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SUMMARY

Bangladesh: Bangladesh's main opposition leader said Wednesday her party will stage a one-day nationwide general strike in June to protest alleged government corruption and incompetence. The general strike planned for June 27 is the first announced by the opposition since the ruling party won general elections in December. The Education Ministry on Friday last issued an order to the relevant authorities to give salaries from the state exchequer to the teachers and employees of only 1022 non-government educational institutions out of the queue for several years. Commercial banks hiked spending on corporate social responsibility (CSR) by 35 percent last year and shifted from passive grants and donations. Many commercial banks are entering the microcredit market. In some instances, too much investing in microfinance institutions is creating problems that could impact the entire industry. Prime Minister Sheikh Hasina yesterday urged Malaysian entrepreneurs to invest more in Bangladesh, particularly in labour-intensive industries including readymade garment, textile, light engineering, electronics, agro-based products, ICT, power and infrastructure. Bangladesh is on track for strong growth this year but needs to solve its critical energy crisis to prosper in the future, the World Bank said Wednesday. Bangladesh has enforced a restriction on movement of people along its borders with India during the night time to avert frequent incidents of killings of its nationals in cross-border shootouts. PRIME Minister Sheikh Hasina has ended her official trip to the Republic of South Korea. The visit has been fruitful in the economic sense.

MALDIVES: The Maldives has offered to take two detainees held by the United States at the Guantanamo Bay prison camp in Cuba, in what it described as a humanitarian gesture, Maldives President Mohamed Nasheed said more students from Maldives would be coming to study in Malaysia in the near future and he would discuss the matter with the Maldives Education Ministry. Maldives Association for Travel Agents and Tour Operators (MATATO) has warned the government over its plans to take Guantanamo Bay prisoners saying that the resettlement would tarnish the prestigious name Maldives has earned as a popular tourist destination. In a historic move, Maldives has secured a seat in the United Nations Human Rights Council

Thursday with the highest number of votes. Maldives' economy is moving towards a serious financial crisis due to mounting foreign debt and increasing budget deficit. The two-day WIEF is scheduled to start on May 19 at Kuala Lumpur, said a FPCCI release here on Monday.

NEPAL: The political parties, primarily the Maoist and non-Maoist camp, are far from reaching a consensus on power sharing and integration of Maoists combatants. During what appeared to be the colossal Maoist showdown of May 1 and general strikes that followed, Kathmandu was almost engulfed by, in Prachanda's diction, "shabbily dressed poor and hungry rustics." While voices are being raised from within the Nepali Congress party to take leading role in drafting constitution and to bring logical end to the peace process through the formation of a new government under its own command, one of the Central Committee members of the party has said that the demand for formation of NC led government was not appropriate in the present context. As the country is facing a dangerous deadlock, it is now time to review the ongoing peace process, correct the past mistakes and find a new formula to solve the present political crisis. A Maoist activist threatens journalists not to take pictures after vandalizing a vehicle in Kathmandu, Nepal, Sunday, May. 9, 2010. Addressing a program held in Kathmandu, May 19, 2010, senior leader of the ruling United Marxist Leninists' Party Mr. K. P. Sharma Oli has said that if the tenure of the Constituent Assembly is not extended, main opposition 'Unified Maoists' Party' will be the prime loser. The World Bank has estimated Nepal's gross domestic product (GDP) growth rate for fiscal year 2009/10 at 3.5 percent, reports China's Xinhua news agency citing a local daily. Some politicians blame individuals, some say it is the responsibility of all political parties for this current fiasco of Constitution deadline and its debated extension. Unfortunately, there is a clear lack of political accountability on this issue on all sides-no one seems to own the responsibility. Prime Minister Madhav Kumar Nepal today assured people living with HIV/AIDS that the government would do everything possible to guarantee them social security and a life of dignity. The current impasse in Nepal is not a peace process with warring sides, but an effort to make a multi-party democracy functional. If the opposing parties cannot resolve the political impasse among themselves shortly, India will push all concerned political leaders to sit together and hammer out a workable solution by early next week. Government officials and experts said today that gravity goods ropeway, which is environment-friendly and financially viable, has the potential to economically empower the marginalised people in rural Nepal. Agriculture has remained the mainstay of Nepali economy as it contributes 33 percent to Gross Domestic Product and provides livelihood to 80 percent of the population. Agricultural trade still occupies an important place in the total exports of Nepal. Nepalese economy is now on the verge of collapse. Too much externally driven vulnerability amidst deepening political crisis-led worsening domestic economic condition corroborates this.

SRILANKA: An investigation into the last months of Sri Lanka's bloody civil war released yesterday claims that government forces were responsible for the deaths of tens of thousands more civilians than previously estimated, and targeted hospitals and humanitarian operations as part of their final onslaught on the rebel Tamil Tigers. Sri Lanka's top diplomat in Canada has dismissed claims her government committed war crimes as it crushed the Tamil Tigers' separatist insurgency last year, and says the world has no business investigating such "unsubstantiated" allegations in a sovereign country. An international rights group said Friday it has new evidence that wartime abuses were perpetrated against civilians during the final phase of Sri Lanka's long and bloody civil war against Tamil Tiger rebels. Sri Lanka's central bank kept its benchmark interest rates unchanged for a sixth straight month as slowing inflation enabled it to avoid joining regional counterparts in withdrawing monetary stimulus. Sri Lankan shares

slipped on Wednesday led by telecoms shares as retail investors booked profits amid weak sentiment ahead of the central bank's monetary policy rate announcement. Sri Lanka on Wednesday said quality drugs will be imported from India to meet the shortage of essential medicines in the country. Hundreds of thousands have been displaced by cyclone Laila slamming the eastern coasts of India's Andhra Pradesh state, with effects also in Sri Lanka, Sri Lanka via its Board of Investment (BOI) is currently in discussions with several local firms concerning their interest to invest in diverse fields. At Hambantota, a remote fishing town on Sri Lanka's south coast, Chinese engineers dig a channel through the beaches, connecting the Indian Ocean with a vast inland pit, whose soaring concrete walls dwarf the earth-moving equipment working below. Sri Lanka will host the next G 15 Summit in 2012, the Policy Research, and Information Unit of the President's Office announced.

Detailed news:

Bangladesh opposition calls anti-government strike in June

Bangladesh's main opposition leader said Wednesday her party will stage a one-day nationwide general strike in June to protest alleged government corruption and incompetence. The general strike planned for June 27 is the first announced by the opposition since the ruling party won general elections in December. General strike, which usually forces stores and schools to close and halt traffic, is a common opposition tactic in Bangladesh to highlight its demands. The protest often erupts into violence. Opposition leader Khaleda Zia asked cheering supporters at a rally in Dhaka on Wednesday to make the planned shutdown a success. "You must make sure that schools, stores and traffic shut down across the country on June 27," she said at rally organized in central Dhaka by her Bangladesh Nationalist Party. Zia alleged that the government failed to check corruption and extortion of businessmen by ruling party activists. She also accused police of harassing the opposition activists. Bangladesh has a history of political violence. Zia and Prime Minister Sheikh Hasina are archrivals and have traded power since the end of military rule in 1990. The December elections were held after about two years of emergency rule by a military-backed interim government. Hasina's Awami League party holds more than two-thirds of seats in the 330-member parliament.

Hartal signals a return to destructive politics

BEGUM Khaleda Zia has given out a call for a hartal on 27 June. It is a decision at once regrettable and with implications for the future. We have argued, consistently since our inception, that hartals are the worst manifestation of politics gone awry. Now that hartals are back, thanks to the BNP, we can only say that destructive politics we thought was in the past is now back in full flow. It is a sign of political bankruptcy on the part of the BNP and only points to the thought that the party has nothing substantive to offer in terms of democratic politics. Reportedly, some senior BNP leaders had sounded a discordant note on the hartal option but were apparently ignored by the party chief. Be that as it may, the fact that the call for hartal has come from an individual who has been prime minister on more than one occasion not only surprises the nation but also leaves it bewildered. It is all a sign of confrontational and divisive politics coming back into the political arena and we at this newspaper cannot but condemn the move. While we do think that a significant part of the responsibility for such a swing to

confrontational politics lies with the ruling Awami League and that the BNP is not solely responsible for the gathering mess, we do wonder, though, how a recourse to hartals can restore normalcy in such critical areas as power and gas supply, issues around which the BNP has been trying to rally the nation. We have little wish to delve yet again into the old sordid politics of claims and counter-claims, but it is difficult to understand how hartal can ensure supply of power, gas and water? Opposing a government for the sake of opposition, long a bad tradition in this country, has never paid dividends. But, of course, if the BNP does believe that the government is indulging in corruption and is incompetent, there are the standard political procedures for it to make its position known.

We agree that some of the issues Begum Zia raised at her Paltan Maidan rally on Wednesday, namely, the chaos caused by the Chhatra League, the manipulation of tenders and political appointments, have merit and are of grave concern to citizens. But such issues, we have argued long and hard, must be raised and discussed on the floor of Parliament. Unfortunately, the BNP has regularly come up with lame excuses, one after another, and over spurious issues, to avoid being in the House when the Jatiya Sangsad is in session. Begum Zia herself has demonstrated an appallingly negative attitude towards the Parliament through her irregular presence in it. Hartal certainly is no way to go about demanding a solution to the problems faced by citizens day after day. If the BNP means business and if it is serious about its stand on matters of public concern, it simply must go back to the JS. In these past sixteen months since the general elections, the party should have developed a well thought out constitutional strategy to keep the government on its toes in the House, for Parliament is the pivot around which democracy works as it does elsewhere across the globe. Let Begum Zia rethink the hartal decision -- in the interest of democratic politics and economic stability and overall citizens' welfare. The times demand responsible politics rather than demagoguery

Quality institutions needed for better education

The Education Ministry on Friday last issued an order to the relevant authorities to give salaries from the state exchequer to the teachers and employees of only 1022 non-government educational institutions out of the queue for several years. Immediately after the announcement of the MPO list, many nearly 6000 such institutions which had been in deprived teachers, accompanied by political activists, staged protest and blocked roads in different places of the country. A section of AL leaders including a lawmaker, on May 10 came to the education ministry where they told newsmen that new educational institutions get the government's financial assistance in the form of monthly pay order only in exchange for bribes. But we like to place the questions 'who took the bribes? It is an established fact that our Education Minister does not take any bribe. He has proved himself far above this illegal practice. Then who took the bribes and why? They made a noisy scene at the office of the education minister in the secretariat and shouted slogans against three officials close to Nahid for allegedly giving the MPO facilities for kickbacks. Education minister Nurul Islam Nahid on May 11 came under fire from his colleagues apparently for not favouring the non-government educational institutions established by Awami League leaders or the party sympathizers in granting 'monthly pay orders.' They alleged that many non-government intuitions named after the country's founding president, Sheikh Mujibur Rahman and also after freedom fighters had not been enlisted for the facility in the form of 'monthly pay order' while some schools, colleges and madrassas named after 'notorious people, including criminals,' were on the list, said a state minister after the meeting. Most of the ministers demanded a review of the recently announced MPO list to

accommodate more schools, colleges and madrasahs established or patronized by leaders of Bangladesh Nationalist Party and Bangladesh Jamat-e-Islami from the list. Political consideration and name must not be given priority if the government really wants to a neutral and reasonable education policy. A set of criteria was fixed and announced for including educational institutions on the MPO list and the Education minister followed the criteria. The criteria go thus: the number of students in non-MPO institutions, numbers of students taking public examination every year, and the pass rate and the dates of government approval for the institutions. Sticking to the set rules and doing work accordingly not only helps establish transparency but also discourages the lobbying groups who disturb the ongoing honest activities of the state. The government must realise the fact. Earlier, a number of lawmakers from the main opposition Bangladesh Nationalist Party alleged that the government had been biased in preparing the list as the institutions in their areas were left out on political consideration. The opposition could not set so many good examples in this regard though their success in eradicating 'copying ' in the public examination commands respect. The policy adopted by the ministry of education under the leadership of Nurul Islam Nahid hardly makes any room to look with frowned eye. We are proud of him. Responding to the pressure of the ministers the Prime Minister asked her adviser on education, social development and political affairs Dr. Alauddin Ahmed to find out how to review the MPO list in keeping with the guidelines set by the government. Beleaguered Nahid tried to defend his action saying that the financial facility had been given to the institutions which had fluffed the criteria as per the guidelines. Even then, the duty of was shifted to another one. We do afraid whether it will see any reasonable step or just purely politically biased decision emerges.

