

GOVT TO WITHDRAW CASES AGAINST MAOISTS, DROP PROBE

Nepal axes terror Act

Statesman News Service

KATHMANDU, June 12: A day after Prime Minister Mr Girija Prasad Koirala sent envoys to meet Maoist supremo Pushpa Kamal Dahal at an undisclosed destination, the Cabinet today decided to scrap the draconian Terrorist and Disruptive Activities (Control and Punishment) Ordinance (TADO) promulgated by King Gyanendra in 2004 as well as withdraw all cases against Maoists. "We have decided to withdraw all ongoing cases and drop

investigations against Maoists," government spokesman and minister of state for information and communications Mr Dilendra Prasad Badu said.

In the absence of a parliament to ratify Tado, it was kept alive through a royal decree issued every six months. This year, when protests erupted against the king, Tado was given extra teeth to allow the government to arrest anyone and hold him incommunicado for a year without producing him in court or beginning legal

proceedings. It gave a fillip to disappearances and torture in custody and was widely condemned by human rights organisations, both at home and abroad. Besides pacifying the Maoists, significantly, TADO was axed on the eve of foreign minister Mr KP Oli heading for Geneva today to attend the UN human rights meet.

According to Maoist spokesman Krishna Bahadur Mahara, who is also heading the three-member Maoist team currently engaged in peace

talks with the Koirala government, between 300-350 Maoists would be freed immediately with cases being withdrawn against them while about 150 more would have investigations against them dropped. In addition, the Koirala government has committed that it would ask India to release about 140 Maoists being held in prisons in Siliguri, Patna and Chennai.

Meanwhile, the Maoists today reopened their office in Kathmandu valley after three years.

13 JUN 2006

THE STATESMAN

UK terror raid victims could get £500,000 compensation

Stephen Wright & Nick Craven

London: Two brothers controversially held for a week on suspicion of terrorism in Britain could claim compensation from police of up to £500,000.

The men, arrested during a huge operation in Forest Gate, East London, ten days ago, could receive a six-figure sum after being apparently libelled by officers, legal experts said.

Mohammed Abdul Kahar, 23, who was shot during the dawn operation, and his 20-year old brother Abul Koyair were released without charge at the weekend after police found no trace of a chemical device at their address.

The operation mounted to arrest them, involving 250 officers, some armed and in chemical protection suits, drew widespread criticism.

On Sunday a crowd of around 400 demonstrated outside Scotland Yard at the 'heavy-handed' tactics.

MP George Galloway told the protesters he would raise a vote of no confidence in the Commons over Prime Minister Tony Blair and Met Commissioner Ian Blair. "The two Blairs have got to go," he said. The arrested men's sister, Humeya Kalam, said in a statement read to the protesters: "My brothers would have liked to have come today to show unity. However they are unable to do so because they are still recovering from their injuries, physically as well as mentally."

She added: "No other innocent family should be put through the same nightmare that we went through. We are very relieved to have them back after the hell we went through last week."

Speculation as to how much compensation the men might receive has ranged from £100,000 to £500,000 for the incident. However security sources indicated that Scotland Yard would defend any bid for damages, saying police were responding to "credible and specific" intelligence and

carried out the raid in the interests of public safety.

Former Met Commissioner Stevens backed the police operation, saying anti-terror chiefs must always make public safety not political correctness a priority. The dramatic operation came after an MI5 informant drew a sketch of a poison bomb and a vest or jacket that could have been used to smuggle it on to the Tube network or into a pub crowded with World Cup fans.

Abul Kahar was shot in the shoulder during the raid, prompting allegations of police heavy-handedness.

Gareth Peirce, the lawyer acting for the family, said a claim would be launched. "Of course it is more than likely that they will claim for compensation, that is a natural consequence," she said. Peirce said both men had struggled since their release: "It has not been an easy re-entry to the world by any means." DAILY MAIL

13 JUN 2006

THE TIMES OF INDIA

Joy, solemnity mark Thai celebrations

60th anniversary of the King's accession to the throne

P. S. Suryanarayana

SINGAPORE: Popular joy and solemnity marked the commencement on Friday of celebrations in Thailand to hail King Bhumibol Adulyadej on the 60th anniversary of his accession to the throne.

The five-day celebrations will be attended by monarchs and representatives from several royal households across the world.

Thailand, which abolished absolute monarchy in 1932, has had 16 constitutions since then. However, the popular belief in Thailand, as also the consensus among external observers, is that King Bhumibol Adulyadej has held "an all-steadying influence" during crises.

The celebrations have attracted attention in southeast Asian capitals also because the people of Thailand seem to expect their deeply revered King, a constitutional monarch, to guide the country through its current political crisis as well.

According to regional diplomats and analysts, the crisis centres on organising a fresh general election as a sequel to the judicial annulment of the April 2 snap polls. The King had advised the authorities to put the country back on course in the context of that crisis.



REVERED MONARCH: King Bhumibol Adulyadej and Queen Sirikit of Thailand at a ceremony to pay homage to their forefathers, on the 60th anniversary of the King's accession to the throne, in Bangkok on Friday. - PHOTO: REUTERS

MPs BACK PRIME MINISTER

Badawi ^{SF-3} to answer ^{14/6} Mahathir ^{Sb Abu-Mahathir}

Mazwin Nik Anis

KUALA LUMPUR, June 13: The government, through the relevant ministries, will reply to former Prime Minister Dr Mahathir Mohamad's demand for answers on the four issues he raised, said Malaysian Prime Minister Mr Datuk Seri Abdullah Ahmad Badawi. He said the answers would be given in detail.

"The answers can be put out but this has to be done by the relevant ministries, not by me," he said in a statement issued to Bernama by his assistant press secretary Mr Wan Esuriyanti Wan Ahmad. According to Mr Wan Esuriyanti, Mr Abdullah wanted to clarify a statement made by the Johor Baru MP, Mr Datuk Shahrir Abdul Samad who was reported to have said that the MPs had left it to Mr Abdullah to implement the process of explaining to the people regarding the criticisms.

Earlier, 78 Backbenchers Club (BBC) members, including Mr Shahrir, and senators were given a briefing on the controversy by Mr Abdullah at his office in the internal security ministry yesterday. Some backbenchers said that various ministers and government officials had already replied comprehensively to Dr Mahathir's

questions on the government's decision to scrap the Johor bridge; on the sale of Proton's foreign venture and MV Agusta Motors SpA; on the issuance of approved permits for car imports; and on why Proton Holdings Bhd chief executive officer Tan Sri Tengku Mahaleel Tengku Arif's contract was allowed to lapse.

However, since Dr Mahathir insisted that he was not satisfied, the relevant ministries would come forward with more details. Last week, Dr Mahathir levelled his strongest criticism yet against Mr Abdullah, accusing him of dismantling many of his policies. Backbenchers Club acting chairman Mr Datuk Raja Ahmad Zainuddin Raja Omar said the Umno MPs and senators had sought the meeting with Mr Abdullah, and gave him their word that they completely backed him. According to the MPs, the Prime Minister stressed that while industrialisation policies laid down by the previous administration would not be abandoned, the emphasis on agriculture was necessary. The Ninth Malaysia Plan remained his chief concern, Mr Abdullah said, and people should judge him and his government on its success.

■ THE STAR/ANN

THE STATESMAN

14 JUN

N-deal should not disturb regional balance: Pakistan

Washington: Pakistan has told the US that the Indo-US nuclear deal should not be allowed to disturb the balance of power in South Asia.

We believe that everybody will suffer if this balance is disturbed, Defence Secretary Lt-Gen (Rtd) Tariq Waseem Ghazi told a news briefing in Washington.



