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BUSINESS AND POLITICS IN THE MUSLIM WORLD

SOUTH ASIA Weekly Report 133

From 14th August to 20th August 2010

Presentation: 25th August

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Bangladesh

Message from the Prime Minister of Bangladesh

The 15th August, a grief-stricken day for the Bangalee nation, is our National Mourning Day. On this day in 1975, the greatest Bangalee of all time, Father of the Nation Bangabandhu Sheikh Mujibur Rahman, along with his 18 family members, was assassinated in one of the most barbaric carnages in the human history. Bangabandhu's wife Sheikh Fazilatunnesa Mujib, sons Captain Sheikh Kamal, Lt. sheikh Jamal and Sheikh Russel, daughters-in-law Sultana Kamal and Rosy Jamal, brother Sheikh Naser, farmers' leader Abdur Rab Serniabat, youth leader Sheikh Fazlul Haq Moni and his wife Arzu Moni, Baby Serniabat, Sukanta Babu, Arif and Abdul Nayeem Khan Rintu were also killed on the fateful night. Bangabandhu's Military Secretary Col. Jamil was also killed. Some members of a family at Mohammadpur were also killed by canonball fired by the killers. On the day of National Mourning, I pray to the Almighty Allah for the salvation of the souls of the martyrs of the 15th August. The people of this territory snatched the glowing sun of the independence, breaking the shackles of subjugation of thousands of years, under the dynamic, courageous and charismatic leadership of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman. We got our own nation-state and the pride of self-identity. But Bangabandhu was killed when he had devoted himself to the arduous task of building a Golden Bangla reconstructing the war-ravaged independent country and unifying the whole nation. The defeated forces of the Liberation War made an abortive effort to ruin the tradition, culture and advancement of the Bangalee nation. Their target was to destroy the non-communal democratic fabric of Bangladesh. The anti-liberation forces linked to the carnage initiated the politics of assassination, coup and

conspiracy. Martial Law was promulgated suspending the constitution and overthrowing the government elected by the people. Military ruler Zia established autocracy and destroyed democracy. The trial of the case for Bangabandhu's killing was blocked by promulgation of black laws and the killers of the Father of the Nation were rewarded. The peoples' right to franchise was established in 1996 through sacrifices of the lives of hundreds of martyrs. Awami League got the opportunity to run the country through people's verdict. The Awami League government achieved tremendous success in building a welfare society, imbued with the spirit of Liberation War, through signing the Ganges Water Sharing Treaty, Chittagong Hill Tracts Peace Treaty, self-sufficiency in food, poverty alleviation, unprecedented success in mass education and empowerment of women. People got back their lost confidence and trust. The nation was unfortunate that BNP-Jamaat alliance, with assuming the state power through rigged elections in 2001, undid the achievements and established their rule. The wheel of development had been totally stopped. The 2001-06 period was a black chapter of the country's history that ruined the spirit of Liberation War, democracy and democratic institutions. The main objective of the then government was to annihilate the opposition political forces, especially Awami League, and establish one-party rule in the country. As part of the design, a heinous attempt was made to kill me with a grenade attack on my rally on August 21 in 2004. By the grace of the Almighty Allah, I was saved but 24 leaders and workers of Awami League, including Ivy Rahman, were killed in the attack. Even then, the Bangalees remained undaunted. The people made Awami League victorious again with unprecedented mandate in the December 2008 elections. The present government has been working hard to build Digital Bangladesh to materialize the charter of change. We are marching forward to establish a modern Bangladesh free from hunger and poverty by 2021, which is the golden jubilee of Bangladesh's independence. We have freed the nation from the stigma to some extent through implementing the verdict of the Bangabandhu killing case. Steps have been taken to bring back the remaining convicts. Measures have also been taken to accelerate the trial of the killers of four national leaders. When the Awami League government initiated the trial of the war criminals and launched drive against corrupt people, the rejected forces were out to subvert the forward march of development. These forces are still working to fulfill their sinister designs. I urge the countrymen to remain alert about the troublemakers. The killers could only manage to kill Bangabandhu in person but they could not kill his dream and ideals. The 15 crore people of this country have been nurturing in their hearts the ideal sacrifice of Bangabandhu. Let us march forward with bold steps in the struggle to build a Golden Bangla as dreamt by Bangabandhu. We must win in the struggle to establish an economically solvent democratic and non communal Bangladesh which will be totally free from hunger, illiteracy and poverty.

Hidden theme of 'Digital Bangladesh'

Just nineteen months back, Bangladesh Awami League formed government in Bangladesh with its electoral manifesto titled 'Vision 2021', which was destined for ensuring 'Digital Bangladesh'.

It was greatly understood by many that, Sheikh Hasina and her party copied this theme of Vision 2021 from that of Barack Hussain Obama, who too was set in Presidency in United States almost during the same time. It is important to mention here that, in Bangladeshi democracy, political parties are set in power through election for a period of 60 months, while in United States; Presidents are elected for a period of 48 months. In such case, while Barack Obama has roughly 29 months to go, Bangladesh Awami League will be in power for another 41 months to be in power.

Obama's policies have greatly flopped in United States and his Democratic party is expected to witness a severe setback during the coming elections of Senate and Congress in November 2010. It is easy to predict now that, Obama's befooling policies have already started to be disliked if not hated by Americans. On the other hand, ruling party in Bangladesh is visibly intensifying its grip over country's administration and the very democracy gradually with the aim of continuing in power at least up to 2021, if not more. Supporters of Bangladesh Awami League are openly declaring that their party will remain in power for next couple of decades, while it is adopt every possible 'strategies' in dumping the political opponents either inside prisons or in exile.

Now let us have a glimpse over the electoral manifesto of Bangladesh Awami League:

[1] It says "Good governance through establishing Rule of Law and avoiding Political Partisanship, Human rights will be established on a strong footing with a view to ensuring rule of law. Independence of the judiciary will be ensured and the Institutions of the State and Administration will be freed from partisan influence. The basis of appointment and promotion will be merit, efficiency, seniority, honesty and loyalty to the Republic; political connection will have no relevance."

What we see in reality? There is every sign that the ruling party is trying to everything in suffocating voice of political opponents including the media. Scores of cases are already lodged against opposition leaders as well as members of media for criticizing the government. And interestingly, most of such cases are lodged by the activists of the ruling party. There is a clear signal to everyone of not uttering a single word against the ruling party. "Be with us or be treated as our enemy" is the policy of the ruling party in Bangladesh.

Cases of persecution of religious minorities, especially Hindus and Ahmadiyas are continuing in full swing in Bangladesh. There had been cases of destruction of Hindu temples as well as Ahmadiya mosques in the country, with numerous instances of abduction, forceful conversion etc.

Extortion and massive lawlessness by the cadres of the ruling party is a regular phenomenon. Especially the youth and students fronts of Bangladesh Awami League are active in extortion,

terrorism, vandalism and various forms of crimes. No action has ever been taken for any such crimes.

Promotions are mostly considered on the basis of loyalty towards Bangladesh Awami League.

[2] It says "Transformation of political culture, Terrorism, corruption and use of religion for politics will be stopped. Steps appropriate to the time will be taken to establish democratic principles in the political parties, transparency of political funding, civility and tolerance."

Political culture is unchanged if not worsened. Terrorism by the ruling party cadres is continuing. The ruling party is continuing massive offensives on Jamaat-e-Islami, while it is reluctant in taking any action against other Islamist parties in Bangladesh.

I have just taken two of the several points from the electoral manifesto of the ruling party in Bangladesh. If anyone will look through it carefully, they will easily understand that the entire manifesto was created with a huge dream of continuing in power till 2021. In this case, instead of calling it 'Vision 2021', we can rather name it 'Mission 2021'. It is not a mere 'vision' of Bangladesh Awami League to be in power till 2021, but this is their 'mission'.

In the same electoral manifesto, Bangladeshi Awami League pledged to take a 3-year 'crash program' in meeting the 'existing crisis' in power sector. They have promised to install sufficient number of power stations to ensure smooth supply of electricity to the country. But, in past nineteen months, instead of seeing any improvement in power crisis, there is visible sign of severe deterioration in the entire situation. When Awami League came in power, there was daily blackout [load shedding] for 1-2 hours a day, while now it has become normal to witness blackout of 5-6 hours a day. The situation will further worsen during coming days. Industrial sectors are already facing virtual collapse due to such situation in the power sector and foreign investors are not showing any interest in investing in Bangladesh due to power shortage as well as crimes like extortion, vandalism etc.

So the very concept of 'Digital Bangladesh' by Bangladesh Awami League is by now questioned by many. People are whispering terming 'Digital Bangladesh' as 'Digital BAKSAL'. I am sure; the present government will take lesson from the past and will not repeat the same blunder. The entire nation had highest aspiration on them and the ruling party cannot afford to dampen the people.

<http://www.weeklyblitz.net/930/hidden-theme-of-digital-bangladesh>

Textile strikes rock Bangladesh

OVER THE past month, Bangladesh's textile industry--one of the most exploitative in the world--has been rocked by strikes and protests. The level of repression used against the Bangladeshi

textile workers, largely women, exposes the dark underbelly of globalization in Asia. Textile manufacturers have been flooding into the country in the last several years as workers in other countries, especially China, have successfully fought for higher wages. When the textile bosses came to Bangladesh, the minimum wage was less than 10 cents an hour. The strikes began in mid-July when a massive general strike in the ready-made-garment industry shut down the capital city of Dhaka.

The immediate reason for the strike was the increase in the cost of basic commodities in Bangladesh, especially foodstuffs, which have quickly outstripped wages that haven't risen since 2006, the last time that textile workers went on strike. Textile workers get 1,887 takas a month (roughly \$25)--most economists put the basic income needed to survive in Dhaka at around 8,000 takas. Even though the police attacked the strike and forced the workers back to work, the protests scared the ruling Awami League party into offering a minimum wage increase to 3,000 takas a month (roughly \$42) at the end of July. The workers had originally demanded an increase to 5,000 takas, and in disgust with the meager increase, the protests continued. The workers set up barricades and roadblocks, set fire to cars, and marched through the streets. The mainstream press was predictably up in arms over the actions of the workers (calling it, in most instances, a "rampage"). They were less inclined to notice the excesses of the Bangladeshi police or of the bosses, who were lobbying to resist even this pay increase another 4 months, giving some of them enough time to move or threaten to move. The textile mill owners shut down some 250 factories and asked for police support to crush the strike. Some 100 workers were injured in the clashes that followed, in which police used tear gas and water cannons against the strikers. There were also some fairly serious attacks on children who live in the area.