Some sources commented that Nahid does not understand the pulse of AL politics as he came from a different party. When the premier gave the responsibility of reviewing the list to Nahid, those minister vehemently opposed it. So the premier directed her Education Advisor to prepare a fresh list after reviewing the announced one in consultation with the members of the committee that prepared it. At the same time she directed the education ministry to refrain from issuing any gazette notification regarding the announced list. The suspension came just after three days into the list's announcement as some ministers and state ministers expressed serious resentment against Education Minister Nurul Islam Nahid at a regular cabinet meeting because institutions of their chose are not included in the list. Terming the recent MPO-list of educational institutions as the bureaucracy -dependent one, most the ministers alleged that there was a subtle manipulation in the preparation of the list. Some ministers also demanded resignation of the education minister for manipulation of the list. Some 16 aggrieved ministers regretted that their recommendations regarding the preparing of the list were also rejected not to speak of the suggestion of the lawmakers of many constituencies. These comments, utterances and resentments clandestinely say that the process went through a transparent way where political and dishonest people's influences could not touch it. It deserves appreciation. An example could have been set but once again we have shown the signs of bow down to the evil. God knows what will happen to our education. Prof. Kabir Chowdhury said, "Under governments formed by political parties, there will always be political pressure but the education minister and the ministry must rise above that with courage. And I believe Nahid has been doing that." We also are at one with him and we salute Nahid for his honest and strict endeavour. The head of the government also think of the matter very seriously without gaining some cheap popularity or getting some temporary gains. The teachers of non-MPO high schools, colleges and madrasahs of Khluna

district under the banner of 'Non-MPO Shikshika Protishatn Shikhtakh Karmachari Oikya Parshead' declared the indefinite hunger strike to be staged at Sheed Hadis Part in the city on May 13 after staging an hour long human chain at the Picture Palace Crossing to press home their demand. The parishad leaders said around 25 thousand educational institutions are recognized by the government but of them around 7500 were yet to get MPO. Around one lakh teachers and employees work for the non-MPO educational institutions and they have been passing days in dire distress. A good number of non-MPO institutions were more than 10 years old. They demanded MPO for all government recognized non-MPO educational institutions and asked the government to declare a new list immediately. We also support the idea that all the government recognised institutions should be under MPO at a time or strict criteria to be maintained to get them included in phases. In that case, we must show patience and honour the honest decision. To ensure quality education, quality decision must be honoured

Banks shell out 35pc more for CSR

Commercial banks hiked spending on corporate social responsibility (CSR) by 35 percent last year and shifted from passive grants and donations. The banks' expenditure for social welfare jumped to Tk 55.38 crore in 2009 from Tk 41 crore in 2008, according to a Bangladesh Bank report, first of its kind. The central bank held a discussion yesterday with the bankers on the report titled Review of CSR Initiatives in Banks (2008-2009). "Apart from one-off grants and giveaways, some banks have engagements in longer term continuing support commitments, in areas of education and healthcare," said the report. Besides the passive engagements by way of grants or donations, the banks are now getting actively engaged in socially responsible business operations, by way of increased lending to under-served sectors like agriculture and SMEs, the report added. Of 48 scheduled banks in Bangladesh, 46 were involved in CSR activities in 2009. The number was 27 in 2008. Dutch-Bangla Bank Ltd spent the highest, Tk 15.92 crore, on education, health, disaster relief, sports and social welfare in 2009. Islami Bank Bangladesh Ltd secured the second position, spending Tk 11.62 crore mainly on education and disaster relief. The bankers said a joint move by all banks is necessary to fund a big project each year under their own CSR activities. Some researchers define CSR as "the situation when a firm does more than it is compulsory and it involves itself in actions meant to be useful to society, actions that surpass the immediate economic interest of the firm and the minimal standards imposed by the law". The difference between CSR and charity is, CSR involves developing an implication strategy within the community and a partnership of which the company gains, too. The CSR activities are not mandatory for the banks. However Bangladesh Bank now considers the banks' yearly CSR initiatives as an extra instrument for their performance rating. This idea has mainly brought the banks to involve more in such activities. Private commercial banks were found more active than the state-run ones in spending on CSR activities, said the BB report. "The central bank wants the banks to include CSR into their core banking, not by considering it a 'voluntary service'," said BB Governor Atiur Rahman at the meeting. "It should be a long-term, sustainable and running process than being restricted only to the short-term services like grants, aids and donations." All banks should have a CSR policy to formulate a separate budget to execute CSR initiatives each year, he said. K Mahmood Sattar, president of Association of Bankers, Bangladesh, said all commercial banks have made a commitment to fund a mega project each year. He said the banks would become more active in CSR activities in future. But the government should waive the banks from the tax burden for the money they spend for such activities, he added. Responding to Sattar, the central

bank chief said he would bring the tax waiver issue to the government high-ups. The banks will provide a big fund to develop the Liberation War Museum this year under CSR activities, he said.

The Changing Landscape of Microfinance

When Mohammad Yunus received the Nobel Peace Prize in 2006 for creating the Grameen Microcredit Bank in Bangladesh he stated, “Poverty is the absence of all human rights.” He seemed to be echoing what Mahatma Gandhi said about poverty being the worst form of violence 60 years before. Around the world, the poor are empowering themselves while taking steps out of poverty through microcredit, small loans for income-generating purposes.

Credit is much more powerful than donations. With much needed credit, poor entrepreneurs without assets and collateral can establish small businesses and use the profits to improve their nutrition, health, education and housing. At this time, about \$30 billion is available in the microcredit pipeline to provide loans to about 150 million women in developing countries. With an average loan size of \$200, over 90 percent of borrowers are women who can become empowered to be economic stewards and leaders in their communities.

Studies demonstrate that women armed with credit are less apt to tolerate domestic abuse. Overall, microcredit has demonstrated it is an effective strategy to assist the working poor out of economic injustice and into a future life of stability. With over 3.4 billion poor people around the world, microcredit is in much demand. Yet the business of microfinance is still being tested and is not without its challenges. To meet this demand as well as to gain financial benefit, many commercial banks are entering the microcredit market. In some instances, too much investing in microfinance institutions is creating problems that could impact the entire industry.

With too much capital in a microcredit bank, loans are made too quickly without knowing the intentions and plans of borrowers. Further, an increasing number of loans are made solely for profit for these banks, resulting in borrower over-indebtedness, which intensifies the poverty cycle.

Greater attention and due diligence must be paid to how loans are made, to whom, for what, and the interest rates charged and collected by banks. Banks overheated with capital tend to accelerate their loan programs without regard to their clients, as demonstrated by the recent mortgage crisis in 2008, and the forceful loaning in the 1970s when oil prices rose and large international banks made aggressive and immoral loans to the Third World.

As competition expands in the microcredit field, investors will want to be more informed about the impact of their microcredit loans, and it will be incumbent upon microfinance organizations and banks to deliver thorough and accurate updates.

To this end, organizations have begun establishing their own social performance departments, including ours, to assist microcredit banks so that they meet their social mission, and measure the impact of microcredit on improving conditions for poor people. We will release the report in June based on having tested and compared data from the field through a variety of metrics, one of which notably is the Progress Out of Poverty Index (PPI).

The PPI is a tool that the Grameen Foundation initiated, which measures the level of poverty borrowers are experiencing, what borrowers need to lift themselves from poverty, what the microfinance institutions (MFIs) can do to support that process, and how long the process should take. The data are then used to improve the efficiency of the MFIs, respond to their clients’ needs more quickly, and provide accurate reporting to investors. In one such study it was discovered

that loans were not, in fact, going to the poorest of the poor. These findings contributed to a better understanding of the MFI's clientele and how to better serve them.

Currently the PPI is being used in 17 countries. Cerise, a French organization, pioneered a similar tool in 2001 which Oikocredit's Uruguay office modified to the needs of local borrowers. It is likely that measurement tools will continue to be developed to gain a deeper understanding of the complex microfinance landscape.

Half of the world's people live on less than \$2 per day. Far more microcredit is needed to help narrow the poverty gap. And more control of corporations must happen for the poor to be respected properly. Better sharing of global resources will help to eliminate poverty as well. Microcredit plays its own pivotal role by enabling local entrepreneurs to take a few steps up the ladder out of economic misery and to futures filled with dignity and hope.

Invest in Bangladesh

Hasina urges Malaysian business leaders

Prime Minister Sheikh Hasina yesterday urged Malaysian entrepreneurs to invest more in Bangladesh, particularly in labour-intensive industries including readymade garment, textile, light engineering, electronics, agro-based products, ICT, power and infrastructure. She was addressing a roundtable with the Malaysian investors at Hotel Istana in Kuala Lumpur. The premier also called for increasing import of Bangladeshi products like jute and leather goods, RMG, ceramics and pharmaceuticals, saying these are already being marketed in many developed countries. Hasina said Bangladesh has adopted public-private partnership (PPP) policy to build infrastructure projects in power, gas and water sectors. She said her government allocated a huge amount for PPP in these areas under 2009-10 national budget. "Malaysia, with its experience of PPP, can support Bangladesh for such projects." Hasina said a joint working group of the two countries can promote these potential areas of investment and trade. "For first hand knowledge, I believe, frequent visits and participation in trade fairs by businessmen of both the countries are important

Energy crisis 'threatens' Bangladesh growth

Bangladesh is on track for strong growth this year but needs to solve its critical energy crisis to prosper in the future, the World Bank said Wednesday. Current demand for electricity outstrips supply by around 2,000 megawatts at peak hours, the Bank's economic update for the South Asian country said. "Easing the severe domestic supply constraints is absolutely critical to Bangladesh's economic outlook," the World Bank director for Bangladesh Ellen A. Goldstein, said in a statement. The Bank forecast growth of 5.5 percent in the current fiscal year, which it said was largely driven by increased domestic consumption and public development expenditure.

An increase in public sector pay and a stimulus package for export sectors boosted public consumption, with private sector consumption up due to a 17.4 percent growth in remittances in the first nine months of the year. "This robust growth is impressive given the prevailing circumstances in the global economy," said the World Bank's lead economist for Bangladesh, Sanjay Kathuria. But the report warned that the outlook is worsening for consumption growth outlook due to a possible slowdown in remittances as migration continues its downward trend.

Bangladesh's economy grew 5.9 percent in the 2008 to 2009 fiscal year, the slowest rate since 2001 to 2002, as output cooled due to the global economic slowdown. The World Bank has said the country needs to grow at seven percent annually if it wants to halve the level of poverty by 2015

Bangladesh restricts night-time movement along its borders

Bangladesh has enforced a restriction on movement of people along its borders with India during the night time to avert frequent incidents of killings of its nationals in cross-border shootouts. “The order was conveyed to the administrative authorities of the frontier districts and the Bangladesh Rifles (BDR)” after the decision was taken in an inter-ministerial meeting with Home Minister Sahara Khatun in the chair, a spokesman of the ministry told PTI.

He said that the local administrations were also asked to launch a motivational campaign engaging representatives from local communities to dissuade people from moving along the borders at night. Rights group Odhikar in a recent report had said that a total of 910 Bangladeshis were killed between January 2000 and April 2010 in cross border firings, and Dhaka had raised the issue during Prime Minister Sheikh Hasina’s trip to India in January this year. The spokesman said Mr. Khatun told the meeting that Dhaka would again ask New Delhi to take steps to stop the incidents “which takes place time and again” and had continued despite repeated assurances by Indian authorities. According to newspaper reports, in a latest incident two Bangladeshis were killed and three others were wounded due to firing by the Border Security Force (BSF) at north-western Thakurgaon borders on Friday. Officials said India had also restricted night-time movement on its side of the border to evade cross-border casualties in shootouts. The frontier shootout dominated the talks at the BDR-BSF director general meeting in New Delhi in March this year. The then BDR chief Major General Mainul Islam told PTI that the “earlier Indian assurance to stop it during our talks (in Dhaka in July 2009) was not reflected in their actions in the past months” when a number of Bangladeshis lost their lives. Meanwhile, BSF chief M.L. Kumawat said: “We are trying to drastically reduce the incidents of such killings in the frontiers“. He, however, added that most of the cross-border killings usually take place at the “dark of night” when BSF enforces a nightlong curfew on their side of the frontier to check cross-border crimes. Mr. Kumawat added that Indian nationals too were often killed in BSF shootouts but in most of the cases they were found to be “smugglers or terrorists” who tried to defy the curfew and trespass borders. He said only 15 per cent of such casualties took place during day time but such cases were extensively investigated both by Indian police and BSF and “we have told our counterparts how many BSF men faced stern actions for any such intentional killing“. Mr. Islam at that time agreed with his counterpart and said the frontier Bangladeshi nationals were needed to be “more careful” in their movement in the frontline.

Boosting economic ties and cooperation with South Korea

PRIME Minister Sheikh Hasina has ended her official trip to the Republic of South Korea. The visit has been fruitful in the economic sense. Several agreements have been signed during her stay in Seoul which, on the basis of follow-up activities on the part of the two governments, can lead to gains for Bangladesh in the areas of securing funds for its economic development. Furthermore, these are likely to facilitate the use of Korean expertise for the exploitation of Bangladesh's energy resources, expansion of new opportunities for Seoul-Dhaka bilateral trade, transfer of technology, training of Bangladeshi manpower and more jobs for Bangladeshi

workers

in

South

Korea.