An American protesting the Indo-US deal at Capitol Hill

Gen Ghazi, who was here for the 17th annual meeting of the US-Pakistan defence consultative group, said that Pakistan had some reservations about the Indo-US nuclear deal and these reservations were raised during the five-day talks.

"We told them that the existing balance of power in South Asia must not be disturbed," he said. "It will hurt everybody if this balance is disturbed." Gen Ghazi said that the Pakistani delegation also discussed the Bush administration's concept of de-hyphenation during the DCG talks and in their meetings with US officials.

The US says that it has de-hyphenated its ties with India and Pakistan and relations with one will not be allowed to influence the other.

We have different views on some aspects of this concept and we believe that (the Indo-US nuclear deal) may lead to an arms race in South Asia, the defence secretary said.

He said US officials were told that allowing India to keep some of its nuclear facilities outside the IAEA safeguards has the potential to disturb the balance of power.

"There's always a possibility of the diversion of fissile material from safeguarded to un-safeguarded facilities," he said. "This could lead to arms race."

The defence secretary said that Pakistan understood how to maintain the minimum strategic deterrence in the region and will not be tempted into this race but its for the world to see what could trigger such a competition.

He said it was not just Pakistan that had reservations about the Indo-US nuclear deal. Enough people are questioning this in the US as well.

Gen Ghazi said that during the DCG meetings both sides agreed that there was an excellent understanding between the military establishments of the two countries and on issues of regional security. But they also agreed that this understanding should go beyond defence ties and develop into a long-term friendship between the two countries.

The defence secretary said that no US official or congressman he met during his weeklong stay in Washington raised any doubts about Pakistan's sincerity to fighting terrorists hiding in the tribal belt or elsewhere. DAWN

9 MAY 2006

Dangerous neighbourhood

THAT India lives in a rough and turbulent neighbourhood is not news. Even as we celebrate the triumph of people power in Nepal we are shocked by the latest manifestation of terrorism in Sri Lanka.

It is not that India could have stopped Tuesday's daring bomb attack in Colombo on the Sri Lankan army chief right in the heart of the army headquarters. Nor is the argument here about India's bumbling response to the political crisis in Nepal.

It is about the disturbing reality that India does not seem to have its regional security act together. At a time when the world is looking at New Delhi to take charge of the region, India is dropping the ball.

After nearly two years in office, Prime Minister Manmohan Singh has had no time to visit Sri Lanka or Nepal. He managed to get just once to Bangladesh. Conservatives in his office want to delay his long overdue visit to Pakistan as much as possible. The neighbourhood record of Atal Bihari Vajpayee, who was at helm for nearly six years, was no better.

If there is no sustained high-level engagement with our neighbours, the situation is much worse when it comes to developing a strategy towards the neighbourhood. Collectively we are so obsessed with the US and so intensely focused on grand principles and slogans of international relations that there is no real effort to understand our own region and our responsibilities towards it.

As India looks at the troubled neighbourhood, at least five antinomies stand out. The first is about whether India should lead or step back from handling the regional crises. Whether India likes it or not, and whether the elites in the neighbourhood approve or not, India is a rising power and its impact on its neighbours can only grow.

Without a conscious and strong Indian policy that aims to lead the



The old order in South Asia can no longer be sustained. India must lead

C. RAJA MOHAN

region towards peace and prosperity, South Asia would begin to unravel. Avoiding leadership is no longer an option, given the gravity of the problems posed by endemic poverty, political instability and the growth of extremist and terrorist forces in our neighbourhood.

Part of the responsibility for the collapsing peace process in Sri Lanka must be laid at India's door. New Delhi's unwillingness to lead the peace process has emboldened the LTTE to violate the ceasefire agreement with impunity. For the LTTE now fears nothing from India.

The second antinomy juxtaposes the principles of territorial sover-

no one. Even India's refusal to act in the current crisis in Nepal would have been seen by the democratic forces as a conscious intervention on behalf of a power hungry monarchy.

Even as the political elites in the region criticise India for its interventions, they also demand India act on their behalf. In Nepal, the king was hoping he would get a pass on constituent assembly from India, while the Maoists were hoping India would act to facilitate the birth of a republic. In Sri Lanka, both the LTTE and Colombo want us to protect their interests. The question, then, is not whether India should intervene. It is about when and how to

The US and the international community share India's goals to promote democracy in Nepal, end civil war in Sri Lanka, and counter extremism in Bangladesh

eignty and non-intervention. This stems from conflating our own traditional fears of external involvement in our internal affairs with the great power imperative to manage regional security.

India's own policy on the neighbours has been littered with interventions ever since Independence — from restoring the monarchy in Nepal in 1951, to the creation of Bangladesh in 1971, to the military intervention in Sri Lanka in the late 1980s. The latest attempt to revive the political process in Nepal is just one more in that tradition. Pretending that it is not intervention would fool

intervene. The challenge for India lies in ensuring that its interventions are for the collective good and not merely for its own narrow interests.

The third antinomy is between bilateralism and multilateralism. India has traditionally sought to prevent other powers from intervening in the region. While not always successful, it has been a mantra for the Indian establishment.

But today the world is looking for India to take the lead on resolving regional conflicts. The US and the international community share India's goals to promote democracy in Nepal, end the civil war in Sri Lanka,

and counter extremism and terrorism in Bangladesh.

If seeking to intervene for the right purposes, India today can confidently expect international support. And it might be in India's interest to mobilise the rest of the world in encouraging positive change in its neighbourhood at the lowest possible political cost.

The fourth tension is between sectional goals and national interests. In Nepal, India came dangerously close to abandoning the national goals in favour of the interests of the feudals, Hindutva crowd and the parochial interests of the army.

It has been much worse in the case of Sri Lanka. For years both the Congress and the BJP have elevated their desperation to maintain political alliances with Tamil parties above the collective national interest in Sri Lanka.

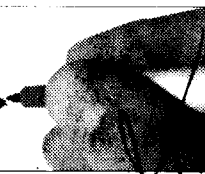
The fifth antinomy is about the tension between the principles of status quo and transformation. The idea of preserving order, which always animates a great power, has over the years been interpreted as a "do-nothing" policy.

The overbearing bias in India's neighbourhood policy is towards "masterly inactivity", an old British Indian phrase that Natwar Singh, the former foreign minister, has put back into the discourse this week.

At any given time, whatever might be the situation, there are enough powerful voices in the Indian establishment to prevent change in the approach towards any neighbour.

India's policy towards the region now demands a strong commitment to transformation. With change now inevitable, the old order in South Asia can no longer be sustained. Instead of resisting change, India must nudge the subcontinent towards a radical transformation.

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A trade boom on Pak-Afghan border

All the raging wars all along the Durand Line do not seem to have affected the ingrained Afghan habit of trading. From a mere \$25 million a few years ago, Pak-Afghan trade has crossed \$1.25 billion last year, say official sources in Kabul. The figures of the unofficial trade could be much higher. Amid a large international presence in Afghanistan and a steady economic growth after Taliban's ouster in 2001, commerce along the Pak-Afghan border has begun to boom.

Trade between Pakistan and Afghanistan is not without problems. A land-locked country, Afghanistan has transit rights through Pakistan to the Karachi port. But the implementation of this right has never been easy, with perpetual complaint from both sides.

The Afghans object to various non-tariff barriers Pakistan imposes on Afghanistan's trade with the world. Afghanistan would also like imports from India overland through Pakistan. Islamabad holds back, thinking it would be too big a favour to New Delhi.