The government even called out the Rapid Action Battalion, an elite police unit that normally deals with organized crime and terrorist threats, to go after the workers. Unsurprisingly, there will be no investigation into the workers' claims that the bosses are the ones involved in organized crime to terrorize the workers. The workers were eventually forced back to work with some vague assurances that wage increases would be forthcoming sometime in the next three months.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufactures & Exporters Association (BKMEA)--the two main organizations of textile mill owners--have both said that they will not raise wages higher than the 3000-takas level mandated by the government, and that it is the government's responsibility to enforce discipline on the workers. More than 4,000 workers were arrested, and others were later rounded up after the police used television footage to identify strike "leaders." Key leftist figures associated with the strike's more radical wing have been arrested or threatened with arrest.

Mantu Ghosh, head of the Communist Party of Bangladesh (CPB)'s Narayanganj division and affiliated with the CPB-led Garment Trade Union Center, was detained earlier in the month.

Mahbubur Rahman Ismail, president of the Narayanganj branch of the Bangladeshi Socialist Party and connected to the Garments Sramik Sangram Parishad, said that his offices and home were raided by the police. Some of the more recent protests seem to have been a response to this direct attack on the workers' leadership. This has also become a new point of organizing for the left in Bangladesh, organized in the Ganatantrik Bam Morcha, which has issued demands calling for the release of the arrested garment workers and their leaders.

It's also clear that the protests are not spontaneous, at least not in the way that the media is describing them, nor are they work of terrorists, as the bosses have claimed. In reality, they are the result of some painstaking work by the leftist unions. THE BOSSES have been desperate to get the factories back to work and get police protection for their investments.

Part of the reason is that the protesters have been targeting textile factories and have inflicted some serious damage. But the more important reason is that a slowdown in production in one of the most high-paced industries has a devastating effect on profits. The Bangladesh garment manufacturers are already claiming losses of around \$113 million. That includes losses from lost work, damage to garments and property damage. Already, the textile manufacturers are threatening to leave Bangladesh, a country which they just moved to from China, citing the low cost of Bangladeshi labor as the primary factor.

This is why the attacks on the labor unions are so important for the state and for business in Bangladesh. It gives them some wiggle room in a tense economic situation. Part of the way police are making their case against the unions in Bangladesh is by torturing labor activists into making confessions against their respective organizations. As the New York Times reported:

[L]abor and human rights advocacy groups said at least one worker has told his colleagues that he was tortured into giving false evidence against himself and other labor leaders before he escaped from custody. Advocates also said that they were worried about the safety of people arrested in recent days.

The Bangladeshi High Court had to order the police not to torture labor leader Mantu Ghosh, exposing what are certainly ordinary practices for the Bangladeshi police. This, of course, should make one wonder about the fate of the thousands of other laborers who were arrested. Home Minister Advocate Sahara Khatun has already said that she will punish everyone involved in the protests that took place in mid-August.

The garment industry is clearly Bangladesh's most important export industry, accounting for some 80 percent of the country's total exports, and the largest, employing some 3.5 million workers. That means that the fortunes of the Bangladeshi economy are intimately tied to this one industry.

In fact, it was the structural dependency of Bangladesh that prompted Bangladesh to try to attract textile manufacturers to the country in the first place. (The other way that Bangladesh makes a dent in its large trade imbalance is from its other major export: workers it sends to work overseas.) Textiles only account for about 5 percent of the economy, but they play a very large role in driving Bangladesh's growth.

As a result, no matter which party is in power, it needs to woo the garment industry. This accounts for the vacillating position of the ruling Awami League, which relies on workers for votes, but has to do the bidding of the factory owners if it wants to keep the economy afloat in the short term.

THE GLOBAL economic downturn has put a squeeze on the profits of the textile industry in Bangladesh, and it is looking to survive the problem by squeezing wages. As the garment industry is the largest industry in Bangladesh, employing some 3.5 million workers, and responsible for most of the country's exports, it's unlikely that the state will intervene on the side of labor decisively.

But the garment workers haven't disappeared quietly. On August 14, for instance, 4,000 garment workers blockaded the Dhaka-Sylhet highway, leading to a standoff with the police that lasted four hours. Their demands included the implementation of the government-mandated wage increase in August (rather than November which is when the minimum wage increase is supposed to take place), an eight-hour workday (workdays are currently between 11 and 15 hours long), and an end to intimidation by factory owners (who have routinely used thugs to attack the workers). The protesters also demanded the immediate release of Mantu Ghosh.

In an amazing show of solidarity, young workers, teachers, artists and writers formed a human chain at Shahbagh in Dhaka to demand that the garment workers receive a decent wage, and that the police stop the "capture and torture" of garment workers and union leaders.

In addition to coercion and repression, the state is also attempting to use divisions inside the labor movement--there are more than 60 unions in the textile industry--to its advantage. Most unions in the industry are illegal and are forced to operate in secret with shoestring budgets.

The new plan, it seems, is for Bangladesh to attempt to expand the base of workers that are represented by the government-backed unions. Labor Minister Khandker Mosharraf Hossain has announced plans to get trade unions into the ready-made-garment industry. This would be good news for one of the most thoroughly exploited labor forces in the world--were it not for the fact that the unions are being set up to help the bosses keep production running rather than to help workers advocate for their interests.

The government is hoping that the minimum wage increase will seem like a better option than indefinite protests by workers who are already feeling the pinch. Unions like the National Garment Workers Federation are doing the bosses' bidding in this instance by backing the 3,000 takas minimum wage and encouraging workers to return to their jobs.

This is a nakedly opportunist move: Increase the size of the unions in order to ensure the interests of the factory owners. After all, according to the government, it's because there are too few labor unions in the factories that the protests became violent--and not because of the sweatshop wages and conditions that persist in Bangladesh.

The strategy is clearly designed to squeeze out the more radical sections of the union movement by making the government-backed unions larger and more "representative"--thus completing the pincer action on radicals who are already facing prosecution from the courts.

At the same time, the state is also committed to isolating the international labor movement, which has set up a number of NGOs to help textile workers organize. Arguing that labor unrest has been the work of outside agitators, the Bangladeshi government has criminalized working in unions as a foreign national and begun closing down offices. Many of these NGOs were set up by unions in the West in order to win better wages for Bangladeshi workers and improve the lot of workers in other countries.

The attack on NGOs in Bangladesh must also be putting a squeeze on the resources that unions could rely on in order to expand their organizing. The NGO Affairs Bureau closed down some 334 NGOs in the last four months, alleging support of militancy in many cases.

Even though the protests have gotten smaller and attacks on the unions continue, it is clear that the current stalemate is unsustainable. Workers cannot survive on the low wages that are offered in Bangladesh, and as long as the textile industry exploits its workers ruthlessly, the Bangladeshi working class will continue to fight back.

World Bank backs Bangladesh's power, transit deals with India

The World Bank (WB) has backed the series of bilateral deals Bangladesh has signed with India this year, saying this would promote regional cooperation. The bank has indicated its willingness to finance different projects on transit, transshipment, power and water to increase regional and bilateral cooperation, The Daily Star newspaper on Sunday said quoting sources in the government's Economic Relations Division (ERD). The WB thinks such cooperation will not only help the country develop but also reduce poverty levels substantially, the ERD sources said. The report points out that South Asia remains the least integrated region in the world in terms of trade in goods and services and management of common resources. The report also said the World Bank Group will work across the South Asia, leveraging its financial and technical

resources to advocate regional cooperation and initiatives. The WB report said if the regional cooperation increases the GDP growth, Bangladesh will leap by two percentage points. The newspaper noted that the support from the WB was forthcoming even as "the main opposition BNP (Bangladesh Nationalist Party) is resisting negotiations on bilateral cooperation". BNP chief and former prime minister Khaleda Zia last week said she would oppose the deals with India, including a \$1 billion credit line, calling it "a symbol of slavery". In its new Country Assistance Strategy (CAS), the WB noted: "Programming under the strategy will remain sufficiently flexible to respond to regional opportunities as they emerge, including on-going consideration of India-Bangladesh cooperation in the power sector and a proposed cross-border water resource management operation." The report observed that significant progress has been made on regional cooperation with the recent signing of cooperation agreement with India.

The historic rapprochement has the potential to create regional opportunities for water resource management, transport, trade and energy, the report said.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/World-Bank-backs-Bangladeshs-power-transit-deals-with-India/articleshow/6314365.cms>

Tripura, Bangladesh trade to get a boost with opening of land port

With the opening of the new land port at Akhaura in Bangladesh border trade between the neighbouring country and Tripura would enhance, secretary of Tripura Chamber of Commerce and Industries, ML Debnath said today. "The Akhaura land port in Bangladesh is just near our land port which is also named as Akhaura land port. With the opening of the land port in Bangladesh on August 13 the trade and commerce between Tripura and neighbouring Bangladesh would enhance," Debnath said. "The Akhaura land port in the neighbouring country has now warehouses, an office complex, open yard and truck parking yards. Our land port has also the same facilities," Debnath said. The Bangladesh land port was constructed over 15 acres of land at a cost of Bangladeshi Taka 87.5 million (\$1.2 million). Agartala is barely 5km from Akhaura. At least 10 trucks would be able to carry goods to within 250 yards of the zero point of the border connecting the port with Agartala, through which the country would export fish, cement, furniture, glass sheet, plastic goods, soya oil and tiles. On the other hand, local traders from India would import bamboo, turmeric, watches, ginger, marble slab, fish, leather, textile parts and fruits. Bangladesh which has 4,300km international border with India now has 14 land ports which now provides connectivity. Bangladesh, India, Nepal and Bhutan are currently working out mutually beneficial arrangements and all the neighbours would now get access to the Bangladesh's sea ports at Chittagong and Mangla, Debnath said adding India would facilitate rail and road transit to and from Bangladesh to Bhutan and Nepal.