The two countries have signed a deal to set up an Economic Development Fund Loan (EDFL). Under this mechanism, South Korean funds from different sources could flow to Bangladesh on easy terms and conditions to set up important infrastructures and run socially and economically important services in Bangladesh. Another deal signed for energy cooperation is of greater significance. It is expected that under this umbrella agreement or memorandum of understanding (MOU), the energy sector in Bangladesh would be aided significantly. The state of the energy sector presently is the greatest worry for Bangladesh. It has become imperative for Bangladesh to tap its substantial deposits of high grade coal to solve the worsening energy crisis. It is expected that under the Dhaka-Seoul framework for cooperation in the energy sector, Korean companies would come forward in a major way to help Bangladesh to successfully use its available hydro-carbon and related resources and produce electricity from the same. South Korean investments in Bangladesh for coal mining and power production, would this otherwise be expected to rise in the near future. It is noteworthy that South Korea is internationally reputed for experience in relevant technologies. Its investments and cooperation can be very useful for Bangladesh's overall energy sector. Besides, shipbuilding is proving to be a growingly prospective area for the Bangladesh economy. South Korea is a world leader in the shipbuilding industry. The joint communiqué issued at the end of the PM's visit states that South Korea has agreed to extend all kinds of assistance to Bangladesh to develop the later's shipbuilding industry. South Korean companies could also decide to invest in the shipbuilding sector in Bangladesh. The other positive developments from the visit would be indication that Seoul might allow a further large number of Bangladeshi goods to get access to that country on a duty-free basis. Access to a greater number of Bangladeshi migrant workers has also been promised, besides the creation of more scholarships for Bangladeshi students and opportunities for training for Bangladesh's in South Korea. The Republic of Korea is well known in Bangladesh. There are a number of South Korean companies operating in Bangladesh and these are found to be doing a good job in creating employment and helping the training of Bangladeshi workers. Both in terms of employment creation and technology transfer and skill training, the South Korean presence in Bangladesh is, thus, noted. This process only needs to be encouraged by both sides for their mutual benefits. The visit of Prime Minister Sheikh Hasina to the Republic of Korea is, therefore, likely to provide a stimulus to increase trade, investments and other forms of economic interactions between the two countries. The private sector in Bangladesh will need to be proactive to get the South Korean investors to be interested in Bangladesh in the wake of the PM's visit to that country.

MALDIVES

Maldives offers to take two Guantanamo Bay prisoners

The Maldives has offered to take two detainees held by the United States at the Guantanamo Bay prison camp in Cuba, in what it described as a humanitarian gesture, the foreign minister said Sunday. US President Barack Obama, who has vowed to close the "war on terror" camp, has asked allies to help resettle prisoners who have been cleared of all charges but cannot return home, often over fears they may be tortured. "We are in discussions with the American government to transfer two prisoners of Muslim origin on humanitarian grounds," Foreign

Minister Ahmed Shaheed told AFP by telephone from Kazakhstan. "The two prisoners are innocent, they don't have any formal record of terrorism, violence or extremism," Shaheed said. One of the prisoners is Palestinian, while the other was not identified. "The Palestinian man has no family. He has no past record of terrorism or violence. He has no political links and he belongs to an evangelical Islamic sect," Shaheed said. He added that some legal issues still needed to be resolved, such as the pair's status in the Indian Ocean atoll nation. Obama had promised to close the notorious naval base prison by January 22 but his administration failed to meet its deadline, partly due to resistance in Congress over transferring some inmates to US soil. There are still around 180 inmates still held at the prison. In his weekly nationwide address on Friday, Maldivian President Mohamed Nasheed said taking in detainees held in Guantanamo Bay would bring honour and prestige to his country of 300,000 Sunni Muslims.

"In my view, it is not in line at all with our constitution, Islam, or 'Maldivianness' that we refuse to help -- especially Muslims, especially those wrongly imprisoned," Nasheed said on state-radio. In December, Nasheed praised Obama's vow to close Guantanamo Bay as a "symbolic gesture". The Maldivian opposition, however, has accused Nasheed of seeking financial assistance from the Obama administration in exchange for taking the prisoners. Former information minister and independent member of parliament, Mohamed Nasheed, who has the same name as the president but is not related, said the US had asked the Maldives to monitor the two prisoners once they are transferred. "The Maldivian government can't even transfer the prisoners to a third country without prior approval from the US. The US should be encouraged to send the prisoners to their country of origin, and not here," he said. The opposition Dhivehi Qaumei Party has threatened to challenge the government in court and said the transfer jeopardises national security. Guantanamo is widely seen as a symbol of abuses carried out in the name of the US war on Al-Qaeda and other Islamic extremists.

Most of the inmates have been held at the camp without charge or trial on suspicions of terrorism. Ibrahim Fauzee, the only Maldivian held in Guantanamo Bay, was flown home to Male in May 2005. Fauzee was arrested in May 2002 in the Pakistani port city of Karachi, where he was studying Islamic studies. Six Chinese Muslim Uighurs freed from Guantanamo Bay were last year transferred to Palau, another Asian tropical tourist paradise.

More Maldives Students To Study In Malaysia

Maldives President Mohamed Nasheed is satisfied with the performance of students from his country studying in local educational institutions. He said more students from Maldives would be coming to study in Malaysia in the near future and he would discuss the matter with the Maldives Education Ministry. Nasheed, who is here to attend the World Islamic Economic Forum 2010 (WIEF) which ended today, visited the International Islamic University Malaysia (IIUM) and was briefed by IIUM Rector Datuk Seri Syed Arabi Idid. Nasheed, who also met Maldives students studying in various institutions here, said he was proud to note that one of the general attorneys in Maldives was a student of IIUM. Meanwhile, a student from the Asia Pacific Institute of Information Technology (APIIT), Abdulla Muiz, 19, who is doing Diploma in Business and Information Technology, said that by studying here, he could have a great job opportunity in Maldives. "It's easier to get a job in my country when I graduate from here, and I am happy that I could meet the president and all the students from different institution here today," he said. A fourth year student from the IIUM Economics Faculty, Ali Zubair, 26, said meeting the president was an exciting experience. Also present during the visit was Maldives Minister of Tourism, Arts and Culture, Dr Mohd Ali Aswad.

Gitmo resettlement will damage Maldives' reputation: MATATO

Maldives Association for Travel Agents and Tour Operators (MATATO) has warned the government over its plans to take Guantanamo Bay prisoners saying that the resettlement would tarnish the prestigious name Maldives has earned as a popular tourist destination.

In a press release issued Wednesday, the association alarmed that bringing in criminals from a prison such as the Guantanamo Bay facility will damage Maldives' reputation among tourists as a beautiful and peaceful country. "This association notes that the international media has been writing on the matter of bringing in the prisoners, who have been allegedly linked to severe inhumane crimes in world history, in various ways. Prominent international media organisation BBC described the plan as transforming a tourists' paradise to a paradise for terrorists. If Maldives is described in such a way, tourist arrivals to the country will decline, travel agencies will have to face bankruptcy, resort occupancies will fall, bed charges will drop, investors' confidence will be lost and opportunities to develop new resorts and airports will be limited," the press release read.

The association claimed that several countries including New Zealand, UK, US, Canada and Australia have issued 'cautionary' travel advisories to Maldives, because of "internal conflicts and linking terrorism to Maldives." "At a time the national tourism promotion budget has been reduced from US\$8 million to US\$2 million the current situation is tarnishing the reputation Maldives has secured in the world and not taking any measure to resolve the issue is a sign that our hen that lays golden eggs could die in no time," the statement said. "Bringing Guantanamo Bay prisoners will badly affect the tourism industry and so this association calls [the government] not to do anything that would pave way for such a thing." President Mohamed Nasheed says that the Guantanamo Bay relocation "will be within legal boundaries and the general principles of Maldives" – an argument challenged by several legal experts. Attorney General Husnu Suood has given legal advice to the Foreign Ministry on the transfer. But both he and the government refuse to disclose the details. The opposition Dhivehi Rayyithunge Party (DRP) has submitted a case to parliamentary National Security Committee to block the resettlement while the opposition Dhivehi Qaumei Party (DQP) prepares to take the government to court over the issue.

Maldives secures a seat in UN Human Rights Council

ON 15 MAY. In a historic move, Maldives has secured a seat in the United Nations Human Rights Council Thursday with the highest number of votes. Speaking to Haveeru from Dubai, Minister of Foreign Affairs Dr Ahmed Shaheed said on Saturday that the Maldives received 185 votes out of 188 in the election held at UN Headquarters in New York. He stressed that Maldives reached to the same level as India, which received the highest number of votes in the council's history. "This is a huge victory for us. We would be quite influential. Maldives would also receive more assistance [from other countries]," Shaheed said. "Besides, we would have a wider responsibility in protecting the human rights worldwide. We can criticise and condemn human rights [situation of the world]. We can also facilitate human rights protection. We will get three

years to carry out this task."Maldives' voice in the international community would become louder by working with the 47 members of the council, Shaheed added.

MNDF rescues Iranian vessel 'hijacked by pirates'

Maldives National Defence Force (MNDF) on Sunday has rescued an Iranian fishing boat 75 miles west of Huvadhu Atoll with 20 people onboard. MNDF referred to the boat's captain as saying that seven out of the 20 unidentified crewmen were pirates who hijacked the boat around six months ago. Major AbdurRaheem said the coastguard approached the vessel in a speed boat and did not find any weapons. "Actually, we are not sure of this information. We only have the captain's statement. The crewmen did not possess any weapons. They did not even have any documents. So we cannot identify them or their nationality," he said. According to MNDF, the vessel drifted to Maldives waters with a failed engine and the crewmembers seemed direly malnourished after running out of food and water. But they are now in recovery, AbdurRaheem said.

MNDF found the vessel off Kaadedhoo in Gaafu Dhaalu atoll in a search and rescue operation initiated on Sunday after receiving reports of a distress call. Maldives' first military helicopter commissioned in April was on stand-by in Kaadeddhoo while a commercial aircraft flew in the operation to spot the boat in the afternoon, he added. "We first received the information from a group of Iranians in Male. We assumed that the Iranians are linked to the boat's owner who was in contact with the boat. They have been informed of the boat's location the last time they were able to make contact," AbdurRaheem said. "Thereafter, we talked to the Iranian embassy to verify the reports. We then considered the tide and wind direction and estimated the path the boat will drift towards Maldives. We were able to estimate the approximate speed as well." MNDF said the boat was en route to Gaaf Alif Atoll Kolamaafushi Monday.

"They are still on MNDF watch. We will release them to the relevant authorities soon," AbdurRaheem said.

The rescue comes less than a month after an abandoned boat allegedly used by Somali pirates was discovered off Laamu Atoll just north of Huvadhu.

In December local fishermen spotted a similar boat with seven Somalis in distress drifting off Hithadhoo in Seenu Atoll. The crew are still in custody at Dhoonidhoo detention and have been interrogated by US Marines, Police said.

Pirates recently hijacked eight Indian cargo ships with 74 crewmembers off the western coast of Somalia. Indian government reacted by declaring the south and west of Salalah in Oman and Maldives a high activity zone.

Foreign debt and budget deficit pose serious financial threat to Maldives' future

Maldives' economy is moving towards a serious financial crisis due to mounting foreign debt and increasing budget deficit. Last year, Maldives government's debt to different foreign financial agencies and banks stood at Rf. 7 billion or \$553.8 million which amounted to 37.6%

of the country's GDP. That same year, the government's total expenditure stood at Rf. 7.9 billion. In 2010, the government expenditure is estimated to be at Rf. 8.3 billion or \$648.4 billion. The People's Majlis approved a total of \$710.9 million or Rf. 9.1 billion. The estimated revenue of 2010 is Rf 10 billion or \$781.2 million and the estimated deficit Rf. 5.5 billion or \$429.7 million. The government is looking forward to minimize the deficit by reducing government expenditure through reducing the number public servants and decentralizing several government agencies but both the measures faced serious opposition. Mohamed Nasheed said that the government will continue to make every possible effort to bring about a positive change to the salaries of civil servants and government employees. He also said that his government is going to introduce taxation bills including bill on administration of taxation, bill on business profit tax, and bill on taxing from sales of tourism service providers. Mr. Nasheed said that the Majlis will work to ensure that these bills are passed as soon as possible.

Ismail Shafeeq, Permanent Secretary for the Finance Ministry, said that most of the debts are loans from various financial institutions, banks and foreign agencies that were borrowed for the development of the country.

6th World Islamic Economic Forum meets in Malaysia Tomorrow *'Pakistan Times' Business & Commerce Desk*

KARACHI: The ex-President SAARC Chamber of Commerce and Industry and former president Federation of Pakistan Chambers of Commerce and Industry Tariq Sayeed, left for Malaysia to represent private sector of Pakistan and to address the 6th World Islamic Economic Forum (WIEF). The two-day WIEF is scheduled to start on May 19 at Kuala Lumpur, said a FPCCI release here on Monday. Before leaving for Kuala Lumpur, Tariq Sayeed, who is also a member of Advisory Panel of the WIEF Foundation informed that the forum will be addressed by 7 heads of Muslim States/ Governments, that is, Bangladesh, Brunei, Indonesia, Maldives, Kosovo and Senegal. The forum will deliberate on emerging issues and challenges faced by the Islamic world. The 6th WIEF is being organised with the theme "Gearing for Economic resurgence."