The Pakistanis, in turn, complain about smuggling of goods meant for Afghanistan into their markets. The Pak-Afghan border is no different from that between India and Nepal, unregulated and a magnet for smugglers. The big difference in the two countries' import tariffs provides a strong incentive to divert goods into Pakistan. One example is tea from India. Thanks to high Pakistani duties on Indian tea, it is lucrative to divert Indian exports meant for Afghanistan into Pakistan. Nearly a quarter of 170 mn tonnes of tea consumed every year in Pakistan is smuggled from Afghanistan. If economics is given a priority, Afghanistan, Pakistan and India would look at a triangular trade and transit arrangement as well as joint economic projects. But how does one convince Pakistan to act in its own interest?

Peshawar beckons

It is not often that Indian High Commissioners to Islamabad travel to Peshawar. The Indian envoy Shiv Shankar Menon showed up at Peshawar last week, making a big pitch for trilateral economic cooperation between India, Pakistan and Afghanistan. Speaking at the Sarhad Chambers of Commerce and Industry in Peshawar, Menon suggested that the city could reclaim its historic role as an entrepot between the sub-continent, Afghanistan and Central Asia. The problem, of course, lies in Pakistan's reluctance to ease controls on Indo-Pak trade at Wagah and allowing transit of Indian goods to Afghanistan.

With Afghanistan now joining the South Asian Association for Regional Cooperation, Menon underlined the prospect for reviving the Grand Trunk Road that ran from Kolkata to Peshawar until the Partition. Menon also pointed to the fact that triangular economic cooperation between Delhi, Islamabad and Kabul would accelerate the economic reconstruction of Afghanistan. "India, Afghanistan and Pakistan have a common interest and should be working together to ensure a peaceful and prosperous periphery", Menon concluded.

The Foreign Office in Islamabad was quick to respond. Pakistan already allows the export of Indian goods to Afghanistan through Karachi and there was no need to open up overland transit.

Frontiers as economic zones

It is not just India which is suggesting the injection of an economic dimension to the Durand Line. The US and the North Atlantic Treaty Organisation have begun to recognise that development might be the best antidote to terrorism and extremism on both sides of the Durand Line. The territories along the Durand Line have never seen the exercise of sovereignty in full measure by any state—British India, Pakistan or Afghanistan. This unadministered frontier has now become a haven for al Qaida and Taliban, which use the inhospitable terrain to defeat all attempts at using organised military force to subdue them.

The NATO forces now being deployed along the Pak-Afghan border hope to eventually undertake economic projects along the Durand Line. The Bush Administration is toying with the idea of special economic zones along the Durand Line that could qualify for tariff concessions from the US and other major economic powers. By creating new economic opportunities for the long isolated and fiercely independent tribes along the Pak-Afghan border, it is hoped that they could be weaned away from hosting terrorists.

Pakistan, which is battling militancy in Waziristan and other Federally Administered Tribal Areas along the Durand Line, too, has been talking about massive investments to bring connectivity and development to the region. With nearly 70 per cent of the FATA population living below the poverty line and literacy rates hovering around 10 per cent, it is time Pakistan acted. But throwing money at FATA's 10 million people is unlikely to work. Unless there is a root and branch overhaul of the primitive system of governance left by the British, Pakistan would find it hard to make a dent into its troubled frontiers with Afghanistan.

Durand line and Radcliffe Line

As the international community and Pakistan struggle to transform the nature of the Durand Line, the key to success may well lie at the Radcliffe Line. If Pakistan chooses to open up the Radcliffe Line, that defines its international border with India, it would be able to take full advantage of potentially explosive commerce between the three countries to reinforce the transformation of the Durand Line.

As Pakistan's nightmare of a two-front problem comes true, it should not be too difficult to see that it can stabilise its western frontiers only by opening up its eastern border with India. India, in turn, must resist the temptation to outplay Pakistan in Afghanistan. India's hopes to play a larger role in the reconstruction of Afghanistan can only be realised through cooperation with Pakistan. Putting across the vision of triangular cooperation must be at the top of Prime Minister Manmohan Singh's impending trip to Islamabad in June or July.

8/21/06

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Power of Nepal's King May Not Be So Absolute

Gyanendra Struggles Against United Opposition

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By John Lancaster
Washington Post Foreign Service
Wednesday, February 8, 2006; Page A11

Updated 1:31 a.m. ET

- Expectant Princess Has Japan Hoping for Fairy Tale Ending
- A Lost World in Indonesia Yields Riches for Scientists
- Strong Leads and Dead Ends in Nuclear Case Against Iran
- Controversy May Affect U.S. Efforts
- Turmoil Over Cartoons Began Quietly Among Danes

KATMANDU, Nepal, Feb. 7 -- Barely a year after seizing absolute power, King Gyanendra is a monarch under siege -- shunned by former allies, struggling to contain a raging Maoist insurgency and confronting a new alliance between the rebels and mainstream political parties that dismiss as farce his plans for restoring democracy.

The parties are boycotting municipal elections scheduled for Wednesday, a step that in combination with Maoist threats has ensured that more than half of the 4,000-plus local seats will not even be contested. The Maoists are also enforcing a week-long general strike that has paralyzed normal life in cities and towns throughout the country.

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So tenuous is the king's position that some Nepalese journalists and analysts have begun to speculate about the odds of a military coup, or perhaps a hurried departure by the royal family in the dead of night, spelling the end of the troubled Hindu dynasty that has presided over this impoverished Himalayan kingdom since 1768.



King Gyanendra, right, suspended Nepal's elected government in 2002 and assumed direct rule last year, a move he said was crucial to defeat a Maoist insurgency. (By Binod Joshi -- Associated Press)

While few predict an outright victory by the Maoists, whose popular support has waned since they launched what they called a "people's war" a decade ago, the

rebels roam freely throughout the countryside and have escalated their attacks on government targets since ending a four-month unilateral cease-fire last month.

To prevent protests against Wednesday's elections, the government has rounded up hundreds of political organizers, student leaders, human rights activists and professional association leaders under a draconian law that permits detention for up to 90 days without trial.

"The king, he speaks in favor of constitutional monarchy and democracy, but in practice, he's behaving like an autocrat of the 18th century," said Bishnu Manandhar, general secretary of the Communist Party of Nepal (United), one of the country's largest parties, speaking from behind the iron gate of the makeshift detention facility where he was being held with more than 100 others this week.

Gyanendra, 58, has defended his handling of the country's political turmoil, asserting last week in a televised speech that the "cloud of pessimism" was dissipating and that "the process of reactivating multiparty democracy has now begun." He promised to hold parliamentary elections next year.

The king's taped address came just hours after a Maoist force estimated at several thousand overran a government outpost in western Nepal, killing 19 security personnel, seizing weapons and taking dozens of hostages. In separate attacks Monday, Maoists killed seven security personnel, two of them near Katmandu, and shot a taxi driver who had defied their strike order on the outskirts of the capital, authorities said.

On Tuesday, most shops and businesses in Katmandu remained closed in observance of the strike, and traffic was much lighter than usual, with drivers who chose to defy the ban taping over their license plates so they could not be identified. Soldiers manned fortified positions outside government buildings and patrolled on foot or in pickup trucks.

In another, potentially more positive development Tuesday, the leader of the Maoists, who goes by the name Prachanda, said in an interview published in the Katmandu Post that the rebels would be willing to talk with the government if it agreed to the rebels' demand for an elected national assembly that would write a new constitution.

Nepal is a source of growing concern in foreign capitals, including Washington, where officials fear the potential emergence of a failed state in a strategically sensitive region between China and India. Gyanendra ascended to the throne in 2001 following the assassination of his elder brother, King Birendra, in a bizarre palace

massacre carried out by Birendra's deranged son and heir apparent, who then killed himself.

Political instability has worsened under Gyanendra, an aloof, unsmiling figure who often appears in military uniform and is said to have grown wealthy from business interests in tourism, tea and tobacco. He suspended elected government in 2002 and assumed direct rule last year, defending the move as necessary to defeat the Maoists and restore full democracy.

