general, Federation of Indian Export Organisations, said. Rajiv Anantram, senior fellow, Indian Council for Research on International Economic Relations agreed. He said: "A lot of trading activity is done by China through Nepal. It is mostly done under the table and it is not very explicit. But Nepal's manufacturing capability is well known. It does not have high level of manufacturing expertise. China uses Nepal as a transit point to send its goods to India."

Nepal's major exports to India during 2008-09 were of iron and steel, spun yarn, plastic material, and non-ferrous metals (4.38%), among others. India's major exports to Nepal during 2008-09 included those of petroleum (crude products), primary and semi-finished iron and steel, transport equipment and machinery.

India has free trade agreement with Sri Lanka. However, to enjoy lower duty concessions, exporters from Sri Lanka have to follow rules of origin. They have to make minimum value addition of 40 per cent in the goods before sending the goods to India to enjoy duty concession.

China has been pushing for free trade agreement with India, but India has refused this as Chinese goods with lower duty might drive domestic companies out of competition. "Chinese exporters get duty benefits and subsidies from the government to keep their costs low. They have a long-term plan of conquering the market. They do not worry about short term losses," said Anantram.

Mohammad Saqib, secretary general, India China Economic and Cultural Council said there

have been complaints from Indian importers about Chinese products infiltrating Indian market through Nepal and Sri Lanka but one should not blame that country for this.

He said: “It is the fault of our customs authorities if Chinese goods reach India through Nepal and Sri Lanka. This only means that customs officers are not making due diligence while clearing goods consignments. Domestic importers are also to be blamed for buying such products. China is not at fault.”

## **SRILANKA**

### **Sri Lanka president cements family’s power**

Sri Lanka’s new parliament sat for the first time on Thursday with the family of Mahinda Rajapaksa, president, cementing its grip on power amid words of defiance from the dissident former armed forces chief. The parliament unanimously voted to appoint Chamal Rajapaksa, the president’s brother as speaker, a key post that commands the power to decide the legislative agenda and direct impeachment motions against the president. Another brother, Basil, was elected to the 225-seat parliament, along with the president’s son, Namal. A third brother, Gotabaya, is defence secretary.

The move follows the victory of the president’s United People’s Freedom Alliance in parliamentary elections this month, with the ruling coalition picking up 144 seats, just short of the two-thirds majority that it would need to be able to change the Sri Lankan constitution.

The election, which followed a landslide victory by Mr Rajapaksa in a presidential election earlier this year, has delivered the president and his ruling coalition one of the strongest mandates of any Sri Lankan government in years. Mr Rajapaksa’s popularity stems from his government’s defeat last year of the ethnic Tamil rebel group, the Liberation Tigers of Tamil Eelam, which was fighting for a separate homeland in the island’s north and east. Mr Rajapaksa could still secure a two-thirds majority by encouraging defections among the opposition.

This is led by the United National party, which won 60 seats in the parliamentary election and is headed by veteran politician, Ranil Wickremesinghe.

But all has not gone the president’s way. His main foe in the presidential election, former armed forces leader General Sarath Fonseka, on Thursday called for greater freedoms in parliament.

He has been in detention since the presidential election pending two courts martial relating to politicking while in military uniform and irregularities with procurement, charges that he denies.

But he was still legally able to stand in the parliamentary election and won a seat in Colombo, entitling him to appear when the house is sitting in spite of his detention.

“What the country needs is democracy, rule of law, personal freedoms and media freedom,” Gen Fonseka told the parliament on Thursday. Mr Rajapaksa is expected to name his cabinet on Friday. It is expected to be smaller than its predecessor, when members of parliament with ministerial rank made up nearly half of the house. Reuters reported that Mr Rajapaksa would replace former foreign minister Rohitha Bogollagama, who lost his parliamentary seat in the election, with G.L. Peiris, former export development and international trade minister.

### **Sri Lankan President informs UNP leader that General Fonseka could take oaths as a MP**

Sri Lankan President Mahinda Rajapaksa yesterday (19) had informed main opposition United National Party leader Ranil Wickremasinghe that there was no obstacle for Democratic National

Alliance (DNA) leader and former Army Commander Retired General Sarath Fonseka, who is currently under military custody, to take oaths in the Parliament as a member of parliament.