Pakistan's leaders should heed the lesson of Bangladesh

With flooding and social unrest, conditions are eerily similar to 40 years ago when East and West Pakistan went to war. We have been here before: a natural event on a catastrophic scale that devastates communities in a remote part of the world, and the indifference of a national government more concerned with parochial political survival than its responsibility to help its own people. As Pakistan lurches from one disaster to another and survivors of the floods continue to search for loved ones, lessons from a similar moment 40 years ago need to be heeded. In 1970, Cyclone Bhola roared up and battered the densely populated coastline of the then eastern wing of Pakistan. The ferocious tidal surge that accompanied it drowned many as they slept in this low lying region. The winds completely ripped away entire villages and their rice crops. Cholera, typhoid and other diseases followed. The number of dead is still unknown, but some estimates place it at anything up to 500,000. Close to 4 million people were directly affected, making it one of the 20th century's worst natural disasters. Its magnitude was so great that the BBC journalist Paul Reynolds, in trying to make sense of the east Asian tsunami of 2005, invoked Cyclone Bhola. The Bay of Bengal is particularly prone to tropical cyclones. But what made Cyclone Bhola all the more terrible was firstly the Pakistani government's denial of the cyclone's magnitude and the havoc it had wreaked, and secondly the sheer lack of pathos shown towards the victims and survivors even after the scale of it was realised. Relief operations in the affected areas were unhurried, which meant many more needlessly died. The effects of the cyclone were soon to engulf Pakistan's already fraught political climate with anger directed at the government of General Yahya Khan who had at the time just returned from a state visit to China.

In the tumultuous year leading up to Cyclone Bhola, mass protests and unrest had become a staple of everyday life across East and West Pakistan. Pakistanis, fed up with military dictatorships, were demanding democracy. The military government headed by Ayub Khan was by then in its 12th year of power. However, what people received instead from their leaders was further dictatorship. The country's powerful feudal elites simply exchanged the unpopular Ayub for General Yahya Khan, then chief of the armed forces. His first act in office was to declare martial law. Strikes and rebellions against the state continued until Yahya was forced to concede Pakistan's first general elections to take place the following year in 1970. He was confident the bureaucracy would be able to manipulate the results satisfactorily.

And then the waters came. East Pakistan suffered extensive flooding throughout the summer of 1970. The elections were postponed until December. In November Bhola hit. The entire political atmosphere changed dramatically. With the disregard shown by the Yahya government towards the victims of the cyclone, not only did East Pakistani politicians demand the leader's resignation, but people openly called for what had hitherto been left unsaid: the breakup of East and West Pakistan. It was now only a matter of when.

Many survivors were unable to vote in the elections because they had lost everything they owned. It became clear to Yahya and Zulfikar Ali Bhutto, West Pakistan's then most prominent

politician and father-in-law of the current president Asif Ali Zardari, that what was inevitable was their ousting from power and the instalment of politicians from East Pakistan.

"East Pakistan is no problem," Bhutto reportedly replied to Yahya when asked for a solution. "We will have to kill some 20,000 people there and all will be well" And indeed after failing at the polls, that is precisely what was attempted in the nine month secessionist war between East Pakistani guerrillas and the West Pakistani army. In actuality, many more died than envisioned. East Pakistan managed to break away, renaming itself Bangladesh and Zulfikar was able to become the president of Pakistan as he had so desired.

Few would disagree that the mishandling of the cyclone relief operation precipitated the breakup of Pakistan in 1971, although secession was not solely due to the devastation of Cyclone Bhola. With the flooding, loss and suffering we are currently witnessing in the subcontinent, we must keep in mind that Pakistan is as volatile and precarious now as it was 40 years ago.

The remaining four states within the conglomeration – Sindh, Baluchistan, Punjab and Khyber Pakhtunkhwa (North-West Frontier Province) – harbour longstanding and violent insurgency movements against the central government. Baluchis for example have been battling against the Pakistani army since they were forcibly incorporated into the state in 1947. Rather than ethnic diversity being at the root of this discontentment as some commentators suggest, it is the years of oppression, forced detentions, extra-judicial killings, exploitation and militarisation in these regions that is at the root of their resentment. This is no different to East Pakistan in 1970.

No region in Pakistan remains untouched by the flooding today. Coupled with a stagnating economy, mass unemployment, a bloody civil war against Islamist jihadis and the general hardships of every day life, as soon as the waters recede the question will return: will Pakistan break up again?

<http://www.guardian.co.uk/commentisfree/2010/aug/15/pakistan-flood-warning>

Nepal

Nepal PM poll headed for failure again

Nearly 50 days after Nepal's Prime Minister Madhav Kumar Nepal resigned under Maoist pressure, the Himalayan republic is yet to get a new premier with a fifth round of election in parliament scheduled on Wednesday heading for failure yet again. As Maoist chief Pushpa Kamal Dahal Prachanda contests election against Nepali Congress leader Ram Chandra Poudel, neither is likely to garner the support of half the lawmakers in the 601-member parliament mandatory to form the new government. The unprecedented impasse was created by two major groups whose support could have helped a new prime minister come to power. However, the caretaker prime minister's Communist Party of Nepal-Unified Marxist Leninist and a bloc of four ethnic parties from the Terai plains have fanned the prevailing

uncertainty by staying neutral all through the earlier four rounds of vote. Prachanda's party is the largest in the house with 236 MPs of its own, diminished by one following the recent death of a lawmaker. The former revolutionary needs the support of either the communists, who command 109 seats, or the Terai bloc with its 82 votes to reach the half-way mark of 301.

Though Poudel needs to swing the support of both the parties to pip Prachanda, it is not an impossible task and Nepal's cut-throat politics has seen stranger alliances.

However, the communists, still smarting after their candidate had to exit the ring during the first round of election, are insistent on their pound of flesh and have decided to sit neutral Wednesday as well. Though the Madhesi parties from the Terai bloc can bale Prachanda out, intra-party squabbling has prevented them so far from supporting any of the candidates. Swayed by the example of the communists, they too could abstain from voting Wednesday.

The communists have asked both contestants to withdraw their nomination so that a new alliance among the major parties can be worked out. However, Poudel's party has refused on the ground that since it supported the communist government in the past, it was entitled to their backing. After the failure of both the Maoists and communists to take the peace process forward, it says it should be allowed to have its turn at forming the new government. The Maoists, realising the contest could continue endlessly without any side winning, say they are ready to withdraw from the race provided it is guaranteed that Poudel will too.

The crisis over forming the new government has seen Nepal lose two months of the one-year extension given to write a new constitution. The warring parties failed to promulgate the new statute by May, as had been agreed. If Wednesday's election too fails, it will once again seriously jeopardise the constitution, now to be drafted by May 2010, and the peace process that ended a decade of Maoist insurgency.

Nepal delays vote on next PM

Nepal's parliament has delayed a vote to choose the country's next prime minister, an official said Wednesday, further prolonging a leadership vacuum in the troubled Himalayan nation.

Parliament was scheduled to hold the vote on Wednesday afternoon, more than six weeks after former prime minister Madhav Kumar Nepal stood down under pressure from the opposition Maoist party. But party leaders said they wanted time to mourn a Maoist lawmaker who died on Saturday. "The election slated for this afternoon has been postponed because a member of the parliament died last week," parliament secretariat official Lava Prasad Gautam told AFP. Nepal's prime minister agreed in May to step down to pave the way for a new power-sharing government in a deal to secure the support of the opposition Maoist party for an extension of parliament's term. But since then, political leaders have been unable to agree on the shape of the new

administration. The Maoists, who fought a decade-long civil war against the state before transforming themselves into a political party ahead of 2008 elections, hold the largest number of seats in parliament, but not enough to govern alone. Their leader Pushpa Kamal Dahal is vying with Ram Chandra Poudel, chairman of the second-largest party in parliament, the centrist Nepali Congress, to be the next prime minister. But neither candidate has so far been able to secure the backing of rival parties that they would need to form a new government. The resulting stalemate has hampered progress in the long-running peace process that began when the war ended in 2006 and prevented the passage of the annual budget, delaying much-needed government spending. No new date for the vote has yet been fixed.

Khanal again blows the neutral trumpet

CPN (UML) chairman Jhala Nath Khanal reiterated his party's earlier stance of remaining neutral in the election for a prime minister until timely drafting of the constitution and peace is ensured. He said that the political parties don't necessarily need to continue to contest in the prime ministerial election until there is a definite outcome, adding that they can withdraw from it anytime for the sake of national consensus like UML has done. "There is no other alternative left other than forging national consensus to resolve the current crisis facing the country," Khanal said. The UML chief, who was talking at a programme organised by the party's student wing All Nepal National Free Students' Union (ANNFSU) in the capital Monday, hoped that the political parties will move ahead with a new thinking and resolve after the prime ministerial election today. He didn't elaborate. Expressing his serious objection to Maoist chairman Pushpa Kamal Dahal's remark that the parliamentary system has failed, he urged Dahal to focus his attention on constitution drafting and establishment of peace rather than engage in all sorts of ploy to form the government under his party's leadership.

Indigenous group calls general strike in Nepal

KATHMANDU — A group representing Nepal's indigenous communities brought much of the country to a standstill on Sunday to protest against the parliament's failure to draft a new national constitution. Shops and offices closed and most vehicles remained off the roads across Nepal, where Sunday is usually a working day, after the group called a nationwide general strike.