In response, the United States and India have suspended arms transfers to Nepal while urging Gyanendra to reconcile with the main political parties. But they remain at loggerheads over the parties' insistence that Gyanendra reinstate the parliament that was dissolved in 2002. Last fall, the parties formed a loose alliance with the Maoists after the rebels agreed to stop killing politicians and party workers.

U.S. Ambassador James F. Moriarty said in an interview this week that parties may come to regret what he termed the "clammy embrace of a violence-endorsing totalitarian movement." But analysts here say the deal speaks to the deep frustration among political and civil society leaders, who have begun to talk openly of doing away with the monarchy or perhaps reducing it to a purely ceremonial role.

"The last year was our year of knowing the king, and we don't like what we see," said Kanak Dixit, a prominent journalist. "This is an institution that is pretty much made or broken by who is sitting in the throne, and the king has pretty much ruined it."

One burning question among journalists, diplomats and analysts in Nepal is whether the disaffection has spread to the officer corps in the Royal Nepal Army. Dixit said thoughtful officers are "very worried about the lack of political engagement by the king."

Late last year, Gyanendra traveled to several African countries, prompting speculation that he might have been scouting a potential refuge -- or perhaps secreting money abroad -- in case he needs to make a hasty departure.

In an interview Tuesday, Foreign Minister Ramesh Nath Pandey dismissed such speculation as "nonsense." He said the king traveled to Burundi to visit Nepalese peacekeeping troops and to South Africa as part of an important diplomatic mission that could not be publicly described.

The king, he asserted, is open to discussions with political parties as a way out of the current crisis. "There is no difference on multiparty

democracy," he said. "The only difference is on methodology."

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India to neighbours: we are opening SAARC skies

FLIGHTS ■ Except for Pak, note sent to all offering rights to stop, pick up, fly to a third country

PRANAB DHAL SAMANTA

NEW DELHI, MAY 8

PUSHING ahead with Prime Minister Manmohan Singh's offer for an open skies in the SAARC region, India has sent out detailed letters outlining the offer to all SAARC members except Pakistan and has even extended fifth freedom rights for flights operating within the region. This means a SAARC airline can stopover in India, pick up passengers and fly to another SAARC country.

The offer is in line with what was agreed upon with Sri Lanka in 2003

and offered to ASEAN countries. This basically translates into seven flights a week to Delhi, Mumbai, Hyderabad, Chennai, Kolkata and Bangalore besides unlimited flights to 18 tourist destinations.

While the offer of a liberal skies arrangement was made by Singh at the Dhaka SAARC summit last November, India is now willing to go a step further and extend fifth freedom rights within the region.

As for Pakistan, a different mechanism is in place and bilateral air services discussions are still going on. Sources said the government is not in a



Lankan foreign minister in Delhi: Colombo wants to double flights

hurry to conclude an open skies with Islamabad as several basic steps like allowing private carriers to operate and

adding more points of call to the existing air bilateral agreement are yet to take place. Moreover, talks with Pakistan are seen as part of the larger peace process and linked in many ways movement on other issues like commerce and transit facility.

There are requests from Colombo to further liberalise the bilateral agreement. In fact, Sri Lankan Foreign Minister Mangala Samaraweera will meet Civil Aviation Minister Pratul Patel tomorrow. It's learnt that Sri Lanka wants to double the number of flights it is being allowed to India as well as add more points of call.

SAARC Home Ministers pledge to fight terrorism

Haroon Habib

13/5
Govt
Min
13/5

DHAKA: Home Ministers of the South Asian Association for Regional Cooperation (SAARC) countries have resolved to fight terrorism and drug trafficking by bolstering the existing mechanisms and sharing information and experiences.

In their first-ever meeting, which ended here on Thursday, the Ministers pledged to work together to bring peace and stability to the region by fighting terrorism, which was causing damage to the lives and livelihood of the people and affecting the economic stability and prosperity of the region. They also decided to work more closely with the Association of Southeast Asian Nations (ASEAN) and the United Nations Office on Drugs and Crime.

"Fruitful meeting"

13-12

At a post-conference briefing, Bangladesh State Minister for Home Lutfozzaman Babar said: "Our greatest achievement is that the Home Ministers expressed their vows to strongly combat terrorism in their respective countries to ensure the overall economic prosperity of South Asia." He termed the meeting "very fruitful," and said decisions had been taken to increase the effectiveness of the Colombo-based desk responsible for checking drug abuse.

The conference also discussed issues such as money laundering, terrorist financing and laws.

The Home Ministers decided to share the experience of their law enforcement agencies. Bangladesh, India, Pakistan and Sri Lanka proposed training programmes for police personnel. However, the Ministers could not decide on the formation of SAARCpol, an idea endorsed by the Home Secretaries.

13 MAY 2006

THE HINDU

Nepal sheds Hindu tag, sidelines King

Parliament wrests powers, declares itself supreme

HT Correspondents
Kathmandu/Kolkata, May 18

KING GYANENDRA is a king now only in name; and the world's only Hindu state, history. Nepal kept its trust with destiny on Thursday when its reinstated Parliament, in one fell sweep, declared itself 'supreme', stripped the monarch of most powers and proclaimed the country a secular state.

Tabling the proclamation in the House of Representatives (HoR), Prime Minister Girija Prasad Koirala said from now on the government would be known as 'Nepal Government', not 'His Majesty's Government' and the Royal Nepal Army (RNA) would be known as 'Nepali Army'.

The new dispensation made the king's private property taxable and wrested the right to fix annual expenditure of the royal palace. The House also declared that all laws and provisions of the Constitution that contradict the proclamation would stand "nullified". Parliament would have full executive power and would formulate all procedure for election to the Constituent Assembly.

The HoR, including the Rastriya Prajatantra Party and the Rastriya Janashakti Party, unanimously accepted the proposals.

Reading out the proclamation, Speaker Subash Nemwang said the monarch would no longer be Supreme Commander-in-Chief of the 90,000-strong army. The Cabinet would decide on appointment of the army chief and troops mobilisation on approval from the relevant parliamentary committee.

The Raj Parishad, the king's advisory body, would be dissolved because it had become suspect since the February 1 royal takeover. The HoR would take care of its functions and hold the right to formulate, amend or annul laws relating to succession to the throne, the proclamation said.

While the Cabinet would decide on the security of the royal palace, the



AP
Anti-king protesters in Kathmandu.

Royal Household Service would be made part of the civil service.

The monarch would be deprived of his discretionary powers mentioned in the 1990 Constitution. His actions would be subject to challenge in courts of law and the HoR, the proclamation said.

Parliamentary sessions would not be convened by the king. The power would rest now with the Speaker of the House. There could also be special sessions if one-fourth of the House called for it, it added.

Political analysts said the proclamation was in complete consonance with the 12-point agreement between Seven Party Alliance (SPA) and Communist Party of Nepal (Maoist).

Any attempt to subvert the "historic parliamentary proclamation, which has made the people sovereign," would fail, the pro-democracy leaders warned. Before voting on the proclamation, senior politicians, including CPN (UML) general secretary Madhav Kumar Nepal and Nepali Congress (Democratic) president Sher Bahadur Deuba, said the day would mark an end to autocracy.

"History is not going to repeat. Now, our country will only move forward. Any side going against this declaration will face people's uprising. It has come in accordance with popular aspirations and established that there is no power above the people and the Constitution. All sectors should adopt the concept of inclusive democracy," Nepal said after the session.