The President had made this statement during a meeting between him and Wickremasinghe yesterday when the latter had said that General Fonseka although in military custody should be given the opportunity to take oaths. The President had said though General Fonseka would be allowed to enter the parliament, he would have to remain in military custody until the ongoing courts-martial against him were concluded. However, there are still doubts as to whether General Fonseka will be allowed in to the parliament on Thursday to attend the inaugural session and to take oaths with the Defence Ministry's decision to refer the matter to the Attorney General's Department. The DNA has already sent a formal request to the Secretary General of Parliament to make the necessary arrangements for General Fonseka to take his oaths on Thursday.

The request however, has been forwarded to the Defence Ministry for clarification as General Fonseka is currently detained by the military and facing trial at two general courts-martial.

The parliament officials as of yesterday had not received a response either from the Defence Ministry or the Attorney General's Department.

### **PM greets new Sri Lankan PM**

ISLAMABAD—Prime Minister Syed Yusuf Raza Gilani has sent warm greeting to Mr. D. M. Jayaratne, on assumption of office as the Prime Minister of the Democratic Socialist Republic of Sri Lanka. In his message of felicitation the Prime Minister said the trust reposed in you is a testimony to your long and distinguished political career as a parliamentarian and to your contribution and service to the people of Sri Lanka spanning over 40 years. The Prime Minister reaffirmed the importance which Pakistan attaches to its relations with Sri Lanka. He expressed the hope to work together with Mr Jayaratne to further strengthen friendly and cooperative ties between Pakistan and Sri Lanka.

### **Sri Lanka ruling party increases gains in revote**

COLOMBO, Sri Lanka — Veteran politician Dissanayake Mudiyanalage Jayaratne took the oath of office as Sri Lanka's 20th prime minister Wednesday after the ruling party won a large parliamentary majority. Rajapaksa's United People's Freedom Alliance increased its parliamentary gains to 144 seats in a 225-member Parliament after new voting but fell short of the two-thirds majority it sought to make constitutional changes. A revote was held Tuesday in some areas affected by fraud and other seats were allocated.

Jayaratne, 79, has been in politics for nearly 50 years and has overseen several key ministries. A Cabinet will be sworn in later. He was first elected to Parliament in 1970 and is a founding member of the Sri Lanka Freedom Party, the second-largest in Sri Lanka and the main party in the ruling coalition. Jayaratne will play a limited role under Rajapaksa, who is the country's executive president. Rajapaksa has the power to appoint ministers, justices, military brass and police chiefs, or to sack them. The prime minister is largely a figurehead who heads the government in Parliament. The parliamentary victory follows Rajapaksa's re-election in presidential polls three months ago. The final results mean the ruling party can form a government with a simple majority, but it is six seats short of its goal of a two-thirds majority, which Rajapaksa had asked for in order to make unspecified changes to the constitution.

Government officials have speculated the planned changes may include electoral reform and provisions against promoting separatism after the government's military victory against the

Tamil Tiger rebels last year. Despite opposition allegations that the president wants to monopolize power, he is a hero to many of the country's Sinhalese majority for his role in the war victory.

The UPFA already secured 117 seats after the April 8 election.

However, election officials ordered a revote to elect 16 lawmakers after allegations of intimidation and fraud. Another 29 seats were to be distributed among parties according to their vote percentage.

On Wednesday, the Election Department said Rajapaksa won 10 of the elected seats in the revote and secured 17 more seats according to the percentage for which he will appoint members.

His nearest rival, United National Front, secured 60 seats. An ethnic Tamil party and a coalition led by the country's jailed former army chief won 14 and seven seats, respectively.

Gen. Sarath Fonseka was arrested in February, weeks after he unsuccessfully challenged Rajapaksa's presidency. He now faces a court-martial for allegedly planning his political career while still in uniform and breaching regulations in purchasing military hardware.

Fonseka's supporters deny the allegations and say Rajapaksa is punishing Fonseka for daring to challenge him. Meanwhile, Amnesty International called on the new Parliament to drop long-standing anti-terrorism and emergency laws because the civil war is over.