Police said they had detained 60 people in the capital, Kathmandu, where some vehicles were vandalised, although the protest was mostly peaceful. "We want the political parties to get serious about writing a new constitution for the country," said Raj Kumar Lekhi, chairman of the Nepal Federation of Indigenous Nationalities. "We want them to guarantee rights for Nepal's ethnic minorities." Nepal's parliament was elected in May 2008 with a two-year mandate to write a new national constitution and complete the peace process that began when the civil war between Maoist rebels and the state ended in 2006. It failed to complete either task on time and in May

lawmakers voted to extend the deadline for 12 months, but little progress has been made since then. The indigenous communities want the new charter to enshrine their rights after decades of discrimination in Nepal, where they have long been excluded from national politics.

Lekhi accused police of beating up activists and making unnecessary arrests. Police said those detained would likely be released uncharged at the end of the day

<http://www.google.com/hostednews/afp/article/ALeqM5jl9g2bMAQJF0Ti1pXpwep7nh8Ujg>

Transport strike cripples normal life nationwide

KATHMANDU: The transport strike enforced by the Nepal Federation of Indigenous Nationalities (NEFIN) has affected normal life across the country on Sunday. NEFIN organised the transport strike to press the government to fulfill their demands including, among others, the guarantee of the rights of the indigenous nationalities in the new constitution and implementation of the past agreements reached between the indigenous body and the government.

The transport strike crippled normal life in the capital city since the morning today. People were seen walking to their workplaces as no public and private transport services were allowed to ply on the road. Shops and public marketplaces are also closed in the town. NEFIN said it is organising a nation-wide blockade and transport strike as part of its month-long movement for securing the rights of the indigenous nationalities. It has also put forward a 20-point demand. Among other things, NEFIN has also been calling on the parties to focus on taking the peace process and the constitution-writing to logical conclusion. The first national convention of the District Coordination Council of NEFIN held on July 7, 8 and 9 had decided to launch a month-long rights-based campaign. Chitwan – Life in Chitwan district as well as its neighbouring districts has been affected since the morning due to the transport strike. Activists of NEFIN held demonstrations and obstructed vehicular movement at different places in Narayangadh since early morning today.

The activists have even barred rickshaws and bicycles from operating. The Narayangadh-Mugling, Hetaunda-Narayangadh and Narayangadh-Butwal sections of the highways which otherwise remain busy on normal days wore a deserted look.

Gorakha – The transport strike at the call of NEFIN has adversely affected the life of the general public here. Buses plying from here to different destinations across the country did not ply their

service today. NEFIN activists assembled at different places in the district are preventing vehicles from operating. Butwal- Normal life in Rupandehi and Palpa districts as well as neighbouring districts has been hit by the transport strike organised by NEFIN today. Transport services in different towns and villages in Rupandehi district have been halted. As a result, people going to work are facing inconvenience travelling to different destination. Similarly, the transport strike has affected life in the hilly districts of Gulmi, and Arghakhanchi and the Tarai districts of Kapilbastu and Nawalparasi in Lumbini Zone. Schools, colleges and factories in Nawalparasi are closed due to the transport strike, as per a report from Kawasoti in the district. The students appearing in the School Leaving Certificate (SLC) supplementary examinations have been greatly inconvenienced due to the transport strike. They were seen walking hurriedly to the exam centres. Itahari - Normal life in Sunsari district has been affected due to the NEFIN-called transport closure. Activists of NEFIN assembled at different places are preventing vehicles from operating, it is learnt. Tulasipur – The transport strike at the call of NEFIN has affected normal life in Dang district. Public transport vehicles and private vehicles have stayed off the roads throughout the district due to the strike, it is learnt.

India needs a new paradigm in its Nepal policy

Nepal is in the throes of revolutionary change. It will be a while before it settles down. The transition to a democratic republic may turn out to be a long one and full of surprises. Until the new Constitution is finalised, political turmoil will continue. There is no guarantee that the Constitution will be drafted soon and that even if drafted, it will bring stability. India has legitimate economic and security interests in Nepal. In its dealing with ‘new Nepal’ India would need to be patient. More important, India will have to contend with new forces and new uncertainties. Old policies may prove ineffective. A new paradigm is required in dealing with Nepal.

The current situation

Nepalese have mixed and contradictory feelings towards India. Anti-India feeling in Nepal is at its peak. On the one hand they recognise that India has played, can play, and should play a positive role in the peace process. On the other, there is all round unhappiness about how India is seen to be playing this role. India’s style of functioning is questioned openly. (Note: The recent visit of PM’s special envoy has been projected as a manifestation of India’s blatant interference in Nepal’s affairs. The foreign minister was constrained to give a statement in the parliament that the Special Envoy’s visit was a private affair, indicating that Nepal had no information about it. The Nepali media has been critical of the visit.)

The peace process in Nepal is extremely complicated. India helped bring about the 12-point agreement. But that was a different era. It is doubtful that India can help bring the peace process to the desired outcome.

There is considerable mistrust between the Maoists and others in Nepal. Yet, the Maoists are the most organised of all the parties and have the necessary means to pursue their goals. It is believed by most analysts that they would gain a majority were elections to be held now. Major parties (NC, UML, Madhesi Morcha) are in varying degrees of turmoil. The political alliances are marriages of convenience and tactical. Politics is highly individual centric. Moreover, people are angry with politicians and there is a disconnect between the two.

The Maoists express commitment to multiparty democracy and make promises about eventually becoming a normal civilian party without their armed cadres. But their commitments are not believed. The Maoists have an agenda of restructuring Nepali institutions in their own image. The Maoists say that they were not defeated and that they have come to accept multiparty democracy voluntarily. Wrong or right, they have a strong sense that India is trying to marginalise, isolate and humiliate them when it puts pressure on them. They feel that India has exerted pressure on the Madhesi parties not to support them.

The Maoists have sympathisers in UML and among the Madhesi Morcha. They hope to get the support from the Madhesi and smaller parties to reach the magic number of 301 in the contest for the prime minister's position between Prachanda and National Congress's Poudel.

India's policy would have to reckon with the Maoist strength. It appears that it would be difficult to prevent the Maoists from coming to power by forging opportunistic alliances against them. Such arrangements are likely to prove temporary. The Maoists will need to be engaged and locked into agreements and arrangements common in democratic set-ups. They will be exposed if they do not play by the rules of democracy. There is no realistic way of keeping them away from power given their obvious strengths.

Nepal's economy, despite political instability, has shown good growth in recent years. It has survived the global economic and financial crisis. This became possible mainly due to strong inward remittances from Nepali workers abroad. An astonishing 22 per cent of Nepal's GDP comes from remittances from abroad. Agriculture, hydropower, infrastructure and tourism are potential growth areas. But developing them requires political stability, good governance, conducive labour laws, and investment in physical and social infrastructure. The continuing political instability is preventing Nepal from achieving its economic potential which, if realised, can make the country one of the most prosperous in the region. A large number of Nepali youth are leaving the country for unskilled unemployment opportunities in the Middle East and in South East Asia. The manufacturing sector in Nepal has suffered significantly due to power shortage, strikes and bandhs. Nepali investment is flowing out of the country.

External powers are fishing in troubled waters. This may destabilise the country even further. The UNMIN is playing a questionable role in the affairs of Nepal. The policies of EU and the US do not inspire confidence. China is being wooed by many political parties as suspicion against India grows. Pakistan is active. Middle Eastern countries like Saudi Arabia are paying increasing attention to Nepal.

New paradigm

India has been focused on the politics of the peace process. But its policies may require adjustment in the light of the above realities. It is necessary to realise the limits of influencing the course of the political process in Nepal. Instead, India might benefit by re-focussing its attention on long term economic relations and in building human resource capacities in Nepal. India's policies should be long term, people-centric and based on building economic capacities and human resource potential. Political leaders, despite their differences, appear to be open to engagement with India if India is seen as helping Nepal rather than using its resources for its own interests only. India needs to depoliticise its economic relationship with Nepal.

The issue of water resources is important for both countries. Nepalis are suspicious of India when they hear Indians talk about cooperation on water issues. Many in Nepal feel that mega projects will not help Nepal. India should engage the Nepali government and Nepali businessmen as well as environmentalists to understand Nepal's concerns and then chalk out a new policy. Many Nepali experts believe that the India-Bhutan hydroelectricity model is not suitable for India-Nepal water cooperation. Nepali experts want India to pay peak-hour price for electricity generated in Nepal. They also want India to pay for the storage dams in Nepal for their considerable benefits downstream. Perhaps the days of Mahakali treaty and other such mega projects are over. A new paradigm for water cooperation is needed.

The unregulated, open India-Nepal border is a major security concern for both countries. Cross-border crime, smuggling, fake currency and infiltration of undesirable elements including potential terrorists into India are a major security concern. Nepal also has concerns regarding the smuggling of small arms from the Indian side into Nepal. A whole new look at cooperation in border management is required. Cooperation will not be easy due to ongoing political uncertainty. But India must do whatever it needs to do to improve border management practices and seek Nepali cooperation as much as possible.

India must take steps to improve its image in Nepal. This can be done by encouraging multifaceted engagement at various levels outside the official channels. India should engage more with the media and the youth as both tend to be anti-India. Films, entertainment, fashion, tourism, and religious pilgrimage offer other avenues for meaningful engagement.

Political missions, howsoever well-intentioned they may be, are misunderstood in Nepal. It may be better to regularly exchange high level economic and commercial delegations, particularly from business and economic communities to see how India can help Nepal. Nepal needs investments and jobs. Although it is difficult for Indian businessmen to invest when the business climate there is so uncertain, it may be useful to take a long term view and remain engaged in Nepal's economy. The government could also consider a \$1 billion package of assistance for projects in Nepal, as has been done in the case of Bangladesh and Afghanistan. It is interesting to note that Indian companies which have remained invested in Nepal are making profits. A sustained engagement with Nepal at this critical juncture will pay dividends in the long term to

both countries. India could consider, as in the case of Bangladesh and Afghanistan, \$ 1 billion worth of assistance in selected areas of infrastructure and capacity building. In the short-term, India could also consider selling power to Nepal which is reeling under power-shortage. This will be a timely and critical help.

Nepal is in critical transition and India is also changing rapidly. A stable and prosperous Nepal in whose making India should help is the ultimate guarantee of India's legitimate security interests. India needs to chalk out a new paradigm of engagement with the emerging Nepal in which economic and border management issues are prioritised over political issues.