19 MAY 2006

THE HINDUSTAN TIMES

Afghanistan, Pakistan seek to defuse rising tension

Kabul envoy meets senior Pakistan officials over Taliban issue

Nirupama Subramanian

ISLAMABAD: Pakistan and Afghanistan are working towards an early visit here by the Afghan Foreign Minister to defuse mounting tensions between the two Governments over the Taliban.

The foreign affairs spokesperson, Tasneem Aslam, said the Afghan Ambassador met a senior Pakistan Foreign Ministry official on Tuesday to discuss issues of mutual concern.

"There was an exchange of views on several issues including a visit by the Foreign Minister of Afghanistan," said Ms. Aslam.

She said a report that Ambassador Nangyalai Tarzai had been summoned to the Foreign Office was wrong. "The meeting took place at his request," she said.

No date for the visit by the Afghanistan Minister, Rangeen Dardar Spanta, had yet been finalised, she said.

Against a background of a war of words between the two Governments, Pakistan Prime Minister Shaukat Aziz and Afghanistan

- **Afghan Foreign Minister to visit Pakistan**

- **Leaders of the two countries trade charges**

- **Islamabad moots increased co-ordination**

President Hamid Karzai agreed earlier this month that their Foreign Ministers should meet every quarter.

The last few days saw a heightening of the verbal exaltation in the Afghan conflict. Over 200 combatants and civilians are reported to have been killed in stepped up fighting in southern Afghanistan between Taliban fighters and the NATO-led International Security Assistance Force.

Following a particularly big attack by the Taliban, Mr. Karzai alleged that "Pakistani intelligence gives military training to people and then sends [them] to Afghanistan with logistics."

His Foreign Minister followed this up with the allegation that "the ideological leadership [and] military leadership of the Taliban and other international terrorist groups...are living in Pakistan".

The Taliban was mounting attacks on Afghan territory with help from "the other side", Mr. Spanta said.

In a sharp response to the U.S.-backed Karzai Government, Pakistan said that these accusations showed Afghanistan's "frustration" at not being able to address its internal security situation.

"The Afghan Government's failure to deal with the situation cannot be placed at Pakistan's door. Pakistan has itself been a victim of the conflict in Afghanistan for over a quarter of a century," Ms. Aslam said on Monday.

Reading from a prepared text, Ms. Aslam said Afghanistan had to address the situation politically, and step up efforts towards national reconciliation so that all segments of Afghan society could participate in the political process. The statement underlined that Pa-

kistan too had stakes in a peaceful Afghanistan. Aside from problems arising out of guns and drugs in Afghanistan, Pakistan was dealing with the huge burden of three million Afghan refugees, and it was eager to see conditions that would enable their return home.

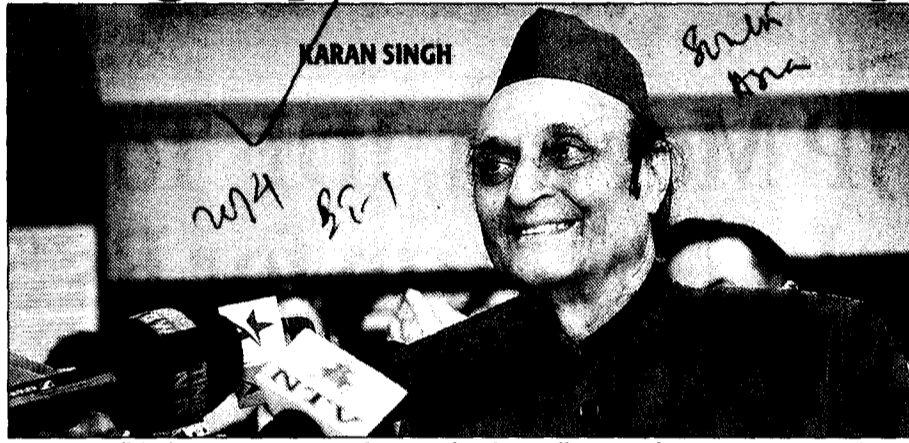
Blaming the ongoing conflict on the "weakness of Afghan institutions", the statement asserted Pakistan had done more than any other country to fight terrorism, deploying 80,000 troops on its western border, conducting over 75 operations and establishing 800 border posts.

"More of our soldiers have sacrificed their lives than both the Afghan and ISAF troops combined. The situation poses a difficult challenge but we are dealing with it in the best possible manner. We expect the same degree of commitment from the other side," it said.

For its part, Pakistan has suggested increased co-ordination within the framework of the Trilateral Commission comprising itself, Afghanistan and the U.S. and intelligence sharing.

Pranab Says India Wants A Constitutional Monarchy

Karan Singh to meet King Gyanendra today



Our Political Bureau
NEW DELHI

WITH the civic unrest in Nepal gathering momentum, India's special envoy to the kingdom, Karan Singh will be meeting King Gyanendra on Thursday. At the meeting, Mr Singh is likely to press the king to restore multi-party democracy in Nepal within the framework of constitutional monarchy and thus put an end to the ongoing turmoil.

India's position on the standoff between the seven-party alliance and the royal family of

Nepal was outlined in Kolkata on Wednesday by defence minister Pranab Mukherjee. "India has made it clear that it wants constitutional monarchy within the framework of a multi-party democratic system, which was introduced in Nepal in 1990," he said, adding that "It should be restored in consultation with all political parties. All along we have maintained this line."

At Tuesday's Cabinet Committee of Political Affairs meeting, the defence minister said that a decision was taken to send Dr Singh as a special envoy to Nepal to talk to the king

and convey "our suggestion to him to resolve the crisis."

India still sees the king as a factor of stability and wants him to continue as a constitutional monarch, with a government of national consensus at the helm to run the day-to-day affairs. And on choosing the government of national consensus, the envoy might convey to the king that he should ask the political parties to chose a Prime Minister, sources said. On Wednesday, he and foreign secretary Shyam Saran reached Nepal and started consultations with leaders of the political parties.

20 APR 2006

The Economic Times

Maldives: demand for poll reforms gathering momentum

Political activity hotting up with 2008 Presidential elections getting closer

Sandeep Dikshit

MALE: Political activity in Maldives is slowly hotting up as the Presidential elections due in 2008 get closer.

The octogenarian President's opponents are a little upset at the arrival of two Indian naval ships (including a fast attack craft gifted to Maldives) at a time when the demand for electoral reforms is gathering momentum. The Indian High Commission has clarified that the arrival of the ships is in no way connected with the domestic political activity planned in the coming days. Rather, the fast attack craft would help to keep away hostile trawlers and preserve marine life from unchecked exploitation.

While the High Commission closely follows the Common-

- Indian ship to keep away hostile trawlers
- Service conditions of Indian teachers cause for concern
- Youngsters under Bollywood influence

wealth initiatives to bring about a more transparent democracy in Maldives, the service conditions of 4,000 Indian teachers are cause for concern. It is largely unaware of their presence in schools on remote islands because teachers are directly recruited by agents in India. On coming here most potential teachers give tourism as the reason for their visit but stay on for years. Some of their well-wishers here want the Government to make an example of some of the teachers under the Passport Act, which provides for a penalty

for not registering at the High Commission if their stay exceeds 21 days. Once they begin registering on arrival, the High Commission will be in a better position to give them relief and protection.

While Maldivians yearn for a more representative democracy, expatriates with different religious persuasions want the freedom to practise their faiths openly in a country, where import of idols is banned.

Dhoni is a common reference word in Maldives. It does not refer to the dashing Indian wicketkeeper although a lot of young-

sters can be seen sporting his unkempt hairstyle. Dhoni here is the word for squat, low and rectangular boats that are the main means of communication among the thousands of islands-dotted the nation. Motorcycles and cars mainly ply in the capital, Male, whose circumference is five km. The other islands are much smaller. Dhonis are mainly for the masses while speedboats are the favoured medium for the rich.