"Perpetuation of the emergency is now just being used as a weapon against political opposition, and as a quick fix for poor law enforcement practices and a dysfunctional justice system," said Madhu Malhotra, Amnesty International's Asia-Pacific deputy director.

Sri Lanka has been under emergency rule for most of the past 30 years. The government contends the laws are still needed to deal with remnants of the Tamil Tiger rebels and to prosecute those in custody.

The laws give the police and military wide freedom to search, arrest, and detain suspects for long periods.

### **John Amaratunga to be appointed for Chief Opposition Whip of Sri Lanka parliament**

Senior member of Sri Lanka's main opposition UNP, John Amaratunga, is to be appointed as the Chief Opposition Whip of the seventh parliament. The UNP parliamentary group had arrived at the decision to appoint Amaratunga as the Chief Opposition Whip on Wednesday. Opposition Leader Ranil Wickremasinghe who chaired the meeting had nominated Amaratunga's name for the post. Amaratunga, who made his parliamentary debut in 1978, was elected to parliament from the Gampaha District at the 2010 general election. He held several Cabinet portfolios in UNP governments and was Chairman of the parliamentary Committee on Public Enterprises (COPE) for almost six years. The post of Chief Opposition Whip was held in the last parliament by current UNP National List member Joseph Michael Perera

### **Ranil Wickremasinghe appointed as Sri Lanka's opposition leader**

The Speaker of the new seventh parliament of Sri Lanka has appointed the leader of United National Party as the Opposition Leader at the legislature's first session.

The UNP led coalition, United National Front, won 51 seats in the parliament, and with the nine seats allocated to it from the National List, has a presence of 60 members. It is the opposition with the highest number of members. The Tamil coalition Tamil National Alliance (TNA/ITAK) holds 14 seats while the Marxist coalition Democratic National Alliance (DNA) has seven



members. However, the DNA has called for a secret ballot to appoint an opposition leader saying that the opposition should have a new life and a new national leadership. The DNA suggested their leader, former military commander General Sarath Fonseka who was in military custody, should be the new opposition leader.

### **Assistant leader of Sri Lanka main opposition resigns**

Assistant Leader of Sri Lanka's main opposition UNP, Rukman Senanayake has handed in his letter of resignation after being denied a National List slot from the party. A UNP Working Committee member confirmed that Senanayake had handed in his resignation on Tuesday (20) after the UNP finalized its National List members. Rukman Senanayake is the grandson of UNP founder D.S. Senanayake. He did not contest the 2010 general election and his name was included in the party's National List along with seniors like party secretary Tissa Attanayake and former chief opposition whip Joseph Michael Perera. Senanayake was not available for comment and several attempts to contact him failed.

### **Sri Lanka to grow by 5.5-pct in 2010, but fiscally vulnerable: IMF**

Apr 22, 2010 (LBO) - Sri Lanka's economy is expected to grow at a faster 5.5 percent of gross domestic product in 2010 but the country is facing a danger from excessive deficit spending, an International Monetary Fund (IMF) official said. IMF's forecast is slightly lower than Sri Lanka's central bank forecast of a 6.5 percent expansion of the economy for this year. "For Sri Lanka we're projecting an acceleration in growth from 3.5 percent last year to 5.5 percent this year," Abdul Abiad from the IMF's World Economic Studies Division told reporters in Washington. "There is currently an IMF program which we can't comment on the details, the key priority in Sri Lanka is basically to obtain a credible and sustainable reduction in the fiscal deficit going forward. "That is the main vulnerability there right now." An IMF deal signed with Sri Lanka in 2009 is currently suspended after overshooting budget December deficit targets. Sri Lanka has shown interests in resuming it after a delayed budget for 2010 is presented to parliament. Central Bank governor Nivard Cabraal has said that first quarter indicative targets in the original targets have been met by the government. Sri Lanka's finance ministry has said in February than an upcoming budget to be presented shortly may be around 8.0 percent of GDP without presenting detailed revenue proposal while the central bank has forecast a deficit of 7.5 percent. The targets are based on a changed format where grant funding to fill budget gaps are counted as revenue. Last year Sri Lanka posted a deficit of 10.2 percent based on the previous accounting treatment but 9.8 percent based on the new method of calculation. Grant funding however does not create pressure on either debt or interest rates. Last year Sri Lanka was able to deficit spend without printing money as private sector credit demand plummeted following a balance of payments crisis earlier in the year which drove interest rates to high levels and caused liquidity shortages.