Prime Minister of Malaysia will inaugurate the 6th WIEF. Tariq Sayeed said during two-days forum more than 130 renowned speakers from 40 countries will speak at various sessions while the forum will be participated by more than 3000 delegates from 67 countries of the world. Sayeed will address the session titled "Empowering SMEs: Turning Size Into a Comparative Advantage" on May 20, 2010 and will participate in the organising Committee meetings and allied activities. Former prime minister of Pakistan, Shaukat Aziz and Federal Minister for Privatization Senator Waqar Ahmed Khan will also speak at the Forum. The World Islamic Economic Forum is the most prestigious annual event of Muslim Business World, which is represented by both OIC and non-OIC countries at the highest level. Pakistan had the privilege to host 2nd WIEF in 2006 at Islamabad.

Nepal

Problem is number of combatants to be integrated: PM Nepal

The political parties, primarily the Maoist and non-Maoist camp, are far from reaching a consensus on power sharing and integration of Maoists combatants. With the term of the Constituent Assembly expiring on May 28, and an extension of its term becoming necessary through an amendment to the Interim Constitution for which a two-thirds majority is a must, they

are under pressure to act quickly and put aside their differences. The ruling parties have continued to stick to their demand that all issues, including Prime Minister (PM) Madhav Kumar Nepal's resignation, should be settled through a package deal. But the Maoists have demanded that the PM should first resign to open door for consensus on contentious political issues. This has made the political situation complex, prompting concern inside and outside Nepal on the future course of politics.

In this context, Republica's Political Affairs Editor Kiran Chapagain talked to Prime Minister Madhav Kumar Nepal on the political issues plaguing the nation. **EXCERPTS**

Myrepublica.com: The government tabled a bill in the parliament to amend the Interim Constitution and extend the term of the Constituent Assembly (CA) by one year. How hopeful are you of Maoist support to pass the bill?

Prime Minister Madhav Kumar Nepal: I am very hopeful. I cannot imagine that the Maoists will stand against the sentiment of the people and CA members. I am also hopeful because I have learnt from my sources that some Maoist friends have conveyed their concerns as to why the government was taking so long to start the process of extending the CA term.

Myrepublica.com: How flexible can the government be to win the support of Maoists on extending the CA term?

Nepal: The government is ready to show maximum flexibility. We are trying hard to hold talks with the Maoists. Informal talks are on. There have been no formal talks on the matter as of now.

Myrepublica.com: But the UCPN (Maoist) is in such a position that it looks very difficult for it to vote for the government proposal to extend the CA term?

Nepal: This matter should not be made into a prestige issue as it concerns all Nepalis. It is also an issue related to the future of the country. As the Maoist party is being run responsibly, I believe the party will proceed accordingly.

Compulsive politics

During what appeared to be the colossal Maoist showdown of May 1 and general strikes that followed, Kathmandu was almost engulfed by, in Prachanda's diction, "shabbily dressed poor and hungry rustics." These rustics, feared by Kathmandu elites as marauders, included young and old, men and women and also some children. They spent the first few days singing and dancing, clapping and applauding in the streets. They besieged the roads waving red flags, sitting still under the scorching heat for long hours, sweating, but determined to do and die. They withstood this ordeal for about a week with unwashed clothes, slippers on, cracked feet and hands, rough and coarse body. They portrayed the real picture of Nepal, the real problem that the state has feigned ignorance of. This must have sent an alarm to the Kathmandu elites that the huge section of their Nepali brethren is still fighting extreme penury. We are told that they were ferried from suburbs and hills and forced in Kathmandu against their will. Whatever the case, the spectacle was enough to solicit some sympathy and love for them.

Toward the end, they even had to fight for life. "People" largely consisting of members of sister

organizations of other political parties, allegedly mobilized for retaliation against Maoist cadres by Nepali Congress, UML and the Hindu Fundamentalists, in Jorpati and Basundhara of Kathmandu and in Birgunj came out against them with arms. Both the attackers and the attacked brandished sticks and clubs and knives and khukuris in the air and threatened to kill the opponents. Watching this sight of political Mahabharata on the television sent a chill of terror in me. I had this shuddering apprehension that the country is set for civil war, that the nation will have to drench herself in one more bloodbath. God forbid this nightmare!

As the confrontation was escalating, many Kathmanduites may have wondered “why did these people come at all? Why can’t they simply stay at home? Why are they so passionate about politics, this dirty game?” These wonderings are worth answering. It is not just people had too much of banda to tolerate or the Aristotelian maxim of man is by nature a political animal explanation. It appears to me that politics for Nepali people goes beyond these.

There is a compulsion for every Nepali to be a follower of a political party. You cannot remain just a citizen in this country. You cannot only be Nepali.

All those people who were set to kill or get killed, who attacked or were attacked during the general strike were affiliated to one or other political parties. For a reason that may sound weird to some, I refuse to believe that there are citizens in this country. Every citizen in this country is a political cadre/supporter. Whether they be industrialists or businessmen, artists or human rights activists or civil society members, they all bear loyalty to one or the other party. Some overtly let their loyalty be public, like the political cadres, others only suggest like writers do sometimes, and the others keep it within themselves and tend to use it when the opportune moment comes. It is another thing that despite this political bent, Nepali people in general are known for abhorring politics and politicians. Hardly anyone refutes you when you call politicians thieves.

There is a compulsion for every Nepali to be a follower of a political party. You cannot remain just a citizen in this country. You cannot only be Nepali; you must develop an inclination to one or the other political parties or you must become its supporter. In villages and towns, politics is your protection, defense and shield. If you do not have political identity or have not hobnobbed with one or the other powerful political leaders, you may be accused of the crime you have not committed and no one will come to advocate on your behalf for justice. You may be transferred to the remotest of the places, your promotion prospects will lie at peril, and your job opportunities will be limited. While if you are a cadre or a mere supporter of a political party, you can be released from jail even if you have murdered somebody and you can walk scot-free. You can be a member of an underworld, you can be a gangster and yet you can be above the law. You can get political appointments, your job transfers and promotions are guaranteed. And believe me you cannot take a simple recommendation from the village development committee offices without hassles if you cannot exert a little political pressure. You may only be able to register a complaint in the police office and chief district officer’s office but will fail to draw their attention to your case if you lack a political backing. And most importantly, political parties in Nepal are dream sellers. And innocent people are easily duped by the one that can best sell its dreams. As a result, there are always some people who are loyal to political parties for their loyalty toward dreams.

Therefore hundreds of thousands of people come to the mass gatherings, the protests and the movements called by the political parties, whether be it organized by Nepali Congress or CPN-

UML or the Maoists. And at a signal from their leadership, they go berserk, drugged by the opium of politics, they become ready to kill and be killed.

All those Maoist cadres who came to the capital to awaken their dreams for better life, but who sadly became the victims themselves, and those others who were trying to prove these protesters incapable of garnering sympathy from general public are products of this political reality. And now we stand at a juncture of confrontational and violent politics. “There are no true friends in politics. We are all sharks circling and waiting for tears of blood to appear in the water,” Alan Clark, British Conservative MP, military historian, and diarist had discoursed brilliantly. I have a premonition that Nepali politics is on the way to making Lark’s prediction its guiding principle.

Nepal PM arrogance is complicating politics of consensus: Mahesh Acharya

While voices are being raised from within the Nepali Congress party to take leading role in drafting constitution and to bring logical end to the peace process through the formation of a new government under its own command, one of the Central Committee members of the party has said that the demand for formation of NC led government was not appropriate in the present context.

Mr. Mahesh Acharya, former Finance Minister and who faced defeat in the Constituent Assembly election from his hometown Biratnagar also said that demand for formation of NC led government would invite further chaos, uncertainly and political instability.

“At a time of crisis that prevails in the country today, it would be inappropriate to demand formation of government under our party’s command”, said the NC leader.

Mr. Acharya made it clear that for ensuring political stability, there was no alternative to unity between Nepali Congress, UML, Maoists and the Tarai based political parties of Nepal.

“I am pretty surprised to observe the mood of our Prime Minister”, he said and added “Rather than concentrating on finding consensus with the Maoists’ party, he is in a mood to attack them”. The Maoists’ took a step back by withdrawing their indefinite strike, however, our prime minister remains still adamant with no signs of flexibility, he said while addressing a program in Ithari of Sunsari District, May 19, 2010.

To recall, it is widely believed that Mr. Acharya, while being the country’s finance minister some years back, remained instrumental in selling China aided factories at dirt cheap prices and is also rumored to have amassed wealth.

Mr. Acharya is a close relative of late Girija Prasad Koirala. Koirala handpicked Mr. Acharya and made the latter the finance minister for several years.

The Chinese Ambassador, Qiu Guohang, April 21, 2010, at an interaction with the media men had expressed his deep pain stating that “why only the China built projects or say factories were sold at dirt cheap prices”?.

The Ambassador was talking at a program organized by Nepal-China Media Forum.

Mr. Acharya is yet to refute the grave allegations. It would be in his wisdom to clarify the entire stance as to why and under whose instructions he sold all the China constructed factories which were the Chinese gift to Nepali population?

Flaws in peace process

As the country is facing a dangerous deadlock, it is now time to review the ongoing peace process, correct the past mistakes and find a new formula to solve the present political crisis.

Holding the Constituent Assembly (CA) election without making a conducive and fearless

environment was the first mistake that turned Nepali politics from a consensus model to a majoritarian one. Since then, the conflict flared up as the Maoists started calling other political parties 'a bunch of losers' whereas the others projected Maoists as undemocratic. In post-conflict context, holding election is seen as a way of 'pump-priming peace' and reducing tensions. Rather than finding alternative options to reconcile the diverse nature of multi-ethnic societies through inclusive participation, the traditional concept of seeing election as the end of democracy in Nepal has proved to be a mistake. The result of the CA election has reinforced the political polarization and ethnic divisions, thereby weakening the tradition of political consensus emanating from the 12-point agreement. Our political parties and the international community, instead of thinking what works and what doesn't, were in a hurry to apply the Western model to re-legitimize their power, causing harm to the entire peace process.

The second mistake was to adopt a trend of quick fix, immediate impacts and unsustainable solutions, which is now part of Nepali polity. Our political masters have become skilled at short-term crisis management but they don't have a long-term vision. Following the same path, Federation of Nepali Chamber of Commerce and Industries (FNCCI) is currently pushing for short-term stability rather than addressing the core of the problem. Due to the Maoist threat to maintain neutrality, the nationally-recognized facilitator, FNCCI, has discredited its past image by publicly announcing a 48-hour ultimatum and to 'boycotting of tax'. As there is little in sight to suggest any coherent strategy for getting out of the deepening crisis, this provocative ultimatum has contributed to further polarization of politics.

Giving less priority to the everyday problems of livelihood, bureaucratic reforms and worsening law and order situation is a major factor creating frustrations among the general public. Widespread poverty, unemployment, traditional land tenure system, neglect, underdevelopment and other social inequities are problems that need urgent attention of the mainstream political parties. Historical roots of conflict should be seen as the major cause of other social, economic and political problems. The urban-centric mass protest of the Maoists signaled the same symptoms of the class-based social movement. The rural cadres came to the urban streets with the expectation of change in their daily circumstances, but the Maoists used the opportunity to consolidate their strength to increase their negotiating powers vis-à-vis other political parties and the government.

After all, the Maoist ability to protest and be present in the public sphere has been precisely what the members of the ruling coalition lack. However, the Maoists seem to have forgotten that the support of the urban middle class is vital for any peace effort. Now people are doubtful of the Maoist willingness to implement the past agreements. This will lead to more polarization and the political factions will be pitting their followers against each other. This may ultimately dismantle the CA and there may be no new constitution.

The fourth flaw is the lack of participation of the historically-excluded groups in the High-Level Political Mechanism. This has isolated the wider community to have their say on the vital issues of state re-structuring and combatant integration and rehabilitation. Their non-participation meant that they had no say on those issues. Negotiations could be more effective and productive by popular representation that can guard deviation from the people's agenda. Marxist theory suggests that 'social change is possible, but it must be led directly by marginalized social

sectors'. The major political parties should not forget this.

The fifth mistake is the 'open' external influence that has proved ineffective to resolve the political differences. Particularly, India's dual role of sustaining the political dispute as well as pushing for peaceful settlement, depending on what serves its perceived national interests has further complicated the problem.

Indian Ambassador Rakesh Sood's open diplomacy and visible role in the Rookmangud Katawal controversy, the formation of Madhav Kumar Nepal's government and a letter to the foreign minister in the Machine Readable Passport deal fostered what could be termed as a continual crisis of political legitimacy affecting the government and ruling regimes. His direct backing of the Nepal Army heightened the issues of civilian control. The mistake has not only antagonized the UCPN (Maoist) but even weakened the moral ground and bargaining capacity of the ruling alliance.

To establish peace and make it sustainable, it is high time for the political actors to diagnose these five flaws to find a common ground for collective actions leaving aside political differences emanating from 'all-or-nothing approach'. They have to understand that there is no 'third way' except a corridor leading either to consensus or confrontation. Where all this will end is difficult to predict. However, the elite's approach of negotiation focusing on power and resources is a real cause of rigidity and paranoia. The increasing polarization should be best understood as a strategy to establish unchallenged political control of the state. Thus, steering the peace process on the track of indigenous methods of political consensus creating 'new space' for inclusive participation seems difficult, if not impossible

Maoist shut-down of Kathmandu a political flop

A Maoist activist threatens journalists not to take pictures after vandalizing a vehicle in Kathmandu, Nepal, Sunday, May. 9, 2010.