Bollywood exerts a strong influence and the most popular movie among the youngsters here is the Abhishek Bachchan-John Abraham starrer 'Dhoom' featuring several stunts on motorcycles.

It is common to see youngsters emulating the stars, riding bikes at full tilt on the narrow roads after sunset.

SAARC '07: China, Japan to attend summit as observers

EXPRESS NEWS SERVICE
NEW DELHI | APRIL 15

THE decks have been cleared for China and Japan to attend the next SAARC summit in 2007 as observers while the applications of US and South Korea have been accepted without much objection by the body's standing committee comprising foreign secretaries of the member states, who recently met in Dhaka.

The foreign secretaries also finalised a joint declaration that would make Afghanistan a full member of

the Association. This will be signed at the next summit to be held in India and would be attended by Afghanistan taking the total membership of the body to eight.

The applications from the US and South Korea were recently received. While the standing committee has accepted them, these will have to be placed before the Council of Ministers and then the full summit before an invite can be extended.

But given that there was no objection at the foreign secretaries' meeting, the applications will get the stamp of approval in due course and

both countries would be able to attend the summit after the next one.

The foreign secretaries also agreed on a set of guidelines for the role of observers, a subject that was under discussion for some time. These are:

- The observers will only be allowed to attend the opening and closing ceremonies.

- They will not be allowed to make any statements, but can circulate statements on any issue.

- On a case-by-case basis, observer states can make specific presentations in case they wish to propose a partnership or cooperative venture.

These guidelines have been arrived at after looking at systems being followed by other regional bodies like ASEAN. The SAARC Council of Ministers are slated to meet in July to approve this, paving way for China and Japan to attend the summit in India.

For all the doubts being raised over Washington's intent to join the grouping as an observer, there was hardly any resistance to the proposal. In fact, the meeting which was to span over two days got over in a day with the foreign secretaries being able to conclude business earlier than expected.

PM PLEDGES \$50M AID TO KABUL

Security, trade focus of talks

✓
5/6
11/4
Gover
Amir ✓

Statesman News Service

NEW DELHI, April 10: India and Afghanistan today expressed their concern at the rising number of terror incidents in the landlocked nation, with security and trade dominating the bilateral talks. India also pledged an additional assistance of \$50 million for Afghanistan.

The visiting Afghan president, Mr Hamid Karzai, who is on a four-day tour, today held one-on-one and delegation level talks with the Prime Minister, Dr Manmohan Singh, at Hyderabad House.

Dr Singh in his opening remarks noted that the "security situation" in Afghanistan was part of the discussions, where both sides "expressed concern at increased terrorist activities in some parts of the country".

But the Afghan president was careful not to get into a blame-game vis-à-vis Pakistan, only asserting that "all of us in the region should join hands to fight the menace of terrorism". Pakistan-Afghanistan relations have been under a strain, ever since the Afghans accused the Pakistanis of not doing enough to stop the Taliban insurgents from attacking across the border. They had also given a list of wanted persons believed to be in Pakistan, but it was met with anger and indignation.

However, during his press conference today, Mr Karzai was at pains to soothe frayed emotions, repeatedly referring to Pakistan as "our brothers". He also pointed out that there had been a "massive



Dr Manmohan Singh with Afghan President Mr Hamid Karzai in New Delhi on Monday. ■ AFP

jump" in strengthened neighbourly relations, with Pakistani exports increasing from 25 million dollars to \$1.2 billion in the last four years. "The dividend of peace is for the entire region," said Mr Karzai.

He added that the Afghan government talked regularly to Pakistan on this topic, stating that "more effective" action could be devised by all in this region.

The PM noted that not just India and Afghanistan, even Pakistan was "not immune to terrorism". He said that India was all for "pooling our knowledge and intelligence" to deal with this "menace".

Both countries today signed three memoranda of understanding in the field of education, rural development and standardisation. India also announced its pledge of another \$50 million, thereby taking the total assistance to Afghanistan to \$650 million. Out of that, \$200 million has already been spent on projects.

The issue of transit of Indian goods through Pakistan to Afghanistan and beyond was raised by the Indian side during talks, with Dr Singh asking

Mr Karzai to use his "good offices" to persuade Pakistan. Dr Singh said that he had "not lost hope" of Pakistan relenting on the subject.

"The issue of transit between India, Pakistan and Afghanistan is extremely significant for the three countries," said Mr Karzai, adding that he had raised the transit problem with "brother Musharraf", who understood the issues.

"We hope a day will come when goods and people can move freely from India to Afghanistan and Central Asia through the overland route in Pakistan," said Mr Karzai. Interestingly, he also said that in reciprocal, Pakistan should also access Indian roads for transit to East Asia. Accompanied by a large business delegation, Mr Karzai said that he would like Indian companies to make Afghanistan "a hub for launching products in Central Asia".

Meanwhile, a joint ministerial-level committee will be set up to monitor the implementation of the Preferential Trade Agreement signed in March 2003.

11 APR 2008

THE STATESMAN

Free trade among neighbours

Indian officials are cautious in their expectations of Pakistan with regard to the South Asian Free Trade Agreement.

Sushma Ramchandran

THE CHAMPAGNE has not begun to flow despite Pakistan officially welcoming the implementation of the South Asian Free Trade Agreement (SAFTA). Trade officials returning from the latest round of talks in Islamabad are hesitant to describe the meeting as a "success" till the formal stamp of approval is given in Dhaka in the third week of April at a meeting of the region's Trade Ministers. Pakistan has issued the relevant notification ratifying the implementation of SAFTA, but Indian officials are still not sure if this will get the green signal at the political level.

Their wariness is clearly a hangover of past experience with Pakistan on trade issues. Despite both countries being members of the World Trade Organisation, only India has accorded the most favoured nation (MFN) status to Pakistan. Though required under the multilateral body's rules, this has not been reciprocated.

As for SAFTA, progress has been painfully slow with Pakistan sticking to a "positive" list of 770 tradeable goods with India, now expanded to 1,056 items. The "positive" list

mechanism will have to be scrapped if SAFTA is implemented as it only provides for a "negative" list of non-tradeable items among member countries.

The ostensible reason for the slow pace of trade talks has always been Pakistan's concern that opening up of bilateral trade could lead to Indian goods swamping its domestic industry. This is no doubt a legitimate concern as Pakistan's industry could be overrun by the vastly bigger Indian corporate sector.

Much of the neighbouring country's industry is concentrated in the small and medium sector that could be adversely affected by a flood of imports from India. The hesitation is not just a political ploy. Pakistani industry has serious concerns over the prospects of a sharp rise in bilateral trade.

At the same time, as numerous studies have shown, the informal trade between the two countries continues to be vast, much of it re-routed through the Middle East. Officially, it may be claimed that SAFTA implementation will broaden India-Pakistan trade ties but it may be more apt to say it will legitimise much of the existing trade flows. A study by the Associated Chambers of Commerce and Industry of India (Assocham)

peg the total informal trade at about \$1 billion, about 50 per cent lower than earlier estimates. The dip in volume is attributed largely to the trade in tyres having switched to official channels and also to Chinese goods having made inroads in the Pakistan market.

The study, based on interviews with Indian businessmen, says the largest chunk of the informal trade is via Dubai, but there is even some direct trade with ships moving directly from India to Pakistan. There are various methods to do so including switching the bill of lading to show a different port of origin. Trade between the two countries is also carried on through Singapore and Afghanistan.

Of even greater interest in the study is the fact that Indian exports even in the arena of informal trade are estimated to be as high as \$940 million while imports account for a mere \$25 million. Cloth is the biggest export product followed by machinery, especially textile machinery.