Rulers in many developed nations also gleefully ran big deficits as they tried to engage in 'fiscal stimulus' racheting up record deficits while sweeping aside protest from fiscal conservatives. Sri Lankan policymakers and politicians who have deficit spent for decades, pushed up inflation and busted the currency, also jumped on the bandwagon and claimed that the so-called 'Washington Consensus' of fiscal and monetary prudence was dead. But hard reality is coming back to haunt spenders in developed nations with European countries with high national debt and weak

budgets, especially Greece, Spain and Portugal facing increasing uncertainty. "There clearly is now a much bigger emphasis on fiscal consolidation," Jörg Decressin, IMF's assistant director of research said. "Why? We are coming out of this crisis. While we were in the crisis we had to support demand, avert a meltdown, and fiscal stimulus played an important role in this.

"But now with the meltdown having been averted, confidence returning, and growth picking up, it is clear that fiscal consolidation deserves much more emphasis

### **Sri Lanka Central Bank Keeps Rates On Hold**

The Central Bank of Srilanka on Thursday decided to hold its key policy rates at multi-year lows to foster economic growth in the country. The repurchase rate, which is the interest rate at which the central bank repurchases government securities, was retained at 7.50%. The reverse repurchase rate was also held unchanged at 9.75%. The bank noted that average annual inflation in Sri Lanka increased marginally to 3.2% in March, while inflation as measured by the year-on-year increase in the Colombo consumer price index declined to 6.3% from 6.9%. "The decline in year-on-year inflation is largely attributable to the reduction in the price of several key food items," the central bank said in a statement. "The continued improvement in supply conditions is expected to subdue inflationary pressures," it continued. The bank added that it will "take appropriate action" in case of high excess rupee liquidity in the money market.

The Sri Lankan economy is largely dependent on tourism and agriculture for growth. The government is trying to put the economy on a solid footing following the global downturn. President Mahinda Rajapaksa, who won elections in January after the end of a bitter civil war, has pledged to spend more than a billion dollars on infrastructure developments. The Sri Lankan economy grew 6.2% in the December quarter. The central bank has forecast the economy to grow 6.5% this year, following 3.5% growth in 2009.

### **China - Sri Lanka's top lender in 2009**

This article attempts to highlight the political and economic vision of President Mahinda Rajapaksa, to achieve new heights in development assistance to Sri Lanka. Since the establishment of diplomatic relations in January 1957, bilateral relations between China and Sri Lanka have seen smooth and upward development. The exchanges and co-operation in the political, economic and social fields have been frequent and fruitful. China and Sri Lanka share common views and support each other on major international issues, with Sri Lanka adhering to the 'One China' policy, which recognises Taiwan as part of China. All past and present presidents of Sri Lanka have visited China, and there are frequent visits of State leaders and high-ranking officials between the two nations.

As of December 2006, Sri Lanka has been the recipient of grants to the value of RMB 63.9 million, credit lines totaling RMB 64.5 million and preferential loans of RMB 96 million from China for development and infrastructure projects. The most visible symbol of Chinese assistance remains the BMICH which is an enduring testimonial to Sri Lanka - China friendship. Prior to the Rajapaksa period, China had funded several projects including the Supreme Court Complex, the Central Mailing Exchange, Gin Ganga Flood Protection Scheme and the redevelopment of the Lady Ridgeway Children's Hospital. In the aftermath of the tsunami disaster China helped Sri Lanka build three fisheries harbours for those affected by the event and extended US\$ 300 million worth of support. The Rajapaksa era has taken this silky relationship

to an unparalleled height during the past four years as China emerged as the island's biggest financial donor in 2009.