When you hear news about Nepal these days, it seems it's never good. In 2001, the Crown Prince killed 10 royal family members in a shooting spree, including his father, King Birendra, before turning the gun on himself. In 2008, after a civil war that killed thousands, a "Maoist" insurgency brought down the monarchy and briefly put its leader Prachanda into power. Earlier this month, the Maoists finally ended a massive shut-down of Kathmandu — like nothing the capital had seen before. As local journalist and political analyst Mana Ranjan Josse explained to The Daily Caller, this was supposed to be "their final battle." But it turned into a massive flop.

"Kathmandu looked like a ghost town," Josse said. "On the main streets, no shops, except drugstores and newspaper stalls, were open." The Maoists did allow some stores to function between 6 and 8 p.m., but it didn't help much. "Naturally prices soared," Josse said. "With supplies cut off, soon only stale and rotten stuff [was] available." The Maoists made sure businesses got the message. Reportedly at least one major hotel was threatened with bombs for trying to stay open. In the streets "traffic was mostly limited to trucks, vans etc. flying the Maoist flag." Maoists have been boycotting and causing strikes in Kathmandu for years, using their guerrillas against government forces and putting political pressure on the ruling party. Just a few years ago Kathmandu was surrounded by military checkpoints — you couldn't drive into the city

on a main road without coming across barricades. They were manned by soldiers in tattered uniforms holding enormous guns. They'd peer into the cars and eventually wave people through.

But this strike was supposed to be unlike anything before, an "indefinite" general shut-down or "*amm hartal*." The Maoists had announced at a May Day rally that there was "no going back." This would be an ultimate show of force and of the people's support for the Maoists. "[They were] principally calling for the resignation of the Prime Minister Madhve Humar Nepal, and a new 'national unity' government led by Maoist supremo Prachanda," Josse said.

So for more than a week, ordinary Nepalis were stuck in their homes under threat of attack, the country's economy shut down and tourists, who bring in much of Nepal's money, were unable to leave their hotels. No trekking to Mount Everest for them. Unsurprisingly, people were not happy with the Maoists. "From the start it was apparent that the 'locals' were not joining in to support [them]." With nothing running, no food to buy and no freedom to leave their homes, Josse said people were gradually getting angrier and more frustrated.

But the Maoists were getting angry, too. This was meant to be a "people's movement," after all, but according to Josse, "there was no support for them from people who were not already Maoist supporters." So they got people from outside the city to fill up their rallies. Rural schoolteachers and farmers supporting the Maoists were brought into the city to keep up the numbers.

They were organized to help keep order among supporters, who were camped out in the streets. Josse described how "street junctions were commandeered by Maoist mobs," and, like something out of a Soviet film, they recited revolutionary poems, "screaming and loudly proclaiming the virtues of their philosophy." But even these people did not give the support the Maoists expected. After days of striking, they started running out of supplies and wanted to return to their villages. As Josse wrote in an op-ed in Nepal's English daily the Peoples' Review, "With the most welcome pre-monsoon rains of recent days, many of the rural poor who made the organized journey to the capital were desperate to return to their fields and farms." So much for the people's support. Eventually, Josse was brave enough to venture out "to get my supply of newspapers, to see for myself what was going on." When the power wasn't out because of Nepal's rolling blackouts, "I was glued to the TV... and to the phone, though many advised not to talk too much." Josse is not afraid to speak out, but journalists have been beaten up and driven into silence: "The big boys of the media clearly feel threatened." To the Maoists, journalists are "elitists" and "intellectuals" who threaten "the people." And Josse thinks it's working. "There's an effort not to offend the Maoists with tell-it-like-it is reportage." During the strike, two cameramen were severely beaten as they tried to get footage of Maoists picketing at Singha Durbar, Nepal's government palace. So how did Josse get through it? "We had stocked up with essentials long before the strike was announced." Nepalis have learned to expect shut-downs and shortages, whether it's because the economy has ground to a halt or because of the politics

Nepal Maoists main obstruction for peace and Charter draft: UML leader Oli

Addressing a program held in Kathmandu, May 19, 2010, senior leader of the ruling United Marxist Leninists' Party Mr. K. P. Sharma Oli has said that if the tenure of the Constituent Assembly is not extended, main opposition 'Unified Maoists' Party' will be the prime loser.

Mr. Oli who had lost the CA election to a Maoists' contender also revealed that Maoists' proposal for Constitution amendment to adopt politics of consensus by replacing Majority practice and formation of a National Unity government under their leadership was a grand conspiracy to rule the government ad infinitum. He also alleged that the main-opposition was the

main obstacle to peace and constitution drafting. "They have merely 38 per cent representation in the parliament whereas the rest have 62 per cent, the minority is trying to rule over the majority", he said.

World Bank Expects Nepal's Gdp Growth Rate To Reach 3.5 Percent

The World Bank has estimated Nepal's gross domestic product (GDP) growth rate for fiscal year 2009/10 at 3.5 percent, reports China's Xinhua news agency citing a local daily. According to Thursday's The Himalayan Times daily, this is less than a high growth rate of 5.3 percent in 2007/08. "Political uncertainties, a cooling down of new construction and energy shortages have constrained growth rates," said the World Bank in a report. The country ended a decade-long conflict in 2006 and has since been working to establish a "new" Nepal, with inclusive and accountable governance structures. However, the transition remains complex and political uncertainty can lead to a deterioration of security hurting the economic performance.

"Fiscal management has remained prudent: there has been progress in revenue administration," it said, adding that service provision especially in education and health is improving as community and user groups are increasingly involved in taking decisions that affect their lives. The government expects agriculture to grow by 1.1 percent, against the earlier projection of 3.3 percent. Non-agricultural growth is expected to nearly halve to 3.6 percent from the 6.6 percent projected earlier. Prolonged drought and unseasonal rains adversely affected Nepal's agriculture, which contributes 33 percent to GDP. A grain deficit of 400,000 tonnes is expected in the fiscal year and there has been little or no new investment to mitigate the effects of weather. Investment in agriculture and irrigation remained at low average of 0.55 percent of GDP in fiscal year 2009, said the report. Industrial production growth has been negatively impacted by power shortages, strikes, transport disruptions, and other disputes. The appreciating real exchange rate has also hurt manufacturing exporters. The government, nonetheless, projects a recovery of manufacturing growth to 2.7 percent for this fiscal year, again, on the back of the construction boom. The service sector has become an important engine of growth, its contribution to GDP is now up to 52 percent over 46 percent 10 years ago buoyed by increased in tourism receipts, telecommunications, and increase in investments in social services including health and education. Strong revenue efforts and generous foreign aid have helped to finance rising spending. Foreign aid rose from 3.6 percent of GDP in fiscal year 2006/07 to 4.7 percent of GDP in fiscal year 2008/09. Meanwhile, the WB said that economic prospects are clouded by political uncertainty that is expected to continue until key stakeholders reach consensus on type and shape of the new government. Business confidence is expected to remain low with continued law and order problems, extortion, and occasional strikes.

Political accountability and social contract: A democracy's genuine support

Some politicians blame individuals, some say it is the responsibility of all political parties for this current fiasco of Constitution deadline and its debated extension. Unfortunately, there is a clear lack of political accountability on this issue on all sides-no one seems to own the responsibility. Whether this particular responsibility should be a personal or collective one is tantamount to a question whether the Nepali public should be collectively punished for this eventual negligence of lawmakers and politicians whom the nation elected and entrusted. In this crucial time, when nothing is happening but political negotiations, I think of one noble personality that I came to know of in 2004. The individual's name is Richard A. Clarke, former

US national coordinator for counterterrorism for National Security Council (NSC), a government employee who served the country for 30 years.

Following the first ever terrorist attacks on its soil, the National Commission on Terrorist Attacks upon the United States aka '9/11 Commission' was set up in Washington DC in November, 2002. Till today, I remember Richard Clarke's opening statement at the 9/11 Commission hearings on 24th of March 2004 with astonishing sensation.

What made his speech so remarkable does not require any explanation but a perusal: "I welcome these hearings because of the opportunity that they provide to the American people to better understand why the tragedy of 9/11 happened and what we must do to prevent a re-occurrence. I also welcome the hearings because it is finally a forum where I can apologize to the loved ones of the victims of 9/11. To them who are here in the room, to those who are watching on television, your government failed you, those entrusted with protecting you failed you and I failed you. We tried hard, but that doesn't matter because we failed. And for that failure, I would ask-once all the facts are out-for your understanding and for your forgiveness."

The delivery of his speech was so sincere, it left no space for sarcasm. It was his sense of responsibility and morality as a government official, reflected in his words, silenced the audience. In the profound silence, I found a ray of hope in humanity that such noble character still existed. The significance of the event is not his word but the high moral ground he stands upon and his courage to bear the political accountability. Political accountability means that the government, public servants and politicians are responsible for their decisions, actions (or lack of) and policies to the Parliament which is democratically elected by the mass, so do the Parliamentarians to the constituency. Unfortunately, what we are witnessing in Nepal in this difficult time is the improper evasion of political accountability.

French philosopher Jean Jacque Rousseau's words helps us trace the origin of political accountability to the notion of social contract. "Since no man has a natural authority over his fellow, and force creates no right, we must conclude that conventions form the basis of all legitimate authority among men." ("Social Contract" Book 1, Clause 4) People voluntarily give up their rights to the government and let the elected government govern the people to maintain the social order and to achieve the greater goods for the society. "Every master has his favorites, but the law has none", and for this reason, people willingly trade in their sovereignty for a government to attain political order through the rule of law.

In the same manner, the Constituent Assembly (CA) entered into a social contract with the people to codify the long awaited social, economic and political justices in the new Constitution. The current deliberations on the extension of the CA term focuses on the legitimacy and the procedural matters for the extension as well as the political gain or loss from its consequence. However, failing to fulfill its duty has a significant moral question as well. Unable to draft a Constitution within the timeframe means a collective dereliction of duty-a difficult case to justify. The one reason for the lack of political accountability in Nepal can be this "collectiveness" of policy makers as a fate-bounded entity which dilutes the sense of political responsibility at the individual level, hence, no one is responsible.

The key for sustainable peace in Nepal lies in the ability of the country to produce not only a Constitution, but the Constitution which is durable and integrates long lasting values shared by all.

Federalism will provide more self-autonomy to the local people for better local governance in theory, however, the system of federalism or democracy itself will not automatically bring development, justice or freedom to a country. Such great values must be attained by good governance, and this is the golden opportunity for Nepal to create the value as well as political accountability through legitimate procedures and codify them in the new Constitution.

PM assures HIV pressure group

Prime Minister Madhav Kumar Nepal today assured people living with HIV/AIDS that the government would do everything possible to guarantee them social security and a life of dignity.

The prime minister told a delegation of the National Association of People Living with HIV/AIDS in Nepal, at a meeting in his office, that the government was working on incorporating social security allowance in the next budget. The delegation led by Rajiv Kafle, president of the Association, handed over a memorandum with a single demand to the PM that the government ensure the livelihood of HIV-infected people, especially women. The Association demanded social security amounting to Rs 3,000 per month for each HIV-infected woman. Earlier, the Association had warned it would resort to a fast-unto-death, if its one-point demand was not fulfilled within a week. The country has around 4,000 HIV-infected women. Most of them are widows with children. It is believed these women were infected by their husbands. "These women are innocent. Their husbands are to blame for transmitting the disease," he said. "The PM assured that money would be provided on monthly basis." Kafle warned that thousands of HIV-infected people would stream into the capital city and start a fast-unto-death if their demand was not met. They also handed over a fabric bearing signatures of 60,000 people from all walks of life collected from 65 districts as evidence of support for their demand. Earlier, they had submitted a memorandum each to the Ministry of Health and Population, National Planning Commission and all departments under the ministry to pressurise the government to fulfill their demand. The government is said to have instructed the Health Ministry to make needful preparations to fulfill their demand.

India to push for a workable solution by next week

The current impasse in Nepal is not a peace process with warring sides, but an effort to make a multi-party democracy functional. If the opposing parties cannot resolve the political impasse among themselves shortly, India will push all concerned political leaders to sit together and hammer out a workable solution by early next week. Unlike the Europeans and the United Nations, India is quietly in touch with all the concerned political leaders, almost on a daily basis, but is not telling them to resign or otherwise, sources said, which has helped the country stay out of the ongoing public and political discourse. "It is not a question of who wins or who loses," a government source said. "It is a question of how much common ground can be found and how the Maoists can make the transition to become a political party and part of a workable multi-party democratic process. It is for them to work out what happens to the Young Communist League or how the PLA cadres will be integrated or how the properties will be returned," the source added. Having reconciled itself to the reality that the constitution-writing process in Nepal will require some more time, the Indian government will not take sides, but will continue to

support President Ram Baran Yadav and the government of Prime Minister Madhav Nepal as the “constitutional” and legitimate government of Nepal. “It’s not about the NC or the Maoists. It’s about each one giving enough to make the process of multi-party democracy workable,” the source said. There is an increasing sense of urgency but no fear that Nepal will disintegrate into chaos. “When Prachanda resigned as Prime Minister, there were suggestions that the Maoists would go back to the jungle and the government would collapse, sinking the country into chaos,” a source said. “But that did not happen and despite all the problems over the past few years, the (Nepal) economy has been growing at almost five per cent,” the source said, pointing out the resilience that permeates the people of South Asia to ensure that a functional solution for governance does emerge.