Clearly, implementation of SAFTA will bring a bonanza to Indian industry. On the other hand, it would also mean that goods already being supplied from India through a

circuitous and therefore more expensive route will now reach Pakistan through official channels. They will be available at cheaper rates.

Besides, there are a host of products that can be imported more cheaply from India than from other distant countries.

Judging by statements made by the Pakistan Commerce Secretary Syed Asif Shah at the latest round of talks in Islamabad, it appears that Pakistani economic policymakers have recognised that SAFTA will ultimately benefit the country despite the need to keep a negative list of sensitive non-tradable goods. Some confusion remains, however, with reports that Pakistan Commerce Minister Humayun Akhtar Khan has said that trade will continue to be governed by bilateral pacts.

Indian officials are therefore looking for more clarity at the next round of SAFTA talks in Dhaka. The meeting is expected to have a carefully articulated statement of the Pakistan stance on launching SAFTA by the target date of July 1. In case the ministerial pronouncements echo those at the official level, the celebrations can really begin for South Asia.

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01 APR 2006

THE HINDU

SAFTA will call for genuine long term commitment

India will have to allay fears of other members about its dominance

THE SOUTH Asian Free Trade Agreement (SAFTA) has come into force with effect from January 1. The South Asian Association for Regional Cooperation (SAARC) which consists of seven countries, namely, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, is expected to start implementing SAFTA from June - July this year.

SAFTA IS AIMED AT REDUCING EXISTING TARIFFS TO LESS THAN 5 PER CENT WITHIN A STIPULATED TIME FRAME TO BOOST TRADE AMONG THE SAARC MEMBER COUNTRIES.

A regional trade bloc among SAARC members was formed when the SAARC Preferential Trading Arrangement (SAPTA) was signed in April 1993 for giving preferential market access to exports of member countries in a limited way. The agreement to form a South Asian Free Trade Area was signed during the 12th SAARC Summit held in Islamabad in January 2004. The agreement provides for free trade in goods among SAARC member countries.

Tariff reduction

The highlights of the agreement include the following:

(a) Trade Liberalisation Programme: The agreement provides for the following schedule of tariff reductions:

(i) Non-Least Developed Country (Non-LDC) members of SAARC (India, Pakistan and Sri Lanka): These countries will reduce their existing tariffs to 20 per cent within a time frame of two years from the date the agreement comes into force. If the actual rates are below 20 per cent then there shall be an annual reduction of 10 per cent on margin of preference basis for each of the two years. The subsequent tariff reductions from 20 per cent or below to 0-5 per cent shall be done within a peri-

od of five (for Sri Lanka it is six) years, beginning from the third year from the date of coming into force of the agreement.

(ii) Least Developed Country (LDC) members of SAARC (Bangladesh, Bhutan, Maldives and Nepal): The LDC member countries will reduce their existing tariffs to 30 per cent within two years from the date the agreement comes into force. If actual tariff rates are below 30 per cent there will be an annual reduction of 5 per cent on margin of preference basis for each of the two years. The subsequent tariff reductions from 30 per cent or below to 0-5 per cent shall be done within eight years, beginning from the third year from the date of coming into force of the agreement. Notwithstanding the above provisions the Non-LDC member states shall reduce their tariffs to 0-5 per cent for the products of the LDC member states within three years beginning from the date of coming into force of the agreement.

(iii) Sensitive List: Each country will maintain a sensitive list to protect the interests of the domestic stakeholders. The Non-LDC member states will maintain smaller sensitive lists for the LDC member states. The sensitive lists are subject to review after every four years or earlier with a view to reducing the number of items.

Safeguard measures

(b). The agreement provides safeguard measures in case of a surge in imports of product(s) covered under SAFTA concessions, as well as a detailed dispute settlement mechanism.

(c). Special provisions for LDCs: The agreement also provides for compensation of revenue to LDCs which suffer from loss of customs revenue due to the implementation of the trade liberalisation programme.

Basically, SAFTA is aimed at reducing existing tariffs to less than 5 per cent within a stipulated time frame to boost trade among the SAARC member countries. All the countries have been given the option of drawing up their own negative lists. For example, sensitive products covering agricultural items, textiles, pharmaceuticals and small-scale industries will be exempt from the trade liberalisation programme initially. The aim is to achieve removal of all trade bar-

I: Indian exports to neighbouring countries

	2003-04	2004-05	Weight
	Rupees in crore		
Bangladesh	7998.98	7126.94	2.00
Nepal	3075.79	3273.06	0.92
Sri Lanka	6061.91	6082.60	1.71
Pakistan	1318.52	2271.03	0.64

II: Indian imports from neighbouring countries

	2003-04	2004-05	Weight
	Rupees in crore		
Bangladesh	356.71	246.58	0.05
Nepal	1314.40	1527.75	0.32
Sri Lanka	894.85	1636.65	0.34
Pakistan	264.90	428.33	0.09

Source: Economic Division, Department of Commerce

riers among member countries by 2016.

According to the recent Hong Kong Ministerial Declaration, developed-country members as well as non-LDC developing-country members declaring themselves in a position to do so, agreed to implement duty-free and quota-free market access for products originating from LDCs. However, the arrangement will allow importing countries to make exceptions in strategically crucial products such as textiles and rice. Further, in the services negotiations, members agreed to give priority to the sectors and modes of supply of export interest to LDCs, particularly with regard to movement of service providers under Mode 4.

Future of agreement

The South Asian region, one of the poorest regions in the world, has not been able to take advantage of intra-regional trade to boost incomes and reduce poverty. Mistrust among member nations runs high. Most of India's neighbours are suspicious of the size of economy. With India's growth picking up in recent times, its neighbours should realise that SAFTA can enable them to grow their economies faster. On the other hand, India has to provide comfort to the smaller economies that are justifiably worried that their economies may get swamped under the onslaught of Indian corporate giants. Already India has significant balance of trade surpluses with its neighbouring

countries. (Tables I & II).

Another point to keep in mind is that as per the latest understanding in WTO, substantial concessions have been extended to LDCs. As India's importance in the world economy grows, its responsibilities also will grow commensurately. Hence, even if India wishes to deny, say, Bangladesh some concession under SAFTA by keeping some goods out of the reduction in tariffs, it may not be possible to do so under the WTO agreement. On the other hand, if Bangladesh does not suitably respond to India's sensitivities in areas such as providing road access to northeastern States like Tripura, illegal migration and supplies of gas, then it cannot expect India to move proactively to provide trade concessions. In the case of Pakistan, Kashmir and terrorism remain complicated and unresolved issues. Pakistan does not even grant Indian goods most favoured nation (MFN) status, which is compulsory under WTO norms. Simply signing the SAFTA agreement will not get us far; there has to be genuine long term commitment to a free trade area. This obviously has political implications as well. Progress under SAFTA, juxtaposed with the developments under WTO, will have consequences not only for international and intra-regional trade in the coming years, but will also have interesting fall-outs in the domestic economic and political fields.

ABHIJIT ROY

Test of neighbourliness

Two decades after the formation of the South Asian Association for Regional Cooperation (SAARC), and 10 years after the proposal was cleared at a summit of its leaders, the South Asia Free Trade Area (SAFTA) has come into force on January 1, 2006. The process of integrating the trade and economies of the seven founding members of the region has been painfully slow. Of course, it is not an easy task when many of the countries remain in the 'Least Developed' category and two or three of them have moved on to a much higher level of growth and development. More important, the political differences between the two major countries in SAARC – India and Pakistan – have held the regional grouping to ransom all these years. Because of the undue delay in implementing SAFTA, India went ahead and signed a bilateral FTA with Sri Lanka in this region and a few other countries as well. With the neighbouring Southeast Asian forum, the ASEAN, already having an FTA in operation, it was high time a South Asian version got off to a start. Implementing SAFTA is going to be a two-stage process. In the first stage, India, Pakistan, and Sri Lanka are to bring their tariffs in line by 2013, and, in the second, the rest of the region will follow suit by 2018.