The Treasury Department of the Ministry of Finance said China became the biggest donor to Sri Lanka in 2009, with US\$ 1.2 billion (Dh 4.4bn) worth of assistance in the form of grants, loans and credit representing 54 percent of the total \$ 2.2billion committed by foreign countries and multilateral agencies. The next highest contributors were the Asian Development Bank with \$ 423 million and the World Bank with \$241 million.

The Mahinda Chinthana policy document embodies a more gradual approach to reform, combining the positive attributes of market economic policies, including encouragement of foreign direct investment (FDI) with support for domestic enterprises. The core of the Mahinda Chinthana is to achieve high growth rates through investment in large scale infrastructure and the knowledge economy, and focus on rural development to help lagging regions. The Mahinda Chinthana is completely homegrown and has a high degree of country ownership.

The significance of the policy is to make sure that economic benefits are equally distributed among the public. Since independence everyone was questioning the economic independence of Sri Lanka and now under the Mahinda Chinthana, there is a clear strategy to achieve it. Sri Lanka is expected to achieve an eight percent growth in the coming years by developing the country as a shipping, aviation, commercial and knowledge hub.

As many economists believe, under this strategy the country's economy is not being pushed from the back, but is being pulled from the front. The strategy is seen with the commencement of the infrastructure development of Sri Lanka in the fields of ports, roads and highways, power, public utilities, arts and culture. It is in this context that the Government embarked on a more rational and exciting journey aligned with China to create better infrastructure conveniences to the nation that would bring enormous economic gains in its 10-year development strategy.

The key factors that attract Foreign Direct Investments and progress to any country are peace, a sound investment climate and most importantly, political stability coupled with proper infrastructure such as aviation and shipping facilities, electricity, telecommunication and transportation. With the end of the war, the country is embarking on an exceptional development in these sectors. Soon, Sri Lanka would be one of the first countries in the region with the ability to give its investors a written guarantee on these facilities and Sri Lanka would be in an even better position to encourage more FDIs.

### **Sri Lanka as a transshipment hub**

The development of a port in Southern Sri Lanka to reap the benefits of busy international shipping lanes closer to Sri Lanka had been in the air for over three decades with successive governments taking no serious interest in it. President Rajapaksa, who already knew the importance of the project, presented this study and several other proposals on the construction of the port to the then leaders of the country. Various explanations were trotted out and the project never got off the ground. The proposal embodied the construction of a deep water harbour in Hambantota, demonstrating its potential of being developed as the deepest and largest harbour in the world, with a location just half an hour off the world's busiest sea-lane which is used by 100 - 200 ships a day. President Rajapaksa's Government came forward to give political muscle to a project that would not only modernise the Southern and the Uva Provinces, but also lead the country as a whole towards a future of affluence and prosperity. The construction of the

Hambantota port, the dream of President Rajapaksa, will bring in its wake not only a revival of the past glory of Ruhuna, but an economic, social, cultural and political resurgence of the country as a whole.

Bringing economic development to the neglected southern corner of the island was a cornerstone of President Rajapaksa's election manifesto. A region devoid of investment and infrastructure is, according to the Government, going to be transformed into the economic and industrial heart of the country. An international port, airport, highways and a railway were visualised to the southern part of Sri Lanka to achieve this mission.

Under the Ruhuna Re-awakening Program, the Mahinda Chinthana promised the construction of the Hambantota Port, expediting work on the Southern Highway and converting Hambantota to a commercial town. As soon as President Rajapaksa was elected, he got the Hambantota project moving, and most importantly, through direct talks with Chinese leaders. By visiting the People's Republic of China three times during the past three years, he persuaded and obtained the necessary funds from the Chinese government to kickstart the project.

The total cost of the project is US \$ 360 million for phase one. Thereafter, phase two and three will be constructed with another US\$ 600 million.

The project is financed through the EXIM Bank of China and the construction is being undertaken by the China Harbour Engineering Corporation (CHEC) and the Sino Hydro Corporation. China Harbour Corporation is one of the world's largest companies in this field and bears the national qualification under the Ministry of Construction of the People's Republic of China for Harbour, Road, Building, Environmental, EPC and other engineering projects. The Sino Hydro Corporation is also the largest and most successful Chinese construction company in the field of hydraulic and hydropower engineering.