Political infighting in Nepal

The recently concluded visit of India's special envoy and former Foreign Secretary Shyam Saran to Kathmandu came at a crucial time in Nepal's beleaguered politics. Particularly, as the initial jubilation, a result of the Maoist electoral victory two years ago failed to produce any viable outcome in terms of real political stability. The country has been in the throes of a political stalemate for quite some time now. Wherein the Nepali Parliament even after four rounds of voting to nominate a Prime Minister failed to produce a leader. As the political impasse in the Himalayan kingdom continues, India needs to take steps very cautiously. New Delhi's relationship with the influential Maoist Party and the erstwhile guerilla leader Pushpa Kamal Dahal alias Prachanda can hardly be called easy. In Nepal's nascent Republic, domestic differences continue over the framing of the final Constitution and governance after the Maoist's return to mainstream politics making the monarchy redundant. Neither the Nepali Congress which enjoys better ties with India nor the Maoist Party that accuses India of meddling in the internal affairs of the new Republic have been able to secure enough majority in Parliament to form a new Government after the resignation of the former Prime Minister Madhav Kumar Nepal. The rapidly deteriorating situation seriously concerns New Delhi. Clearly, developments have spill-over consequences for India and weigh heavily in its foreign policy calculations. New Delhi's concerns over the Maoist Party's close ties with competitor China are palpable and hence it would not want the Communist party to single-handedly control Nepal's politics. India favours a democracy where there would be enough consultation and negotiation before any decision is taken. The radical political gestures by the Maoist Party accusing New Delhi of playing a less optimistic role as Kathmandu falters to find political stability does not augur well for India-Nepal ties. On the other hand, New Delhi as the more developed and bigger neighbour should be magnanimous in its policy. It should try and win the confidence of all the parties in Nepal which is trying to learn the first steps to becoming a fully functional democracy. India should deploy its soft diplomacy to the maximum but simultaneously take due account of the sensibilities and concerns of the largest party in the Himalayan nation. Down south, Sri Lanka has just come out of the throes of a long civil war and is tracing its steps back to being an inclusive country. India-Pakistan relations are back on the diplomatic table after a long hiatus following the 26/11 attacks. The prospects don't look optimistic but talks are still

on. At this juncture, New Delhi cannot afford to open another fissure in its neighbourhood. Therefore, India cannot lose track of the evolving situation in Nepal. It has to walk the diplomatic path keeping its interest in mind but at the same time without appearing to intervene in the affairs of another country. Of late, New Delhi has constantly come under accusations for negatively influencing the winds of change in Nepali politics. As such, incremental steps have to be taken where all factions in Nepal begin to have confidence in the positive contribution of the Indian economy and foreign policy, specifically towards its neighbouring countries. Recall, in 2008 the Maoists won an unprecedented victory in the elections and came to power, albeit in alliance with other parties. And desired to form a Government of its own and establish blanket Communist rule in Kathmandu. The icing on the cake was Prachanda's victory with an overwhelming majority of Parliamentary parties and lawmakers favoring his leadership in the Prime Ministerial poll. However, today, Prachanda is not able to muster enough votes to usher in political stability, notwithstanding, his rival, Nepali Congress leader Ram Chandra Poudel securing lesser votes. The smaller Parties reportedly abstained from voting expressing a lack of confidence in the candidates of both the major parties. The Maoists have also rapidly failed the expectations of the people. Moreover, they have been accused of being bad losers, when their proposals for the new Constitution were out-voted by the ruling coalition. In addition, the issue of integrating the People's Liberation Army (PLA) into the Nepali army has marred the stability of the fragile democracy, with the army vehemently opposed to an en masse induction of the Maoist cadres. Probably, the Maoists wanted to control the army with a large scale integration of the PLA. It is not rocket science to discern that New Delhi will be apprehensive of any move towards totalitarianism in the region. Given that it has had to grapple with Pakistan's military dictatorships. A possible move towards Communist totalitarianism in Nepal would discomfort New Delhi. Pertinently, Kathmandu has been under a monarchical regime for years, which finally fell apart in 2006 following an agreement thus paving the way for the erstwhile Maoist guerilla forces to enter the political mainstream through democratic means. Importantly, the Maoists brought a historic change in Nepal. But, recent events reiterate the fact that democracy is not just about elections and voting. True, the Maoists brought a change of monumental proportions in Nepal but all forms of transition need time and painful consensus building process for a "soft landing". The Nepali Congress with which India shares good ties has lost its clout after the death of its influential leader Girija Prasad Koirala. Considering the long Indo-Nepal border, close cultural and economic ties and the looming shadow of China, it is naive to expect India to be a benchwarmer. It is no secret that sections of the political class in Kathmandu tend to blame New Delhi for its woes and want closer ties with Beijing to counter the Indian influence in the region. As such, New Delhi needs to express its concerns and maintain its support for democracy and effective governance, while trying to reassure the people and the Nepalese Establishment that it has no interest in meddling in its internal affairs. According to India's ambassador to Nepal Rakesh Sood, New Delhi is concerned about the delay in drafting the Constitution and rehabilitating the PLA fighters. India is also reportedly worried about the influx of terrorists

through the Nepali border. As Nepal awaits a fifth round of voting in Parliament and people's confidence in major parties wane, the hope is that the Parties would emphasise the primacy of the Constitution drafting process. The Constituent Assembly was elected in May 2008 with a two year mandate but it was further extended in order to complete the Constitution. However, as events indicate, little progress has made in the process. If this political stalemate continues, the power vacuum created would spawn further uncertainty and instability in the country and discredit the Parties in the eyes of the public. This would be fatal for the democratic process in Nepal

British, Indian men have Nepal's first foreign gay wedding ceremony

A Hindu priest performed the first wedding ceremony in Nepal for a foreign gay couple, a rights group said Wednesday, as activists and tourist agencies increasingly promote the Himalayan nation as a gay-friendly destination. The ceremony was held Tuesday night in Kathmandu for Sanjay Shah, 42, a Briton from Leicester, and an Indian man who did not want to be identified, said Sunil Pant, a member of Nepal's parliament and the nation's most prominent gay activist.

Pant's gay rights group, Blue Diamond Society, organized the ceremony and issued the pair a certificate for a \$200 fee. The two men were not legally married because Nepal has no laws legalizing same-sex marriage and does not marry foreigners. However, marriages performed by priests are generally accepted by society and most people who live in rural areas do not register their marriages with authorities. Gay rights have improved dramatically in a country where just five years ago police were beating gays and transsexuals in the streets. Now, in addition to having an openly gay parliamentarian, Nepal is issuing "third gender" identity cards and appears set to enshrine gay rights — and possibly even same-sex marriage — in a new constitution. The charter, however, has been delayed because of bickering among political parties that have been unable to choose a new leader since Prime Minister Madhav Kumar Nepal resigned in June. Tuesday's private ceremony was attended by a small number of gay rights activists and members of Pant's group. Pant said there have been a few same-sex wedding ceremonies among Nepalese people, but it was the first for a foreign gay couple. The improvements in gay rights have become a major marketing opportunity in a country where tourism is a main driver of the economy. Government officials hope gay tourists will spend more money than the backpackers who now stay in cheap hotels and travel on shoestring budgets. Pant's group has established Pink Mountain tour company, which caters to gay tourists and promotes Nepal as a safe destination for them. It offers gay honeymooners trekking trips in the Himalayas and has proposed same-sex wedding ceremonies at the Mount Everest base camp.

Nepal's growing proximity with China raises concern for Tibetan govt

While China's strict measures is leading to decline in Tibetans escaping to India, there is growing concern over the Nepalese government shifting policy towards Tibetan settlers in the Himalayan country. Nepal's growing proximity with China and shift in the policy is adding to the worries of Dalai government- in- exile. "Overall situation in Nepal is disturbing for Tibetans refugee living in Nepal", Migyur Dorje, Cabinet Secretary of the Tibetan Government in exile told Hindustan Times. According to the Tibetan government officials more than 15000 Tibetans live in five different settlements in Nepal. The Tibetans crossing into Nepal from China administered Tibetan Autonomous Region (TAR) are being handed over to Chinese authorities. In the recent times, three Tibetans who crossed into Nepal from Tibet at border town Dum were caught by the Nepalese police. They were detained and later handed over to Chinese immigration authorities. The two monks were identified as Dawa, 20, and Dorjee, 21, while the woman was a 22-year-old identified as Penpa. The unconfirmed reports at reaching the headquarters of Tibetan government in exile said that three Tibetans deported were flown back to Chinese border in a helicopter.

Washington-based Tibet advocacy group International Campaign for Tibet (ICT) report claims that all the three Tibetans deported back from Nepal were jailed on reaching Tibet. Nepalese government latest move to deport the Tibetan escapees has raised hackles with Tibetan government in exile. "This is the first such case reported since 2003, when 18 Tibetans, some of them children, were detained by Nepalese police and handed over to Chinese authorities", said senior official in the Central Tibetan administration. Nepal had, earlier during the Maoist coalition rule, closed down the Tibetan Reception Centre set up by Tibetan administration to facilitate Tibetan escapees. Tibetan government officials at Dharamsala say that Nepalese government has sharpened its vigil on its borders with China, after the widespread protest in Tibet ahead of Beijing Olympics. The violent protest left many dead in Tibet. Both China and Tibetan government in exile made conflicting claims over the deaths in protest that started from Lhasa and spread to other regions dominated by ethnic Tibetans. China claims that 200 people died but the Tibetan government says more than 200 died and 1,000 were hurt. Since the protest in March 2008 there has been sharp decline in numbers of Tibetan escapees to India. Before protest ahead of Beijing Olympics, about 2000 to 3000 Tibetans escaped annually to India for studies. "Chinese have sharpened their vigil, which is leading to fears amongst Tibetans in crossing the border", says Ngwang Norbu Director of Tibetan Reception Centre in Mcleodganj. Since February this year, only 700 Tibetans have arrived in Dharamsala. "Majority of the arrivals include monks and young boys", adds Ngwang, while adding that in coming months the number of escapees could witness more decline as he cites reports that Nepal and Chinese border security have signed an pact to stop " anti-china protest". Tibet's spiritual head who fled Lhasa in 1959 has set up numerous schools for education of exiles which draws Tibetans from China Administered Tibet

Srilanka

Sri Lanka war hero braced for jail term

COLOMBO — Sri Lanka's former army chief Sarath Fonseka said Thursday he expects the government to put him behind bars to end his political career after a court martial convicted him.