Aside from the bilateral and political differences, the South Asian Governments have been under tremendous pressure from domestic industry to stall the process so that it can protect itself from cheaper goods entering the country through the FTA route. Even now, this protectionism can be seen at work with the Governments drawing up separate "sensitive lists" for the least developed and non-least developed countries within SAARC. During the negotiations, the Governments have paid particular attention to the Rules of Origin to ensure that goods that are not manufactured or do not undergo value addition in one of the member-States is not "dumped" on the neighbouring country. India has also responded to the demands of Bangladesh with a special Tariff Rate Quota regime to provide limited access to the textiles sector which comes under the 'sensitive list.' With all this, India's trade with the rest of South Asia is a mere \$5 billion. It makes so much more sense for SAARC countries to look at ways and means of substantially increasing intra-regional trade by sourcing some of their requirements from the neighbours. At a time when India's trade with South East Asia has risen to \$15 billion, such a low volume of transactions within South Asia reflects poorly on the state of SAARC. SAFTA is bound to change the picture and provide a springboard for boosting intra-regional trade. But the three 'more developed' countries have also the responsibility to compensate the less developed ones in South Asia for the loss in revenue they will suffer on account of tariff reductions. The new regime can succeed only through a process of consensus and compromise.

Pak nod to Safta awaited

SNS&PTI

NEW DELHI, Jan. 1. — The South Asian Free Trade Area (Safta), anticipated to boost intra-regional trade in a big way, came into force today though Pakistan is yet to formally ratify it.

"The ratification process is underway. It is just that it was not completed yesterday (the deadline). We hope to do it very soon," Pakistan foreign office spokesperson Ms Tasneem Aslam said in Islamabad. However, commerce ministry officials here said, legally the agreement comes into effect from today.

The Cabinet had given its nod for implementation of the agreement on 29 December. With this, the member countries of Saarc — India, Pakistan, Bangladesh, Sri Lanka, Maldives, Nepal and Bhutan — would be immensely impacted. "Implementation of Safta will fur-

ther strengthen our trade relations with the Saarc countries," commerce and industry minister, Mr Kamal Nath, had said.

Safta was agreed upon at the Islamabad Summit in 2004 and is being operationalised as per the implementation schedule. As per the agreement, Saarc member countries India, Pakistan and Sri Lanka will bring down their customs duties to 0-5 per cent by 2013 while the least developed members (LDCs), Bangladesh, Maldives, Nepal and Bhutan will do it by 2018.

New Delhi has a sensitive list of 884 items for non-LDCs and 765 for LDCs. These are those items on which tariff reduction would be carried out. As per the agreement, trade liberalisation programme would not apply to the tariff lines included in the sensitive list.

India being the larger and relatively developed economy will be providing concessions to LDCs, including a mechanism for compensa-

tion of revenue loss due to reduction in duties and technical assistance. The LDCs, which will be compensated, include Bangladesh and Maldives.

LDCs would also be provided technical assistance in areas like capacity building in standard, protect certification, training of human resources, improvement of legal system and administration, customs procedures and trade facilitation.

Meanwhile, India Inc welcomed the coming into force of the Safta, saying it would lead to regional integration.

Pointing out that implementation of Safta would boost development in the region, the Confederation of Indian Industry (CII) said in other economic groupings like Asean, Nafta, the intra regional trade is much higher bringing benefits to all the countries who are part of the grouping.

Copy from file

agreed to re-open the trade area that was shut down after the 1965 war.

Opening of consulates

However, the opening of the Indian and Pakistani consulates in Karachi and Mumbai respectively is likely to be delayed for the next few weeks. India is ready to open the consulate from January 1, but Pakistan is insisting on a simultaneous start of operations.

With the construction of a new building for its consulate in Mumbai at a site given by the Government still pending, Pakistan has rented a place in a residential complex.

Residents object

However, residents there have raised objections to the possible location of the consulate.

Efforts are under way to sort out the issues raised by the people of the complex, particularly related to visa seekers thronging the place.

Authorities are hopeful of an alternative arrangement at the earliest.

One troop and two escorts for the IGP and two escorts for some distance.

here, where their companions were stated to be out of danger.

of Police (Intelligence) T. Thangthuan on Saturday. — PHOTO: PTI

SAFTA in place from today

Paves the way for a full-fledged South Asia economic union

Special Correspondent

NEW DELHI: The agreement on South Asian Free Trade Area (SAFTA) comes into effect from January 1, ushering in an era of free trade in goods among the seven SAARC member-countries. It paves the way for a full-fledged South Asia economic union in the future.

As per the agreement terms, India, Pakistan and Sri Lanka have to scale down their customs duties to the level of 0-5 per cent by 2013. On the other hand, the four 'least developed' members in the SAARC group — Bangladesh, the Maldives, Nepal and Bhutan — are expected to follow suit by 2018.

• Will usher in an era of free trade in goods among SAARC

• India, Pakistan and Sri Lanka to scale down custom duties

India, being the larger economy among the seven member-countries, has to provide certain concessions to the four least developed countries (LDCs). This would include a compensation mechanism for the revenue loss that they may incur owing to the cut in their import duties.

As per the agreement provisions, the trade liberalisation programme would not be applicable to the tariff lines in-

cluded in the 'sensitive' list of items.

Accordingly, India, which ratified the agreement at its Cabinet meeting on December 29, has finalised two separate lists for the purpose.

For Pakistan and Sri Lanka, it has prepared a list containing 884 items while that for Bangladesh, Nepal, Bhutan and the Maldives, the list contains 763 items.

The four LDCs within the SAARC have also to be provided technical assistance by the other three members in training of human resources, improving of the legal system and administration, custom procedures and trade facilitation.

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Safta comes into force

South Asia 11/1/06
51-10

Indo-Asian News Service

NEW DELHI, Dec. 31. — What seemed a pipedream a few years ago is happening. The historic South Asian Free Trade Area (SAFTA) comes into being on 1 January 2006 with the expectation of boosting trade among the seven members of the South Asian Association for Regional Cooperation (Saarc) from the present modest \$6 billion a year.

The main objective of the far-reaching agreement among the once-squabbling South Asian nations is to reduce existing tariffs by a time frame to push trade among Bangladesh, Sri Lanka, Pakistan, Nepal, Bhutan, the Maldives and India, keeping in mind of course the concerns of individual countries.

According to commerce ministry officials, Safta will become fully operational by 2016 by when intra-regional tariff would be reduced to less than five percent. India's total trade with the Saarc countries was valued at \$5.206 billion in 2004-05.

There are four main pillars of the agreement — rules of origin, sensitive list, mechanism for compensation of revenue loss for least developed countries (LDCs) and technical assistance to needy countries in some areas.

In addition, the tariff cuts will be determined from the applied rate that was in existence for most-favoured nation status as on 1 January 2000, and the Customs notification will come into effect from 1 July 2006.

Under the rules of origin pact, goods have to undergo substantial manufacturing process in the exporting countries, which has been fixed at a value content of 40 per cent for developing countries and 30 per cent for LDCs.

The agreement on sensitive list implies that the trade liberalisation programme would not apply to tariff lines included in a specified list that which is shortened for the LDCs — Bangladesh, Bhutan, the Maldives and Nepal.

India's sensitive list of 884 for Pakistan and Sri Lanka and of 763 for the others include mainly farm goods, textiles, chemicals, leather products and produce from industries reserved for the small-scale sector.