The CHEC has completed numerous technically advanced roads, bridges and tunnels all over the world and has a unique experience in the construction of sea-crossing bridges. The world's No.1 and No.2 longest sea-crossing bridges were constructed by the CHEC. Further the company has undertaken projects such as the construction of the Macau International Airport and the Hong Kong International Airport, the Port of Sudan, Design, Construction and Completion of the Second Penang Bridge Off Shore Approach Light Structure, the new Doha International Airport and Pakistan Deep Water Container Port to name a few of a long list of projects presently undertaken to the value of US\$ 19 billion in 95 countries.

The people of Sri Lanka have suddenly realised that the Hambantota project is now a reality, a dream of more than three decades which has now become a certainty. When the Hambantota Port is completed, ships could save nearly three days sailing time, fuel and enjoy numerous benefits by anchoring at Hambantota. It is expected that at least 20 percent of the shipping traffic, mainly oil tankers, would call over at the Hambantota Port, while many of the 4,500 oil tankers passing this sea route annually would anchor in Hambantota for bunkering, ship repairing, and to purchase food, water and medical supplies and logistics. The Hambantota Port Development Project will be constructed to handle 100,000 DWT vessels. It will have an approach channel 210 metres wide.

To support logistics and bunkering simultaneously with the port commencing its operations, the Hambantota Port Tank Farm Project has also commenced under Exim Bank funding. This bunkering facility will comprise 14 tanks. Eight tanks will provide oil for ships while three will be used to store LP gas. The rest will be used to provide oil for aircraft. The total cost of the project is US\$ 76 million; the China Huanqiu Contracting and Engineering Corporation which

has ranked among the top 225 international contractors and top 200 international design firms released by the Engineering News Record in six successive years and remains the only Chinese company to enjoy both honours simultaneously, has undertaken this project. To date, this company has undertaken more than 36 tank farm projects around the World. They are expected to work on this project before 2012.

The Port of Hambantota is planned as a service and industrial port and subsequently, it could be developed as a transshipment port depending on increasing cargo volumes.

### **Energy supply**

Norochcholai coal power plant - An objective of the Mahinda Chinthana was to relieve the country from the impact of increasing energy prices in the world market and raising energy supply to the increasing demand of the economy.

This project was delayed for decades despite all plans being prepared and donor funding made available. The social issues were resolved and construction work on the project was launched. Although the construction of the Norochcholai electricity generation plant was proposed in 1988, the construction commenced in 2007. The first phase of the project will be completed in 2010.

This power plant, constructed in Norochcholai, a coastal fishing village 120 km north of Colombo along the west coast, will have an ultimate capacity of 900 megawatts of electricity when it is completely developed. The first stage at a cost of US\$ 455 million generates 300 Megawatts to the national grid while the second and third phase will generate 600 Megawatts. The cost for the second and third phase is estimated at US \$ 891 million. The construction of the first phase of the Norochcholai Coal Power Plant was inaugurated by President Rajapaksa on May 11, 2006. The construction of the second stage will simultaneously progress with the work on the third stage expected to begin in 2012. The completion date is set for 2013. It is expected to deliver a steady and low cost energy output of 1658 Giga Watt hours annually to the consumers, when completed.

The construction of the three phases of the project is to cost US\$ 1.35 billion, according to reports by the Ministry of Energy. Financial aid for the project is provided by the Exim Bank of China. Construction is carried out by China National Machinery and Equipment Import and Export Corporation. This company has been listed among the largest 225 contractors in the world by a famous magazine in the United States, Engineering News-Record for several consecutive years. The Chinese have agreed to carry out the project on a Design, Build and Transfer basis. The main objective of the project is to cater to the increasing demand for electricity while supplying steady and low cost electricity to the national grid. With the completion of the Norochcholai coal plant, the cost of a unit of electricity will be reduced to Rs 5 from Rs.11. The CMEC is using the best technology available in coal power generation in this technologically advanced coal power plant.