Politics & economy are inseparable

The world economic crisis that was onset by the sub-prime mortgage delinquencies in the US in the later half of 2007 has now come to an end. The global economy is expected to revive strongly in the year 2010. The US is expected to grow by almost 2.7 percent while China and India are expected to grow at the rate of 10 percent and 7.7 percent respectively. The entire global economy is projected to have an average growth rate of 3.9 percent.

Ironically, when the global economy slumped into recession, our economy was least affected as we have exchange restrictions on capital accounts and very few exports that were exposed to external economic risks. The belief that we had crossed this timeline of global crisis without having to suffer much has now been challenged by the fact that our economy has started to show some problematic symptoms. This is in fact the lagging effect of global economic downturn in our economy.

The first such symptom was seen when we registered a negative Balance of Payment (BoP) during the first six months of this fiscal year. After posting a BoP surplus continuously for almost half a decade, we now have a deficit. The deficit has obviously been prompted by rise in imports (40.8 percent in the first half of Fiscal Year (FY) 2066/67 compared to the same period last year) and fall in exports (12.1 percent) as a result of diminished demand. The economic downturn also showed its effect on remittance, which has registered a lower growth rate this fiscal year.

The major sectors of our economy are agriculture, remittance, tourism, etc. Export has been a redundant sector and has been losing steam with the withdrawal of incentives vis-a-vis duty drawbacks and export quotas. The appreciating local currency against the US dollar has also been another factor that has dwarfed our exports and inward remittances to some extent. The local currency has appreciated by 7.5 percent during the first six months of this FY as against the depreciation of 11.9 percent during the same period a year ago. Major economic indicators have so far been mixed.

Agricultural output, which constitutes a major part of our Gross Domestic Product, is expected to have shrunk during FY 2066/67 due to adverse monsoon; however the winter crop yield is expected to rise due to favorable climate. Industrial output has gone up by 0.1 percent during the first quarter of this FY, which was 1.2 percent during the same period a year ago. The major problem for all the economic sectors has been the continued and ever rising power cuts.

Source of economic recession in Nepal has primarily been the irrationally prolonged political recession.

Tourist arrival has increased by 8.1 percent during the first half of this FY over the same period last year. Ten new development banks and two new finance companies have come into operation. Last FY saw a drop of 12.8 percent in the number of Nepali laborers going for work abroad. However, this has gone up by 3.3 percent during the first half of this FY. Consumer Price Index rose by 11.801 percent as against 14.4 percent last FY. Wage index rose by 17.7 percent

Political uncertainties, state of lawlessness (impunity), rampant killings, extortions, civil commotions and frequent strikes and lockouts have now become an everyday reality of our socio-political system. This is having an extremely negative impact on business and industry. The major problem for businesses today have been trade unions, power cuts, frequent strikes, transportation halts, insecurity and so on. This has converted some of the industrial corridors into industrial graveyards. Many foreign investors have withdrawn and this trend is continuing and prospects of Foreign Direct Investment remain a distant dream.

Despite the prevailing uncertainties, the private sector is still marching ahead with the hope that there would be revival in the economic situation. Furthermore, I believe that the private sector will still aim to achieve their goals through proper planning, implementation and effective monitoring.

The source of economic recession in Nepal has primarily been the irrationally prolonged political recession. Political consensus is a must for boosting the moral of the private sector that will eventually revive the national economy.

The process of nation-building is not a game in isolation but a team activity where government ensures the availability of infrastructure, stability and security and the private sector excels to uplift the national economy.

Gravity ropeway can power rural economy, say experts

Government officials and experts said today that gravity goods ropeway, which is environment-friendly and financially viable, has the potential to economically empower the marginalised people in rural Nepal. Speaking at a function organised by the Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) and Practical Action Nepal Office to launch 'Technical Guidelines for Gravity Goods Ropeway', Minister for Local Development Purna Kumar Sherma said gravity goods ropeway as a complementary means of rural transport offered opportunities to the marginalised people in the hills and mountains an access to essential resources in ways that roads could not. "It has supported better market linkage, increased income generating opportunities, improved access to health and education service, and has fostered better community relations," he argued. "The technology taps the comparative advantages of the mountainous and hilly terrains to overcome their diversity." Sherma pledged to encourage the communities to install such ropeways.

DOLIDAR director general Dhana Bahadur Tamang said the ropeway technology would enable poor communities to sell farm products in the immediate markets. "The technology is more

feasible since construction of roads is generally capital intensive and time consuming in rural hills of Nepal. Twelve gravity goods ropeway have been installed in Dhading, Gorkha, Tanahun, Kalikot and Accham districts as a complementary means of transport system," he informed. Altogether 20 gravity goods ropeway are in operation in the country. The installation, operation and maintenance cost is very marginal in this technology and it does not require any external power to operate. Also, it does not disturb existing ecology since it neither destabilises mountain slopes nor spoils nature's beauty and resources.

Practical Action Nepal Office's country director Achyut Luitel said, "Equipped with suitable technology, affordable and easy to maintain at the local level, gravity goods ropeway is the cornerstone of technology." He informed that for safety and efficiency, the span of gravity ropeway was recommended to the limit of 1,500 metres and it required at least 15 degrees of slope to operate smoothly. How it works? Gravity ropeway mechanism works on a very simple pulley system. It consists of two trolleys, rolling over the two separate steel wire ropes supported and suspended over two separate towers at the top and bottom ends. When the loaded trolley rolls down by its own weight along one track rope from the upper station, another trolley with lighter weight at the bottom station hauls up.

Give trade policy a chance

Agriculture has remained the mainstay of Nepali economy as it contributes 33 percent to Gross Domestic Product and provides livelihood to 80 percent of the population. Agricultural trade still occupies an important place in the total exports of Nepal. Pulses, tea, coffee, large cardamom, ginger, Niger seeds and medicinal herbs and extracts are some of the important products being exported to India and to the third countries. However, the export process is becoming difficult over time due to application of non-tariff barriers by the importing countries mainly related to quarantine regulations, stringent quality parameters, pesticides residue monitoring, grading, packaging and others.

Agriculture is at the forefront of the trade and development debate of Doha Round of World Trade Organization (WTO). High tariff wall in market entry and trade distorting subsidies are the major bones of contention between developed and developing countries and the issue still remain unresolved. The developing countries, particularly the least developed ones, are unable to provide subsidies to farmers and their investment in agriculture sector has remained low due to paucity of resources. At the same time, increasing output in agriculture has become a baffling task due to degradation of resources, climate change and urban expansion. Nepal runs an additional risk of losing agriculture production due to the movement of the labor force to outside the country as migrant workers.

Nepal bought out a new Trade Policy in 2009 that replaced the policy of 1992. Agriculture has remained a priority sector of the economy as reflected in the current periodic plan and given its role in poverty alleviation, the trade policy aims at promoting exports of agricultural products and creating a win-win situation for farmers, exporters and importers. The new trade policy aims at supporting the economic development and poverty alleviation initiatives through the enhanced contribution of trade sector to the national economy. The policy and strategies has given focus on development of agriculture and non-timber forest products, mainly comprising of tea, coffee, large cardamom, ginger, lentils, honey, cut flowers, fruits, vegetables, processed leathers,

medicinal herbs and handmade papers. The policy has outlined measures for development of these products along the value chain in a bid to optimize benefits from exports.

Transporting agriculture inputs and harvested products is still a nightmare and thus there is a need for increasing investment in road construction. We must pay particular attention to link rural roads with national highways.

The trade policy has outlined general cross-cutting and product-specific measures in order to support and facilitate trade right from production to market in a farm-to-fork approach. The main cross-cutting measures as outlined in the policy includes creating a product development fund to provide support for production, transportation and storage, establishing integrated services centers for providing technical support to the producers, providing bonded warehouse facility to imports of packaging materials, creating export trading houses, and waiver of fees and local taxes on transportation.

One of the key issues related to product development and export relates to protection of intellectual property rights of Nepali products. Agricultural products like tea, coffee and medicinal herbs (eg, taxus baccata) can be protected by registering the Geographical Indication (GI) while bio-diversity mapping and registration of trade marks and patent based on such mapping would be essential to protect indigenous products. This requires enhancing institutional, legal and human resources capacity at the national level to harness benefit from the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement of WTO.

Contract farming and commercialization of agriculture are important steps to achieve economies of scale and enhance productive capacity of the sector. Suitable legislation is a precondition to this, which can be carefully carved out without undermining the interest of small farmers. The trade policy suggests insulating the small farmers from the vulnerability of competition by adopting cooperative farming. Foreign importers may be encouraged to invest in the production process by investing in agriculture production and contract farming. Creating adequate quality infrastructures for test and certification and their accreditation are important steps in addressing the issues of non-tariff barriers and require redoubling efforts from what is put at present.

Lack of transport facilities is impeding the growth of the potential products as many pocket areas in the hills and mountains are still not connected to road network. Transporting agriculture inputs and harvested products is still a nightmare and thus there is a need for increasing investment in road construction. We must pay particular attention to link rural roads with national highways. Additional infrastructures like cold warehouse and creation of cold supply chain are essential to encourage the trade of green and perishable items.

Availability of capital and technology at the farm level is very important to boost production. The policy assures the availability of soft loan and extension services to the farmers as an incentive for production. The agriculture extension services in Nepal have ceased to be effective since late 1990s due to conflict in the country. The revival of extension services should focus on export potential products as a quick win solution. Promotion of organic farming and implementation of organic certification scheme are equally important for utilization of market access opportunities as there is greater demand of organic foods in the international markets. Support to producers on post-harvest management such as sorting, grading, packing and storing are significant in order to minimize post-harvest losses of crops.

Sales of value-added products are of paramount importance to the growers and producers as they entail more income and employment opportunities. Nepal is committed to providing adequate support and incentives in import and installation of processing equipment and machineries. Promotion of Nepali products in the international market has been considered as an effective tool of marketing and the government will take a two-pronged approach—first providing support to the private sector for effective participation in international trade fairs and second, mobilizing Nepali missions abroad in disseminating information on Nepali products and services.

The trade policy has also emphasized on coordinated implementation by the government and private sector agencies for improving the competitive capacity of the export potential products on a sector-wide basis. The focus will be to move to higher value chain of each product right from the production to market and improvement in logistics ensuring that the benefits of exports reach to the farmers at the grassroots level.

The trade policy has clearly indicated the path of reducing poverty and achieving sustainable economic growth by promoting agriculture trade, instilling the idea of inclusive development. The notion of welfare promoting development process can be taken forward with the implementation of the policy. However, it requires a strong coordination mechanism, enhanced institutional capacity and adequate resources and most importantly a strong political commitment

Shutdown by Maoists in Nepal affects industries

Marchwar (Nepal), May 18 (ANI): The Maoist insurgency in Marchwar district of Nepal has led to huge industrial losses, as both industrialists and workers are facing problems due to recent shutdown called by the Maoists. Talking to reporters, Bidur Dhungana, General Manager of Jagdamba Cement, said: " The shutdown has affected transport services because of which the goods are not delivered on time."The shutdown has affected transport services because of which in the hilly areas, there is lack of food supply...common people are not receiving the supply on time, which has led to increase in prices, and instead of industrial growth there is a downfall. If the situation remains the same it shall worsen things for the country," Dhungana said.The daily-wage worker has been the most affected by the shutdowns.

"The situation has led to problems. What will the common man do in case of such shutdowns? How will they earn? How will we pay them salary? For businessmen, it's not that huge a concern but for those who survive on daily wages, for them it's a huge concern," said Ganesh K Nelsan, Managing Director of Ayur Shri Private Limited.Manufactured goods are not reaching the market on time, which has affected supply and demand, both.Even though large-scale industries are surviving, cottage and small-scale industries are facing a lot of problems.The shutdowns are threatening the entire economy of Nepal, as they have already hit the industrial sector hard. On May 9, police had scuffled with Maoists supporters and fired teargas shells after demonstrators tried to picket a government building in Kathmandu.The violence came a day after the Maoists called off an indefinite strike on May 8 demanding that the government step down. The strike, which shutdown shops and stopped all transportation entirely, had literally paralysed the Himalayan nation since May 2.The strike was called off due to both domestic and international pressure on the Maoists to find a more peaceful means to get their message through. (ANI)

Preventing economic collapse: Political consensus urgent

Nepalese economy is now on the verge of collapse. Too much externally driven vulnerability amidst deepening political crisis-led worsening domestic economic condition corroborates this. As obvious, the alarming situation of the economy is also closely associated with complete negligence of the preemptive coping strategy that was essential in the aftermath of global financial and economic crisis. The external trade pattern shows how superficial export orientation policy could be harmful to an underdeveloped economy like that of Nepal. In the first eight months of this fiscal year 2009/10, the share of exports to imports has reduced to just 15.9 percent. Now, few commodity concentrated fragile export base has almost evaporated. The remittances which reached almost 22 percent of the GDP (2008/09) have been pivotal for the survival of the economy since the last few years as a result of their wide-ranging economy-wide spillover effects. In addition to contributing to proliferation of financial institutions and real estate bubbles, the remittances are also fetching revenue to the government principally via imports. Today, the international trade based revenue in total tax is almost 60 percent.