Fonseka, who led troops to victory in the island's 37-year ethnic conflict last year, said the government was seeking revenge for his decision to stand against the president at January polls.

He was arrested two weeks after President Mahinda Rajapakse won re-election and he faces a plethora of charges ranging from corruption to treason. The first court martial, which heard charges that he dabbled in politics while heading the military, found him guilty last Friday and ordered the withdrawal of medals he had earned during his 40-year military career. The former four-star general quit the military in November to become an opposition politician. "They are going to put me in jail and I am prepared for that," Fonseka told reporters in parliament after being escorted by the military to attend assembly sessions. He said he had no faith in the judiciary. However, he would appeal to a civilian court against the ruling of the first court martial, which he said had been illegally constituted. The second military tribunal, which is hearing charges that he engaged in corrupt military deals, is expected to hold its next hearing on Saturday. "The verdict is already written," Fonseka said. "I know the psychology and the thinking of these people (in power). There is no rule of law. If you are not a government supporter, you can't expect justice." Friday's ruling carried no prison term, but Fonseka remains in custody.

He also faces civilian charges of employing army deserters, as well as revealing state secrets -- offences that carry a 20-year jail term. Fonseka has angered the government by saying he would willingly testify before any international war crimes tribunal. Rajapakse has vowed to prevent any such probe. The United Nations estimates that at least 7,000 ethnic Tamil civilians were killed in the final months of fighting between government troops and Tamil Tiger rebels.

Ex-army chief calls Sri Lanka a 'dictatorship'

COLOMBO, Sri Lanka — Sri Lanka's ex-army chief called the government a "total dictatorship" and said Thursday that he will appeal his recent conviction by a military court, which he

described as a political vendetta. Former Gen. Sarath Fonseka said the inquiry on charges he was involved in politics while still in the military was launched to persecute him for daring to challenge President Mahinda Rajapaksa in the presidential election earlier this year. He criticized the Rajapaksa regime for harassing political opponents, saying a "lawlessness" prevails in the country while "a total dictatorship is going on." A military court ruling last week recommended Fonseka be dishonorably discharged and stripped of his rank, pension, medals and other military honors. The president approved and carried out the dismissal on Saturday. Fonseka led Sri Lanka's army in its victory last year against ethnic Tamil rebels, ending a quarter-century civil war that killed 80,000 to 100,000 people. One-time allies, the president and Fonseka were both considered heroes by the Sinhalese majority for crushing the Tamil rebels.

Rajapaksa and Fonseka had a falling out months after the war ended and the general quit the army after accusing Rajapaksa of sidelining him, suspecting a military coup. Their relationship further deteriorated after Fonseka challenged Rajapaksa in the presidential election. Fonseka lost the election to Rajapaksa in January and was arrested weeks later. He was accused of planning his political career while still in uniform and breaching regulations for purchasing military hardware. Fonseka has been detained since then. While in detention, Fonseka contested parliamentary elections in April with the opposition Democratic National Alliance and won a seat, while Rajapaksa's party won a majority. On Thursday, Fonseka met reporters at parliament and said he would appeal against the court martial verdict, though he has no "confidence and faith" in the legal system. He said if he does not appeal, the government would see it as an admission of guilt. "We will put everything on record by doing that. Otherwise, they will find it as an excuse to say that these people were guilty so they didn't defend themselves."

He also expressed fears that he would be sent to jail after a second court martial in which he faces charges for allegedly making corrupt deals while in the army. It was unclear when that verdict will be announced. He could face three months to five years in jail, a military officer said on condition of anonymity, citing the sensitivity of the case. In June, U.N. Secretary-General Ban Ki-moon appointed a three-member panel to advise him on ensuring accountability for alleged abuses during Sri Lanka's war. The Sri Lankan government has opposed the panel. The United Nations says at least 7,000 civilians were killed in the last five months before the war ended in May 2009. The Tigers had fought for an independent Tamil state after decades of discrimination by the Sinhalese majority.

Sri Lanka war hero's party to appeal conviction

COLOMBO — Sri Lanka's former army chief Sarath Fonseka will appeal against a court martial conviction that stripped him of his rank, pension and prestige, his political party announced Sunday. President Mahinda Rajapakse formally removed Fonseka's rank and medals and stopped his pension on Saturday, a day after a court martial found him guilty of engaging in politics while in uniform. "We do not accept the court martial process, but we are going to appeal to a

civilian court against this decision," said Anura Kumara Dissanayake, legislator and spokesman for Fonseka's Democratic National Alliance. Dissanayake said the government was trying to destroy the political career of Fonseka, who attained national hero status as the battlefield architect of the military victory over Tamil Tiger rebels in May last year. The former four-star general, who quit the military in November to become an opposition politician, unsuccessfully challenged Rajapakse for the presidency in January elections. Two weeks after his defeat at the polls, he was arrested and taken into military custody. "The government wants to erase the memory of what General Fonseka achieved last year by ending the war," Dissanayake said. "He will remain in the minds of a grateful nation as a great hero." Fonseka's court martial by a three-member tribunal began five months ago despite protests from his party and human rights groups that the process was seriously flawed.

Fonseka was accused of trying to secure a place in a political party following talks with an opposition MP between October and November last year, just before he quit as Chief of Defence Staff. Although Friday's ruling carried no prison term, Fonseka will still remain in military custody. A separate court martial is still hearing charges that he engaged in corrupt deals. He also faces civilian charges of employing army deserters, an offence that carries a 20-year jail term.

Despite being in military custody, he managed to win a seat in parliament in April. Fonseka has also angered the government by saying he would willingly testify before any international war crimes tribunal. Rajapakse has vowed to prevent any such probe. The United Nations estimates that at least 7,000 ethnic Tamil civilians were killed in the final months of the offensive against the Tiger rebels who were fighting for a separate homeland.

President's clear vision, key factor in eradicating terrorism

A specialist on South Asian military intelligence, Colonel R. Hariharan said that apart from lack of international support, including India to the LTTE to survive the final battle, the prime factor for the demise of the LTTE was President Rajapaksa's clear political determination to eliminate Prabhakaran and the LTTE. In an interview with the Sunday Observer Col. Hariharan, who served as the Head of the intelligence for the Indian Peace Keeping Force in Sri Lanka between 1987 and 1990, said President Rajapaksa's political leadership had geared the entire government machinery to achieve the single goal - annihilation of the LTTE. "In brief, he provided the critical support needed for the success of military operations the national leadership", he said. The military intelligence specialist said that Sri Lanka's successful war strategy would definitely provide many valuable lessons for all nations. Col. Hariharan said Kumaran Pathmanathan's (KP) arrest was a great success for Sri Lanka's efforts to curb the resurgence of LTTE internationally and would have a big impact on the future of overseas LTTE operations. According to Col. Hariharan, though the LTTE remnants are trying to 'stage' a come back, it

will not be a reality as the internationally activated pro-LTTE groups are split into two factions - political and military. He said that though there were some LTTE sympathizers who appreciate its militancy, it was doubtful that they have the capability of mastering the support of the Tamil Nadu's mainstream politics.

Following are the excerpts of the interview:

Q: The government is credited for annihilating the LTTE. What were the main factors that contributed to the victory?

A: I have written extensively on this. I would summarize my reasons as follows, not necessarily in the order of priority:

1. President Rajapaksa's clarity of objective - to eliminate Prabhakaran and the LTTE and providing leadership support to combine policy making, planning and executing actions not only the armed forces or the ministry of defence but the entire government machinery to achieve this goal. This enabled the government to cash in on the weaknesses of the LTTE not only on the military front but also politically and internationally. In brief, he provided the critical support needed for the success of military operations, the - national leadership.

President Rajapaksa's efforts to transform the armed forces into fighting machines should not be ignored. To reach his goal he created a politico-administrative structure to help the armed forces achieve their military objectives, unmindful of its enormous cost in terms of finance, manpower, governance and international relations. He also provided the much needed political support for the armed forces.

2. Maintaining close relations with India and thereby ensuring that the LTTE does not gain either large scale political or other clandestine support from India, interfering politically or otherwise both internally and internationally to affect the Sri Lanka government actions or operations.

3. Allowing the armed forces to plan and execute their operations without political interference is achieved. Providing all out support to them to maintain military superiority all through the operations. This enabled the armed forces to build adequate fire power and carry out its offensive successfully.

4. Making full use of the global anti-terror environment to fight the LTTE. This made it possible to gain valuable international support - notably from the U.S. to conduct military operations, though there were critical moments towards the end of the war due to their human rights concerns.

The President in a strategic ploy identified his campaign against the LTTE as part of the global war against terrorism. India and the U.S. started providing regular intelligence inputs and

technical support on the movement of LTTE's shipping logistics. The LTTE was banned in 32 countries particularly after the assassination of Sri Lankan foreign minister Lakshman Kadirgamar. Consequently the foreign assistance to Sri Lanka in its war against the LTTE gained legitimacy.

5. Mounting a high profile information and publicity campaign on the war, which the LTTE could never match. This enabled to garner large scale public support for the war which was lacking in earlier campaigns as the LTTE propaganda organs were more effective.

Q: Where do you think was the turning point of the LTTE's fall?

A: As a military analyst, I think the LTTE lost the war, when they could not break the army's stranglehold of Elephant Pass-Paranthan-Kilinochchi area that started after the logistic shipping support was destroyed. The LTTE could not launch any sizeable counter attacks to break the investment.

Q: What went wrong for the LTTE?