Compared to hydro and thermal power generating sources, coal is the most economical and feasible power supply. As hydro dependability is threatened by drought and silt, and thermal is an expensive source, coal is cheaper and more widely available. The successful completion of the project will benefit the populace.

## **Development of highways**

Roads are a line of communication which will fortify communal harmony and act as a channel to bring people of all communities as well as goods and services together. With developed road networks, people of all ethnic groups will find it easy to move between the North and the South, the East and the West. It will bridge the cultural gap that had developed over the past few decades. The Government understood the importance of roads for the superior development of the country. To accomplish the need, China came to our assistance in an admirable way.

Emerson Tenant, one time Colonial Governor of then Ceylon said, “Ceylon first needs roads, secondly roads and thirdly also roads. Give them roads and the country can be lifted to greater economic heights.” The Government understood the significance of a proper road network to uplift the economy.

### **Colombo - Katunayake expressway**

The important roads in a country are the ones linking the international airport and the capital city. Not only would this be the key link to the centre of business in the country, but also a major factor in the first impressions created among tourists. Currently, the trip from the Bandaranaike International Airport to Colombo takes about an hour and a half with medium traffic. Devoid of congestion, this could be a mere 15-minute drive. The new expressway could make this happen.

The proposed expressway will be 25 km long and 27.2 metres wide and will have four lanes, two on either side. Developing the Colombo-Katunayake Expressway had been in the pipeline for decades with former Prime Minister Sirimavo Bandaranaike proposing one for the 1976 Non-Aligned Summit. With the initiative taken by President Mahinda Rajapaksa, the Colombo-Katunayake highway project will soon be a reality. The estimated cost of the highway is US\$ 292 million of which 85 percent (\$ 252 million) will be provided as a loan by the Government of the People’s Republic of China whereas the balance 15 percent (\$ 40 million) has to be borne by the Government of Sri Lanka. The completion of the highway will enable vehicles to reach the Katunayake airport within 20 minutes; this now takes one and a half hours. The construction of the highway was started in 2000. Work was later stopped and restarted in 2003 and was again stopped. Under the instructions of President Rajapaksa, the delayed expressway work began with Chinese assistance and the Metallurgical Group Corporation of China has taken the challenge to complete the highway in 39 months.

### **Southern Expressway- Pinnaduwa to Matara**

A long-felt need is becoming a reality and once more the Chinese Government has come to the forefront to fund this section of the Southern Expressway with US\$ 162 million. The Southern Expressway, which is largely funded by the ADB and JICA, consists of four sections - two funded by JICA, one by ADB, and the other by China Exim Bank. The bulk of the work is being carried out by China Harbour Engineering Corporation Ltd. (CHEC) which has been awarded the first bid section (34.5 km long), from Kottawa in the capital, Colombo, 20 km southward to connect the A4; the termination is in Dodamgoda where the second bid section starts.

Apart from the above, a number of road network projects in the reconstruction process of the North and the East is in the pipeline to be funded by the Exim Bank of China, including the reconstruction of the A9 expressway, to the value of US\$ 520 million.

During President Rajapaksa's State visit to China in 2007, the setting was created to make the existing plan a more productive and significant one. The MoU on Cultural Affairs which was then signed strengthened the relations between the two countries in the field of culture, resulting in the speeding up of the construction of the National Performing Arts Theatre.

The new building complex of 33,000 sq.ft is being constructed on a 217 hectare site. China bears the cost of the theatre complex amounting to US\$ 23 million for which the agreement was signed on November 25, 2007, for the acceleration of the project work and award of contract. The Chinese authorities entrusted the construction of the theatre to Yanjian Group to complete the project within 26 months.

The main purpose of the National Performing Arts Theatre is to offer a theatre complex for artistes, local and foreign, equipped with modern facilities needed for the performance of music, dance and drama. In addition, the new theatre will be a centre of interest for the cultural tourists, and will support cultural tourism. This is the realisation of a long-felt need in the field of performing arts in Sri Lanka.

The new theatre will be a masterwork of architecture designed by the Chinese and festooned with the image of traditional Sri Lankan architecture. The National Performing Arts Theatre once completed will contribute to the development of performing arts in Sri Lanka and to the promotion of the distinction of artistes. It will remain a fitting monument to Sino-Sri Lanka friendship.