The remittance inflow has started receding as the first eight months data of this fiscal year reveal. Consequently, a record deficit to the tune of Rs 32.6 billion and Rs 23.5 billion has taken place in current account and balance of payments respectively in these eight months of this fiscal year. It is needless to add that in the last fiscal year 2008/09 alone, Nepal was compelled to buy Rs. 73.4 billion equivalent Indian currency to meet burgeoning trade deficit with India. How to meet the mammoth domestic saving and investment gap will be another challenge. Such a gap was almost 22 percent of GDP in 2008/09.

Under the likely scenario of continued rise in current account and balance of payment deficit, Nepal may face severe economic crisis emanating from, among others, foreign exchange shortages. In order to prevent economic collapse, Nepal may be compelled to negotiate loans with IMF in the immediate future under strong conditions. Under the arrangements, it is almost certain that Nepal has to make a big devaluation of the Nepalese currency against all international currencies including the Indian currency. Similarly, many austerity programmes may need implementation with heavy toll on poor and fixed income groups. This will give a signal that, from the economic standpoint, Nepal is moving towards a failed state.

Now, it has become clear that those countries have been successful to revitalize the economy from the external shocks, which have huge domestic market accentuated by rapid agrarian and industrial transformation with an increased capacity of absorbing the country's growing labor force. In the name of liberalization and export orientation, we hardly considered agrarian and industrial transformation. It is needless to point out that if such production sectors were prioritized they automatically would have demanded advanced physical and social infrastructures with enlarged employment capacity as well. This could have contributed to enlarge internal market rapidly. We missed such an opportunity more so in a situation of very bright economic prospects given rich biodiversity, abundant water resources and comparative advantages in many areas.

In a situation of retarding predominant agricultural sector, the other sectors are also dwindling.

The whole attention on political expediency followed by complete negligence of the economy, insecurity, adverse business and entrepreneurial environment etc are constraining the working of the domestic economy. The real estate and other unproductive sectors which grew during rapid remittance inflow have started slowing down already. This has had wide-ranging effect on the economy via the banking system, among others..

The limited exclusionary growth and development processes amidst perpetuated class, caste, gender and specific area based exploitation or discrimination have not only induced a wealth concentration process markedly but also circumscribed the sustainable development course. Under such a condition, unless major drive toward expanding economic activities is pursued through augmenting both government and private investment by means of accommodative fiscal and monetary policies immediately, the externally driven economic crisis will be compounded by domestic-led crisis.

This will also demand simultaneous major policy shift in which internal market expansion led development strategy is followed in which more inclusive development course is emphasized leading to creation of both income and employment to the downtrodden in a massive way. Needless to add, this will also demand guarantee of suitable entrepreneurial environment.

Understandably, it requires immediate solution to the political crisis, followed by consensus on the steps to prevent the economy from collapsing.

SRILANKA

Sri Lanka accused of war crimes in final onslaught

An investigation into the last months of Sri Lanka's bloody civil war released yesterday claims that government forces were responsible for the deaths of tens of thousands more civilians than previously estimated, and targeted hospitals and humanitarian operations as part of their final onslaught on the rebel Tamil Tigers.

According to the International Crisis Group study, many thousands more people may have died in the operation than UN figures have suggested, with as many as 75,000 citizens unaccounted for, and almost all of the deaths in the so-called "No-Fire Zone" due to government fire.

The study also claims that the government shelled hospitals where it knew international NGO staff and civilians to be working or receiving treatment. "The Sri Lankan government committed war crimes with top government and military leaders potentially responsible," it says. "An international inquiry into alleged crimes is essential."

The Sri Lankan government has refused to comment on the report, the most comprehensive account of the violence that ended a year ago today. Senior officials have insisted in the past that there were no civilian casualties in the last months of the war.

At the weekend the Sunday Observer newspaper, widely considered a government mouthpiece, claimed that the report was part of a plot to promote former army head Sarath Fonseka at the expense of President Mahinda Rajapaksa. Fonseka was imprisoned after he lost the post-war election to Rajapaksa, accused of participating in political activity while still in uniform.

Yesterday the government gave details of its own proposed 'reconciliation commission', which would suggest methods for promoting national unity and determine compensation for those affected by the war with the Tamil Tigers, or Liberation Tamil Tigers of Eelam (LTTE).

The proposals stop short of any investigation into violations of humanitarian law. "The only chance of credible scrutiny is by outsiders," said Alan Keenan, Crisis Group's Sri Lanka project director. "There has never been a credible internal process."

Although the US Permanent Representative to the UN, Susan Rice, last week welcomed Sri Lanka's planned reconciliation commission, she cautioned that it did need "to probe violations of international standards during the final stages of the conflict", and there has long been scepticism about the Colombo government's willingness to sanction a full investigation. One foreign diplomat based in Colombo is quoted in the Crisis Group report as saying in November last year: "The regime isn't going to disembowel itself."

The long-running civil war in Sri Lanka reached its zenith in the early months of 2009, when the government pinned the rebels down in an ever-shrinking "No-Fire Zone" (NFZ) on the country's northern coast. The death toll has always been murky because reporters and independent observers were barred from the area. The UN put the toll before the final period of fighting at around 7,000, while Crisis Group points out that around 365,000 civilians were known to be alive in the NFZ in February last year – and only 290,000 survivors registered in government-run camps three months later.

Slim hopes of a UN-led inquiry now rest with the Secretary-General Ban Ki-moon, since both the Security Council and Human Rights Council have declined opportunities to take Sri Lanka to task.

According to Crisis Group's president Louise Arbour, the lack of consequences for President Rajapaksa makes it more likely that other conflicts will be conducted in similar style in future, and provides no incentive for the draconian Sri Lankan regime to change its approach. "The means are so attractive," she said. "Why would you restrict yourself to doing it just once?"

Crisis Group also suggested that India and the United States failed to do enough to discourage Rajapaksa at the time of the conflict.

Sri Lankan diplomat dismisses war-crimes claim

Sri Lanka's top diplomat in Canada has dismissed claims her government committed war crimes as it crushed the Tamil Tigers' separatist insurgency last year, and says the world has no business investigating such "unsubstantiated" allegations in a sovereign country.

"We say that there were no war crimes," Chitranganee Wagiswara, the Sri Lankan High Commissioner in Ottawa, told The Globe and Mail. "We have been handling this conflict, so let us handle this."

International attention turned this week to alleged atrocities by both sides during Sri Lanka's push to end the Tigers' 26-year militancy during the first five months of 2009. The claims were detailed in a report released Monday by the International Crisis Group, a respected conflict-prevention body led by Canadian jurist Louise Arbour, a former international war-crimes prosecutor. The Brussels-based group said its eight-month investigation found "credible evidence" that Sri Lankan forces deliberately shelled civilians, hospitals and humanitarian operations, and that the Tigers forcibly kept Tamils inside the conflict zone and shot many who tried to flee to government-held areas. Ms. Arbour urged Canada, among other countries, to press for a United Nations investigation and to probe and prosecute alleged war criminals domestically under the universal jurisdiction of its war crimes laws. Canada has a large Sri Lankan population and its estimated 200,000 Tamils are said to be the largest such group outside Asia.

"We totally reject these allegations in the [Crisis Group] report," said Ms. Wagiswara, who attributed the claims to Tiger leaders and their supporters abroad in an attempt "to discredit the government" as it tries to move on from the war, and engage with the world on economic and

social issues. The diplomat said any concerns about the war will be examined in Sri Lanka by a commission newly appointed by President Mahinda Rajapaksa.

The crisis group report, however, said an impartial domestic investigation is impossible "given the entrenched culture of impunity" in Sri Lanka, which expelled foreign journalists and aid workers during the war's final months. That impunity, Ms. Arbour said in an interview, was bolstered by an international community eager to see the end of the ruthless Tiger movement and happy to look the other way "to give [the Sri Lankan government] a chance to finish it off for good" last May. "Conveniently, these governments allowed themselves to believe the Sri Lankan narrative, which is that they did it successfully at very low cost," Ms. Arbour said, adding that her report found "that it was done at a terrible cost." In addition to as many as 40,000 civilian lives, the cost includes the emboldening of other countries to employ what she called "the Sri Lankan option" of counterinsurgency: "Don't be too fussy about the distinctions between combatants and civilians, keep the world at bay and go for it as rapidly and as brutally as you can," she said.

An impartial outside probe of Tiger atrocities is just as crucial, Ms. Arbour said, because a Sri Lankan investigation would be too easy for Tamils to dismiss "as victor's justice or government propaganda," and as fuel to revive the militant movement.

If there were no war crimes, "why don't they agree to an international investigation?" Ms. Arbour said. "Is everybody wrong except them?"

Group presents new evidence on abuses in Sri Lanka:

An international rights group said Friday it has new evidence that wartime abuses were perpetrated against civilians during the final phase of Sri Lanka's long and bloody civil war against Tamil Tiger rebels. New York-based Human Rights Watch called on U.N. Secretary-General Ban Ki-moon "to promptly establish an international investigation to examine allegations of wartime abuse by both sides to the conflict," it said in a statement. Sri Lanka's civil war ended in May 2009 after the military crushed the Tamil Tiger rebels in their stronghold in the country's north. According to U.N. documents, more than 7,000 civilians were killed in the last five months of the war. An estimated 80,000 to 100,000 people died during a quarter-century of fighting. Government troops were accused of shelling a small strip of land where hundreds of thousands of people were boxed-in during the last stages of the conflict. The rebels were accused of killing noncombatants trying to leave the area they controlled and firing artillery from civilian-populated regions that led to retaliatory military fire. Human Rights Watch said it interviewed witnesses and examined 200 photographs taken by a Sri Lankan soldier on the front lines early last year. "The new accounts by witnesses described indiscriminate shelling of large gatherings of civilians during the last weeks of fighting, apparently by government forces," the group said. It also accused the Liberation Tigers of Tamil Eelam of abusing the civilian population. "The witnesses also described LTTE recruitment of children and LTTE attacks on civilians attempting to escape the war zone," it said. Among the photographs was a series of five shots showing a man identified as a Tamil political activist in the custody of army soldiers, then later lying on the ground, apparently dead. "While Human Rights Watch cannot conclusively determine that the man was summarily executed in custody, the available evidence indicates that a full investigation is warranted," it said. Sri Lankan officials have denied in the past committing war crimes and refused calls to establish an international tribunal, saying it would conduct its own probe of the military's conduct during the war. On Monday, the government established a "Lessons Learned and Reconciliation Commission" to look into the final phase of the conflict. No

immediate comment was available from the government Friday. Human Rights Watch issued the statement days after Brussels-based International Crisis Group also said it had "credible evidence" of war crimes committed during the conclusion of Sri Lanka's civil war. It, too, called for an international investigation.

Sri Lanka Keeps Interest Rates on Hold to Spur Growth

Sri Lanka's central bank kept its benchmark interest rates unchanged for a sixth straight month as slowing inflation enabled it to avoid joining regional counterparts in withdrawing monetary stimulus. Inflation in the South Asian island is half the average rate of the five years through 2009 as agricultural supplies from former Tamil rebel-controlled areas increase after the end of a 26-year civil war. That's helping Sri Lanka keep interest rates low to drive growth at a time when Malaysia, India and China are tightening monetary policies to check rising prices.

"Supporting growth is a key driver of the rate policy at present," Samantha Amerasinghe, an economist at Standard Chartered Bank in Colombo, said before the report. "Financing the fiscal deficit could lead to inflationary pressures." President Mahinda Rajapaksa, who led his party to victory in parliamentary elections last month, has pledged to spend \$1 billion annually on ports, roads and power plants.

Budget Deficit

That may widen the budget deficit to 7.5 percent of gross domestic product in 2010, the government estimates, more than the target of 6 percent set by the International Monetary Fund last year when it granted a \$2.6 billion emergency loan to Sri Lanka to help the island tide over a foreign-exchange crisis. Consumer prices in the capital, Colombo, rose 5.8 percent in April from a year earlier, after gaining 6.3 percent in March. Inflation has averaged 12.6 percent in the five years through 2009. "Price pressures in the economy have been dampened by improvements on the supply side," the central bank said in today's statement while noting that growth is "solidifying." Sri Lanka's Colombo All-Share Index, Asia's third-best performer this year, rose 0.2 percent to 4,253.55 at 1:25 p.m. local time, while the currency was little changed at 113.68 per dollar. The yield on the five-year government bond increased 5 basis points to 10.25 percent, according to the Commercial Bank of Ceylon Plc.

'Encouraging' Inflation

Central bank Governor Nivard Cabraal said this month that the "encouraging" inflation figures allow him to keep the current stance on interest rates and that it was "too early to tell" whether higher rates will be needed this year. Cabraal said Sri Lanka's \$41 billion economy may expand more than 6 percent this year, the fastest pace in three years. The nation's growth prospects are attracting overseas investors. Minor International Pcl, Thailand's biggest hotel and fast-food restaurant operator, said this month it may build and buy hotels in Sri Lanka as tourists return to the nation. The central bank is prepared to raise interest rates to deal with inflation even though the "time is not now" for such a move, Cabraal said this month. Consumer prices may gain 5 percent to 6 percent by the end of this year, he said.