A: Before the war the lack of political strategy was LTTE's problem. In 2002, they were controlling most of what they called the 'Tamil Eelam', yet they could not take advantage of the peace process and strike a win-win deal with Sri Lanka. Similarly they never made up with India, where they were dependent upon weak political parties for support.

During the conflict LTTE choice of fighting a conventional war instead of fighting an insurgency battle which is their strength, was a big strategic error. They just did not have the numbers or fire power to fight a conventional battle with Sri Lanka, particularly after they lost recruiting bases in Tamil areas in the East when Karuna broke away. When they were overwhelmed by army, they did not have a responsive strategy in place.

Q: Still the LTTE's remnants are trying to show that they are alive. Can they make an impact in the present environment?

A: I doubt very much that they can carry out any spectacular terrorist attack within Sri Lanka in their present state. However, they may have the capability to do something more visible overseas. We should remember it took Prabhakaran two decades to build the LTTE into a powerful force. They have neither a leader like Prabhakaran to lead them nor a global environment that would help them as it did in the 90s to stage a powerful comeback.

Q: What is your comment on post-war Sri Lanka?

A: While military success has been achieved, the charged atmosphere built up during the war needs to be defused. This would require people affected by the conflict resuming normal life as

early as possible. While this is a huge national challenge, it has to produce more visible results. Modern governance demands ensuring people enjoy fundamental freedoms. As it is a notion in the minds of people, it is they who should feel a sense of security and trust in the government.

Q: What do you have to say about President Mahinda Rajapaksa's military strategy?

A: Military strategy is only a part of national strategy when a nation goes to war. This was provided by President Rajapaksa and he gave enough space to armed forces to come into full bloom to carry out their campaign.

Q: The force behind the entire military manoeuvre was Defence Secretary, Gotabhaya Rajapaksa. How do you see his commitment?

A: Of course, he was fully committed to achieve the President's objectives; that was why he was appointed for the job. The President had always been the supreme commander of the three services. While Basil Rajapaksa provided the political interface for the war, Gotabaya Rajapaksa provided the government interface for military operations. But as Defence Secretary he provided vital interface between the national leadership and military leadership so that the entire campaign was conducted smoothly. I am sure his military background was a great help in this. So I would rate him as one of the three key leaders who helped Sri Lanka win the war.

Q: Out of 11,000 ex-LTTE cadres, over 8,000 are still in state custody undergoing rehabilitation. How best do you think the government can train them to become useful citizens?

A: They should find a place in society to live a meaningful life without fear of deprivation. This requires more than a few months of training. It requires an environment where they can look forward to the future rather than go back to the past.

Q: How do you see the arrest of KP? Did it make a huge impact on the LTTE's future in the international sphere?

A: It is a great success for Sri Lanka's efforts to curb the resurgence of LTTE internationally. Yes, it will have a big impact on the future of overseas LTTE.

Q: How vital is his contribution to the post conflict Sri Lanka?

A: It is too early to assess.

Q: What is your assessment of the LTTE's international network?

A: It is not united but split into two major groups the ideologues of Eelam who want to politically keep the Eelam struggle alive and the militant elements. I don't know whether they will join together in the near term.

Q: What are your observations on the LTTE's activities in Tamil Nadu and how do you view the pro-LTTE views expressed by certain politicians and sympathizers of the outfit?

A:The LTTE activities in Tamil Nadu are neither visible nor assertive. There are some LTTE sympathizers who appreciate its militancy. But the Eelam issue has a wider appeal. The plight of Tamils in war zones affects a very large number of people. There are issues which some of the political parties are trying to cash in. But I doubt whether they have the capability to make a strong on Tamil Nadu's mainstream politics.

Q: Do you agree that India made a blunder by grooming LTTE in early 80s?

A: I am against arming any insurgent groups either locally or internationally. I had made this clear in my own military channels in the 80s, though army was not involved in the training of Tamil militants.

Q: How vital was the India's stance on defeating the LTTE and do you agree that Prabhakaran had much hopes that the international community including India would save him at the last minute?

A: I think India's intelligence, political and international support was one of the winning factors for Sri Lanka. I believe Prabhakaran overestimated the readiness of the international community to bail him out. Of course, political support in India for him was not sufficiently strong to do this job. Apparently he failed to realize this.

Q: Why did he fail to convince them? What went wrong?

A:Three things in his conduct were instrumental in losing international credibility over a time: killing Rajiv Gandhi, willful disregard for international efforts to make the peace process a success, and global war on terror after 9/11 the world was not prepared to accept terrorism as a tool to fight for ethnic or other rights.

Q: Did the IPKF fail in defeating the LTTE?

A:The IPKF was not sent to defeat LTTE. It was to help Sri Lanka government to enforce the Indo-Sri Lanka Agreement in which the disarming of Tamil militants was provided for. That was how it got embroiled in war with LTTE.

Q: What were the difficulties the IPKF faced in dealing with the LTTE?

A:I can only give a strategic analyst's perspective but it might disappoint those expecting political brownie points. The IPKF at the beginning faced three problems - lack of role clarity, inadequate information, and security forces' own structural snags.

The Indian army had very little warning to prepare for its overseas deployment. Nobody was very clear what its role in Sri Lanka would be because the Indo-Sri Lanka Accord had a lot of loose ends. India was signing a third party undertaking to do its bit for an internal problem of Sri Lanka. So it was bristled with uncertainties as the two signing powers and the Tamil militants who were non-signatories had to conform to the Accord to make it a success. So the troops were initially sent only as a token force to show solidarity with Sri Lanka rather than fight a pitched battle with the LTTE.

Secondly, the Indian security forces had very little information available on Sri Lanka's political and militancy problems. This might be surprising as many accuse India of plotting the whole thing. This is far from true. So the Indian army went there without adequate preparation.

It had obsolete maps and an inadequate knowledge of Sri Lanka. To top it all, it was supposed to meet the continuous demands of Sinhalese and Tamils who had built high expectations. Military Intelligence had a few assets - both information and sources - when it landed. (Information sharing among intelligence agencies in all nations is minimal for fear of compromise of sources.)

Structurally, when the war started, a joint services command had to be created to conduct an insurgency operation in a foreign country. This was totally a new experience for the three services. Troops had to be flown in and they were not familiar with either the terrain or ground situation when they were put directly from Jaffna airport to join the operations. However, the three services rose to the occasion and improvised command and control structure and improved it as operations progressed.

Q: Do you think the LTTE became stronger with the withdrawal of the IPKF?

A:The LTTE was at its weakest when the IPKF left. It was confined to a small space in Vanni. It had suffered heavy casualties - losing most of the junior leaders. That was why it desperately built bridges with President Premadasa which resulted in the pull out of the IPKF at a crucial stage for LTTE. In fact, it provided the oxygen the LTTE needed for survival and stage a comeback in the North and parts of East where it massacred a few hundred policemen. So it became stronger by default.

Q: Who were the main LTTE leaders who came across during your stay in Sri Lanka? How do you see Prabhakaran's militant mind?

A:When we were in talking terms initially in August 1987, I have seen all the top leaders of the LTTE including Prabhakaran, Kittu, and Mahatthaya etc. I had no rapport with them but they knew who I was. Prabhakaran as a militant believed in the overwhelming power of the gun to achieve his goals. This led to his downfall as he failed to seize the opportunities the peace process offered in 2002.

Q: How do you recollect your three -year stay in Sri Lanka as the intelligence head of the IPKF?

A:As a Tamil, Sri Lanka was never a foreign country for me. So it pained me more to see the great human tragedy that was turning the country - one of the most beautiful ones I had seen - into a battleground. I found the people of Sri Lanka - Tamils, Sinhalese, Muslims and everyone warm hearted and more easy-going than Indians. When I visited Colombo I was amazed everyone revealing as though they had nothing to do with the war in the North!

Q: Sri Lanka's military strategy that ended the Asia's longest civil war will be a case study for other nations threatened with internal conflicts?

A:Of course; even failed operations teach us many things. So a successful war like Sri Lanka's definitely provides many valuable lessons for all nations.

Q: The Maoists and the Naxalites have increased their attacks in India. Do you think the LTTE cadres who are believed to have escaped from Sri Lanka are supporting them?

A: No. There were some marginal contacts between Maoists and the LTTE when the latter was powerful. To my knowledge, even these were commercial deals between two 'fraternal' organizations. Now there are safer pastures for fleeing LTTE elements to seek refuge than the hotbeds of Maoist violence in India.

Q: Where are these safer pastures for fleeing LTTEers?

A: I can only conclude that they would mix with families fleeing Sri Lanka as refugees; of course that does not make all those refugees LTTEers. I am sure Canadian and Australian intelligence also some of the countries like Indonesia would be doing this.

Q: No doubt, intelligence played a vital role in defeating the LTTE. How vital is strengthening the intelligence networks locally and in the post conflict era?

A:Intelligence is a silent shield. It does not distinguish between war time and peace time. At all times it has to be functional. As it provides foreknowledge, it is vital to prevent wars as much as to win them.

UN refugee agency commends Canada's handling of Tamil boat people case

The United Nations refugee agency said today it is encouraged by the way Canadian authorities have handled the situation involving 490 Sri Lankan nationals of Tamil origin who arrived by boat to the country last week and have claimed asylum. The group, which includes men, women and children, were passengers of the cargo ship MV Sun Sea that docked at Vancouver Island in the province of British Columbia on Friday. The UN High Commissioner for Refugees (**UNHCR**) noted that the reception site for the arrivals was well designed, and that needs in terms of information gathering, food and water have been well anticipated. “Based on what we have seen thus far, we commend the exemplary work of the Canadian Border Services Agency (CBSA) in coordinating the arrival and reception of the MV Sun Sea passengers,” UNHCR spokesperson Andrej Mahecic **told reporters** in Geneva. He added that UNHCR supports the important work of law enforcement agencies in combating human smuggling, an issue that has received much attention in relation to the MV Sun Sea case. “It is nonetheless important to recognize that while refugees and migrants might use the same means of transportation, sometimes illegal, refugees are a distinct group with critical protection needs,” said Mr. Mahecic. “It is not a crime to seek asylum.” The agency said it recognizes the considerable challenges that disembarkation and the processing of people from MV Sun Sea will entail, and will be following these activities to help compliance with the relevant provisions for treatment of persons seeking asylum and refugee status. Sri Lankan forces declared victory over the rebel Liberation Tigers of Tamil Eelam (LTTE) in May 2009 after a conflict that had raged on and off for nearly three decades and killed thousands of people. UNHCR recently issued revised guidelines pertaining to Sri Lanka to help decision-makers in reviewing asylum claims, including a recommendation that in light of the improved security situation since the end of the conflict, claims by asylum-seekers from that country should be considered on their individual merits rather than on a group basis.