## **Railway transportation**

Under the sustainable mobility vision of the Mahinda Chinthana, the intention was to provide an adequate and comfortable transport system to the people of the country.

To achieve this target during the period 2007-2008, China National Machinery Import and Export Corporation signed an agreement with the Sri Lankan Railways Department to provide 100 rail carriages. Accordingly, the railway authorities of Sri Lanka, for the first time in history, obtained a warranty from the manufacturers that they will compensate the Railways Department US\$ 50 for each day, in case a carriage is taken out of operation within the warranty period.

At least 50 railway carriages should be added to the service annually, if Sri Lanka is to provide a satisfactory train service to the public. However, not one carriage has been added to the service since 1992. The Sri Lanka Railway, which caters to over 300,000 passengers daily, faced a severe shortage of passenger carriages due to the non-import of rail carriages for the past 15 years. With the deployment of these new carriages, the Sri Lanka Railway is now in a position to provide a better service to the rail commuters.

Sri Lanka added 15 power sets (S10 category) imported from China to the railway fleet under its 10-year Railway Development Strategy highlighted in the Mahinda Chinthana as a priority. After President Rajapaksa's visit to China, the Chinese Government provided these power sets stipulating the lowest price per power set at US\$ 2.46 million which was the market price in 2003. The power sets were provided by China South Locomotive and Rolling Stock Corporation Ltd, the sole domestic major equipment manufacturer, which is ranked among the Global 500 Most Valuable Brands. Another US\$ 100 million has been obtained from the EXIM Bank to

boost the capacity of the Sri Lankan Railway to acquire two diesel multiple units AC, seven UC (up-country) and four DMU KV (Kelani Valley) from China South Locomotive and Rolling Stock Corporation Ltd. The extension of the Matara-Kataragama Railway line (first stage) at a cost of US\$ 60 million is also on the pipeline to be finalised in 2010.

### **Second international airport**

The vision of the Government of Sri Lanka is to enhance the economy of the least developed regions of the island. Hambantota and Moneragala districts are identified as potential regions under the Greater Hambantota Development Program designed to uplift the economic activities of the region. The Government's manifesto contained in the Mahinda Chinthana emphasises the establishment of a second international airport in Sri Lanka. Sri Lanka's second international airport in Mattala, Hambantota will be commissioned in December 2011 with the first flight landing in the end of 2011. The airport construction project is under way on a 2,000 hectare land at a cost of US\$ 200 million and the EXIM Bank of China is financing the project under a concessional loan constructed by the CHEC. The project was launched by President Rajapaksa on November 27, 2009. The new airport will be a boon to the local aviation industry while being a catalyst for the Southern Province economic development, generating international trade, tourism, vocational training and employment. It is obvious that during the past four years, Sri Lanka-China relations have reached new heights and China has figured prominently in providing funding for socio-economic development projects in particular, during the concerned period reaching an extraordinary level of US\$ 3.5 billion. China with its fast emerging status as a global lender had provided economic support in the form of loans worth US\$ 22,375 million from 2002-07. South East Asian nations have been able to attract loans from China to the tune of US\$ 7,114 million for the same period. Comparatively, Sri Lanka as a single country has been able to attract over three billion US dollars. It adds to a significant amount although only a fraction compared to China's total lending package to other countries. All these mega infrastructure projects, some of which would be completed by the year 2011, will alter the infrastructure landscape of Sri Lanka, bringing in many positive direct development as well as trickle-down effects in the economic empowerment of the island's people. It undoubtedly would mark a golden era in Sino-Sri Lanka friendship. An unparalleled level of foreign assistance to Sri Lanka and a sizeable share in its history during the past years have been possible due to the far-sighted thinking and vision of President Rajapaksa, with a dedicated team of officials who had worked tirelessly in making this vision "Prosperous Sri Lanka for All" a reality. As both countries are willing to further increase friendly exchanges between the Governments and people of different walks of life, and expand bilateral exchanges and cooperation in politics, economy, trade, culture and tourism the stage is set for both countries to accumulate even more benefits from this new-found dynamism.

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