Malaysia and India have raised interest rates twice this year, while China ordered banks to set aside more reserves three times in 2010, as Asia's growth outpaces the rest of the world, stoking inflation and raising asset-bubble risks.

Sri Lanka shares down on telco ahead of rates decision

Sri Lankan shares slipped on Wednesday led by telecoms shares as retail investors booked profits amid weak sentiment ahead of the central bank's monetary policy rate announcement. The Colombo Stock Exchange's All-Share Price Index fell 14.13 points or 0.33 percent to 4,243.54. It hit a new record high of 4,274.65 on Friday. The bourse is up 25.3 percent so far this year, making it Asia's best-performing market. Analysts said low interest rates have encouraged small-scale investors and state funds to be active in the bourse, driving average daily turnover to over 1.5 billion rupees this year. The central bank will announce its policy rates on Thursday, which analysts expect to be held steady. The benchmark 91-day T-bill yield fell 5 basis points to its three-month low of 8.13 percent on Wednesday. "If interest rates start to move up, investors will look into other options," Prasanna Chandrasekara, associate director at Asia Securities in Colombo. Heavy retail buying has driven the bourse's price-to-earnings ratio to 20.96, bourse data showed, compared with about 11 a year ago, when Sri Lanka ended a 25-year war. Foreign investors bought a net 79 million rupees worth shares on Wednesday, data showed. But they have sold a net 16.8 billion rupees' (\$147.8 million) worth of shares so far this year. Sri Lanka's No.1 mobile phone operator Dialog Telekom fell 2.86 percent to 8.50 rupees a share, while leading fixed line telephone operator Sri Lanka Telecom closed 2.6 percent weaker at 37.50 rupees. The day's turnover was at 1.3 billion rupees, more than twice the 2009 average of 593.6 million rupees. The rupee ended firmer at 113.67/70 a dollar, compared to Tuesday's 113.74/78, as a state bank, through which the central bank directs the market, reduced its trading band by 10 cents, dealers said.

FACTORS TO WATCH:

Whether the central bank increases banks' reserve ratio while keeping the policy rates steady.

If IMF agree to disburse the third tranche of a \$2.6 billion loan.

How far retailers and state funds will drive the market with some shares surging without any fundamental reason.

Whether the price-to-earning ratio falls after all March quarterly earnings are released.

Whether foreign investors buy into fundamentally strong blue chips.

(\$1=113.685 Sri Lanka Rupee)

Quality drugs will be imported from India: Sri Lanka

Sri Lanka on Wednesday said quality drugs will be imported from India to meet the shortage of essential medicines in the country.

The country faces an emergency due to shortage of essential medicines, particularly saline. It may be recalled that late last year, the Sri Lankan government suspended six Indian pharma companies for supplying inferior quality drugs. No sub-standard drugs will be bought from India from where the medicines will be imported, the government has said. "Our ministry team visited India two days ago to firm up supply of medicines including saline bottles," Healthcare and Nutrition Minister Maithripala Sirisena told Parliament while assuring care will be taken not to

import any sub-standard drugs. Sirisena pointed out that his ministry had also discussed the issue of import of medicines with the Indian High Commission officials here. This was after some of the medicine vials supplied by them were found contaminated with glass and plastic particles. The Health Ministry here is considering purchasing drugs only from the companies registered with the Indian Government. According to a report, arrangements have been made to purchase 97 varieties of drugs within the next few weeks. The Health Ministry here is now in the process of distributing 44 varieties of drugs among State hospitals for which imports will take place from India. Health Ministry Secretary Dr Ravindra Ruberu said the ministry would carry out an extensive probe to get to the core of the matter that caused regular drug shortages in public hospitals in recent years, the Sunday Times reported. "We found out that 319 varieties of essential drugs are in short supply in public hospitals," Dr Ruberu said. He revealed that a consignment containing 90 varieties of essential drugs had reached Colombo port and would be cleared in the next few days, the newspaper said.

Ruberu said the rest of the essential drugs would be bought from local agents or airlifted from parent companies in India. Last Thursday, Sri Lanka Air Force cargo aircraft brought in 40,000 bottles of saline from India and is gearing up to bring in more essential drugs from India. According to health officials, public hospitals require some 600,000 bottles of saline immediately. A High level team from the Sri Lankan Health and Finance Ministry visited Mumbai last week to place orders from Indian pharmaceutical companies. The team also consisted of officials from the Medical Supplies Division (MSD), State Pharmaceutical Corporation (SPC) and the Drug Regulatory Authority.

Cyclone Laila Hits India, Sri Lanka

Hundreds of thousands have been displaced by cyclone Laila slamming the eastern coasts of India's Andhra Pradesh state, with effects also in Sri Lanka, reports MISNA. At least 12 people died due to the heavy rains, while another six died more to the west, in the state of Karnataka, mainly from causes of lightning and storms. At least 40,000 people were evacuated from the lower areas of Andhra Pradesh in a precautionary measure as the cyclone approaches. Heavy rains are also hitting more to the south, in Sri Lanka, where 17 people died in the past two weeks and three are still missing. Many roads, including the highways to Colombo, were hit by flooding, displacing 450,000 people in 17 districts. The Sethsarana Caritas, social action organisation of the Colombo archdiocese, has distributed various types of aid.

Sri Lanka In Talks With Malaysian Firms On Investment Interest

Sri Lanka via its Board of Investment (BOI) is currently in discussions with several local firms concerning their interest to invest in diverse fields. Sri Lankan High Commissioner to Malaysia, Dr Don Dandayanda Ranasinghe, said the companies, which included Sunway, YTL, Genting and Berjaya, showed interest in sectors like tourism, infrastructure, education and financial services. "Discussions are still ongoing and progressing very smoothly," he told reporters after a seminar on "Business and Investment Opportunities in Sri Lanka" organised by Malaysian Investment Development Authority (MIDA) and Sri Lanka here on Thursday. Among the major Malaysian companies having operations in Sri Lanka are Axiata Group Bhd in cellular mobile

phone network, Merbok Hilir Bhd in medium density fibreboard, Lagenda Sentissa Sdn Bhd in public payphone system, Felda Marketing Services Sdn Bhd in cultivating oil seeds and hydrogenated edible oil, and Pembinaan Wincon Sdn Bhd in housing development. Saying that Malaysia was expected to remain as one of the main investors in Sri Lanka in next five to 10 years, Ranasinghe said the Sri Lankan government was calling on the Malaysian business community to invest in various sectors promoted by BOI Sri Lanka as the country was now in a new phase of economic development. Among the sectors are infrastructure, tourism, education, logistical services, agriculture, manufacturing, rubber industry, business process outsourcing and software industry as well as gems and jewellery. Ranasinghe said Sri Lanka aimed to attract US\$1 billion in foreign direct investments this year from last year's US\$889 million as foreign investments will play a major role in economic development. "Sri Lanka, which has gone through a difficult and turbulent period of over three decades due to internal conflict, is now at a turning point in our history, both politically and economically," he said. According to Ranasinghe, Sri Lankans are now enjoying peace and security within a stable political environment under the present government led by President Mahinda Rajapaksa, adding that the government is fully aware of the needs and expectations of foreign investors in their business activities.

"Therefore, the government has entered into a process of fast-tracking the development of infrastructure such as roads, airports, harbours and power supply while expanding the related services, including insurance, telecom services, and sea and air connectivity," he said. Ranasinghe said Malaysian investors could join the Sri Lankan government in developing infrastructure facilities under the private and public investment programme. "Also, the Sri Lankan government has signed bilateral investment protection and double taxation relief agreements with more than 20 countries, including Malaysia," he said. MIDA director-general Datuk Jalilah Baba said Malaysian investment in Sri Lanka for 2008 amounted to RM96 million and for the January-September 2009 period, it totalled RM26 million. Major investments were in services, manufacturing, financial intermediation, real estate activities and construction, she said in her speech at the seminar. The text of her speech was read by MIDA senior director of investment, Phang Ah Tong. On bilateral trade, Jalilah said total trade between Malaysia and Sri Lanka amounted to RM394 million for the first three months of this year, with exports at RM309 million and imports at RM85 million. Last year, total trade between both countries amounted to RM1.32 billion, with exports at RM1.17 billion and imports at RM150 million, she said. "There is vast potential to increase trade between both countries. Malaysia can supply Sri Lanka with a wide range of quality products such as electrical and electronic products, rubber and wood products, palm oil, and optical and scientific equipment," Jalilah said. "Sri Lanka can further strengthen the export of food and agriculture products to Malaysia," she said. Jalilah also called on Malaysian companies to take advantage of the opportunities available in Sri Lanka and the incentives provided by the Sri Lankan government, saying that Malaysia was now well-positioned to pursue cross-border investments.

Beijing tightens its embrace of Sri Lanka

At Hambantota, a remote fishing town on Sri Lanka's south coast, Chinese engineers dig a channel through the beaches, connecting the Indian Ocean with a vast inland pit, whose soaring concrete walls dwarf the earth-moving equipment working below. Next year, project managers will fill this man-made crater with water, creating the first phase of an international harbour that

will service the passing ships of the oil trade between east Asia and the Middle East."There are a lot of local crowds who come to see this," says an official guide, who takes tourists to a vantage point where Mahinda Rajapaksa, Sri Lanka's president, is pictured standing alongside Wen Jiabao, the Chinese premier. The port in his family's political stronghold is the brainchild of Mr Rajapaksa. But while people see the harbour as an engineering wonder, analysts view it as a symbol of the growing relationship between Colombo and Beijing, which lent \$360m (€290m, £250m) for the first phase of the project. As Mr Rajapaksa this week celebrates the first anniversary of Colombo's victory over the Liberation Tigers of Tamil Eelam separatist group, these building works show how much he owes his success to Beijing. The moustachioed ruler, known for his trademark maroon shawl and traditional dress, won a second term this year on the back of his victory over the Tamil Tigers - with China providing him with munitions - and by wooing voters with promises of big-ticket infrastructure projects, many of which are again backed by China. "China has been trying to jump in and seize more opportunities in Sri Lanka," says Brahma Chellaney, professor of strategic studies at the Centre for Policy Research, a New Delhi think-tank. China was Sri Lanka's biggest source of foreign funding in 2009, providing \$1.2bn - almost triple the amount given by the Asian Development Bank, the number two overseas lender. Aside from Hambantota's port, projects include a coal-fired power plant, an oil bunkering facility and a performing arts centre in Colombo. In March, China pledged another \$290m for a new airport and to upgrade the island's railways.

Mr Rajapaksa, who once acted in Sinhalese films, is starting to rely on China for diplomatic support. Beijing helped thwart calls last year for a United Nations inquiry into allegations of human rights violations during the war. For Beijing, the partnership with Sri Lanka offers secure access to the Indian Ocean through which most of China's oil passes. Some suspect the island could one day serve Beijing as a de facto navy base. "If China is to emerge as the pre-eminent power in Asia . . . then China has to be the dominant force in the Indian Ocean region," says Prof Chellaney.

Big infrastructure projects come at a price. Sri Lanka's fiscal deficit reached almost 10 per cent of gross domestic product in the 2009 fiscal year. This led the International Monetary Fund to postpone in February the third tranche of a \$2.6bn loan. The delay is not sparking a crisis - the government has adequate foreign exchange reserves and the central bank expects the economy to grow 6.5 per cent this year. But opposition politicians say the IMF's tight conditions give Colombo an excuse to move closer to China. "What do you need good governance for when investors are coming in anyway?" says Harsha de Silva, an economist with the opposition United National party. Whatever critics might say, the fruits of Mr Rajapaksa's friendship with Beijing can be seen everywhere in Sri Lanka. Chinese engineers are putting the finishing touches to the National Performing Arts Centre. "Friendship of Sino-Sri Lanka Will Last Forever" reads a sign on the site. One of the Chinese team managing the project says a lack of equipment and local skilled labour means the centre is taking about one and a half times longer to build than it would in China. "In China, this would be completed in one year," he says. In Hambantota, Mr Rajapaksa's family are reaping the political benefits of the rapport with Beijing. His son, Namal, and other relatives were elected to parliamentary seats in the district last month. "We want to see Hambantota become a capital of Sri Lanka," say fishermen during celebration in Hambantota of Namal's victory.

Sri Lanka to host next G-15 summit

Sri Lanka will host the next G 15 Summit in 2012, the Policy Research, and Information Unit of the President's Office announced. Speaking to media Minister of External Affairs Prof. G. L. Peiris said today the country will host the fifteenth Summit of the Group of 15. Sri Lanka President Mahinda Rajapaksa assumed the chairmanship of the 18-member organization at the recently concluded 14th summit in Teheran, Iran, the previous Chair. The G-15, established by 15 developing countries during the Ninth Non-Aligned Summit in September 1989, focuses on cooperation among developing countries in the areas of investment, trade, and technology. The G-15 comprises Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Iran, Jamaica, Kenya, Nigeria, Malaysia, Mexico, Peru, Senegal, Sri Lanka, Venezuela, and Zimbabwe