There are currently almost 146,100 Sri Lankan refugees in 64 countries, with over 73,000 hosted by India. In addition, there are more than 7,500 Sri Lankan asylum-seekers known to UNHCR in 57 countries, with Switzerland, Malaysia and Canada topping the list of host countries.

Business Returns to Sri Lanka's Former War Zone

They are everywhere and more are coming: huge billboards advertising everything from formula to mobile phones dominate most vantage points in Sri Lanka's former war zone. Where artillery and shells shrieked overhead a little over 15 months back, there are now gigantic, smiling women holding tubes of skin-whitening cream. In Kilinochchi, the former political and administrative nerve center of the Tamil Tigers, a toppled water tank once symbolized the wanton destruction caused by war. The tank is now obscured by a billboard for Highland milk; the ad is a vision of the future, the tank a vision of the past. After being cut off from the rest of the country for more than 25 years, commerce has arrived in this part of Sri Lanka. Business is booming, even on the swath of land known as the Vanni that was controlled by the Tigers until mid-2009. Veramuththu Singamuththu, a displaced fisherman turned entrepreneur, is helping transform the landscape. A native of Kilinochchi, he fled his home village of Pulliyankulam,

south of Kilinochchi, with his wife and three children in 2008. After a year on the run, they ended up in a camp for displaced civilians. They left in December 2009 with \$220 from the government and aid agencies. Not long after, Highway A9, the link between Jaffna and the rest of the country, was reopened to civilian traffic.

The 58-year-old saw his chance for a better life in the buses full of visitors that were speeding on the highway. He used his cash grant to set up a tea shop on the side of the road. "The best decision I ever made in my life," he says. He makes \$300 a month selling phone cards, tea, snacks and even meatballs to visitors from the south and government soldiers. His boat now sits empty. "I don't think I will go back to fishing," he says. "This is much better and easy work." He's not the only one whose luck has changed. "Before the opening of the A9, things brought from outside were just too expensive here," says Murugesu Rajagopal, a furniture dealer in Jaffna. "Now we can sell at affordable rates and there are no shortages."

The reopening of Highway A9 was a milestone for Singamuththu and, indeed, for the region as a whole. As thousands of tourists and civilians flooded north, entrepreneurs and companies like Dialog, the country's top cell-phone service provider, moved in. Within 90 days of the war ending, the phone company established a network in region. "Dialog's subscriber base and service utilization has witnessed substantial growth," says the company's chief executive Hans Wijayasuriya. Lion Brewery, the maker of Sri Lanka's most popular brew, has also benefited. "From a growth perspective, it has been tremendous," says chief executive Suresh K. Shah. All told, the demand for goods and services has jumped by double-digit margins since unrestricted road access was provided to Jaffna this year.

Still, not everybody is satisfied with the pace of change. The north remains economically marginalized, says Muttukrishna Sarvananthan of the Point Pedro Institute of Development. The mainstays of the northern economy before the conflict were agriculture and fishing. As the fighting raged, the region found itself left out of the rapid industrialization that was taking place elsewhere. The north's economic contribution is still modest; according to the Central Bank's provisional figures, the northern province's contribution to GDP increased only fractionally in 2010, from 3.2% to 3.3%. This tremor of change only feels like an earthquake, critics say, because this type of free-market trading seemed unimaginable during wartime, when supplies came by sea, if at all, and shortages, high prices and double taxation were common.

"I did not see much improvement in the situation of the civilians when I was there," says Suresh Premachandran, a parliamentarian from the Tamil National Alliance. Indeed, goods transported south are still searched by police and parts of the Vanni remain closed to the rest of the country. There are also complaints of extortion, artificial monopolies and kidnappings for ransom, Sarvananthan says. Despite the return of tens of thousands displaced by the fighting, the reconstruction of houses is only beginning and permanent jobs still remain elusive.

There are worries, too, that outsiders will siphon off the region's meager gains. A foreign bank generated deposits of \$8 million within a few months of opening a branch in Jaffna, but failed to issue a single loan during the same period. A new project hopes to reverse that trend. MAS Intimates, a leading apparel manufacturer, is setting up a \$3 million plant in Omanthai, on the southern edge of the Vanni. The plant will create 1,500 jobs with USAID providing a capital infusion of \$600,000. The aid agency has plans to create 10,000 new jobs in the north through similar programs.

More projects like this could help channel the peace dividend to ordinary people and, in so doing, help the government of President Mahinda Rajapaksa that faces the unenviable task of rebuilding the fractured country's economy. Singamuththu, for one, is cautiously optimistic they'll succeed. He's planning to repair a billboard that was recently swept away by a speeding tour bus — another sign, he hopes, of prosperous times ahead.

<http://www.time.com/time/world/article/0,8599,2009833,00.html?xid=rss-topstories#ixzz0xnArjurO>

Sri Lankan economy thrives, leaving civil war and tsunami far behind

Sri Lanka (formerly Ceylon) appears well on the way to an economic revival, with optimism boosted by the end of a 26-year civil war last May which wracked the northern and eastern parts of the island. Indeed, the country's **GDP** expanded by 7.1 percent year-over-year in the first quarter, driven largely by its strong agriculture and services sectors, robust industrial production and soaring tourism. Ashira Perera, international economist at Capital Economics, forecast that **GDP** will rise 7.0 percent this year, before climbing to the current government target of 8.0 percent in 2011.

Perera partially attributes the country's improved economic performance to the end of the civil war which has opened up the North and East of Sri Lanka to increased crop production and has reduced the cost of food products. Indeed, land recovered from the losing Tamil Tiger rebels after the end of the civil war has helped to boost cultivation. In addition, inflows of remittance payments from Sri Lankan emigres living overseas are soaring and will likely continue to support household spending, while bank lending is also accelerating. Perhaps most importantly, peace and expectations of rapid economic growth have attracted more foreign investment. For example, Emirates Telecommunications Corp., the largest phone company in the **United Arab Emirates**, recently divulged plans to spend up to \$163-million over six months to expand its network in Sri Lanka. Minor International, **Thailand's** biggest hotel operator, has acquired a controlling stake in Kani Lanka Resort & Spa, a resort in Kalutara, off Sri Lanka's southern coast, to take advantage of increased tourism to the island. In addition, Sri Lanka is improving its infrastructure – highlighted by the construction of the massive Hambantota Port project, which is expected to create new thousands of new jobs and lift private sector investment. Sri Lanka's

President Mahinda Rajapaksa said the Hambantota port will serve as a prelude to the massive economic development ahead of the country.

Despite the growing economy, inflation is easing.

On Friday, the Central Bank of Sri Lanka unexpectedly reduced its reverse repurchase rate by 50 basis points to 9.0 percent – the lowest level since November 2004 – while keeping the repo rate on hold at 7.25 percent, in response to some benign inflation data. On an annualized basis, **CPI** has fallen from 6.9 percent in February to 4.3 percent to July – far below the average inflation rate of 12 percent seen during the 2004-2009 period.

The central bank also cut its policy rates in early July.

Sri Lanka's policy moves are in stark contrast to some of its neighbors, including **India**, Malaysia and **Thailand**, which have recently raised interest rates to quell rising prices and prevent asset bubbles. "Inflation is unlikely to become a threat any time soon which means that a further easing of monetary policy cannot be ruled out for the near term," said Perera. "However, the local economic upswing looks set to stay strong and we judge it most probable that policy rates will now stay on a prolonged hold, before eventually moving up in 2011." Perera forecasts that inflation will average 5.0 percent in both 2010 and 2011. Sri Lanka likely remained an unknown to much of the outside world until late 2004 when it was hit by the devastating tsunami that killed tens of thousands of people on the island. Leopard Capital, a Cambodia-based private equity fund that specializes in investing in the **Frontier Markets** (and plans to launch a Sri Lanka fund in the near future) believes the country will provide rich dividends for foreign investors, due to its highly educated work force, democratic traditions, an open economy, and a well-regulated stock market, among other positive attributes. "During the war years many avoided visiting Sri Lanka and perceived it to be a very poor country that suffering the evils of a typical war-ravaged nation," Leopard said. "Despite the war, it is remarkable that the country has been able to post strong economic growth, and to maintain almost first world social indicators." Leopard describes Sri Lanka as a "middle-income country" with an "ambitious but realistic" plan to upgrade its infrastructure. In addition, despite the civil war, Sri Lanka has recorded a "very satisfactory" rate of growth, averaging about 6.4 percent in the last six years and has a GDP of \$42 billion with a per capita income of \$2014. Notably, the nation's per capita income doubled in a period of about five years while war was raging. "Now with the end of hostilities and rapid development projects on ground, policy makers are confident and are targeting to ensure that Sri Lanka again doubles its GDP by 2015," Leopard stated. "This will lead to significant domestic demand led market opportunities. The most opportune moment for investors to enter the economy is now, considering the positive factors already enumerated and the policy initiatives that are already in place and likely to continue unchanged under the new government." Perera cautions that Sri Lanka's exports and the industrial sector will likely be hurt by the **European Union's** (EU) decision to withdraw some trade concessions – reportedly due to the EU's disappointment in the

country's failure to respond to demands to improve [human rights](#).“But the extent of the negative impact is hard to quantify at this stage and in the end may well be small,” she said.”Moreover, domestic demand looks well-placed to take the lead as external conditions become more challenging.”Sri Lankan exports account for about 20 percent of the island’s \$42 billion economy