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INSTITUTE OF REGIONAL STUDIES, ISLAMABAD

F-5/2, Ataturk Avenue, Islamabad, Pakistan

E-mails: irspak@comsats.net.pk, irspak@yahoo.com URL: http://www.irs.org.pk

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INDIAN EXPRESS, NEW DELHI 6-7-2021

How India and China are shaped by the idea of national humiliation

Written by Pratap Bhanu Mehta

Indian political ideologies and cultural practice, while less politically authoritarian, are also far less egalitarian, for national humiliation to be owned equally.

One striking fact about the projection of Chinese nationalism is the centrality of the idea of humiliation. The century of national humiliation, from the First Opium Wars to the Nanjing massacre, is an organising principle of historiography in China. It is central to education policy. Even a casual glance at public monuments shows how the Chinese state goes out of its way to remind people of sites of national humiliation. But the idea of humiliation has a legitimising function. The establishment of the People's Republic of China in 1949 marks the overturning of the century of national humiliation. The Communist Party makes a claim for its fitness to rule, in substantial measure, on its ability to position itself as the agent that overcomes China's humiliation. President Xi Jinping's address at the Party centenary begins by a reminder and resolve that China will never be humiliated again. Arguably, a deepening authoritarianism requires the concept even more. A lot of Chinese foreign policy is framed with reference to the idea.

A colleague in China once asked me how the concept of humiliation worked in Indian nationalism. This is an intriguing question. After the Rowlatt Bills, Gandhi declared April 6 1919 as National Humiliation Day, but that was almost a one-off event. China has a continuous history of marking its humiliation. At one level, all post-colonial states feel the trauma of being "Wronged by Empire," to use the evocative title of Manjari Chatterjee Miller's book on the subject. India and China, of course, have vastly different histories. Nevertheless, the question of how humiliation works in Indian nationalism is an interesting window on how the national subject might be constituted in China and India.

In India's post-colonial trauma, the psychological sense of humiliation is present. But it has to be articulated discreetly and sotto voce. There are several reasons for this. The Gandhian imprint on Indian nationalism means that it went out of its way to eschew any tropes of resentment against the West; the pathologies that the West brought were pathologies of modernity. So resistance to the West had to be the creation of an alternative social imagination, not the avenging of humiliation.

But there is a more cynical reason: Modern India's ruling class and identity was created as much by collaboration with colonialism as resistance to it. Almost all elements of India's ruling structure come out as being embedded in the colonial project. The great families from the Tagores to the Tatas, the Indian Army, the Indian civil service, the legal profession, and pretty much any part of the ruling establishment displayed more continuity than discontinuity. Even post-Independence, the persistence of English and enculturation of new elites only reinforced this. It was prudent for this establishment to mark India's subjugation, but not to harp on the theme of humiliation too deeply, without exposing its own complicity in it.

There are other reasons as well. At an ideological level, the onset of colonialism was also welcomed by many constituencies. For some Hindus, it was an opportunity to come out from under the yoke of the Mughal Empire. For many Dalits, it was an opportunity for shaking up oppressive social structures. The idea of colonialism as liberating has much more of a subterranean presence than we acknowledge.

Indian political ideologies and cultural practice, while less politically authoritarian, are also far less egalitarian, for national humiliation to be owned equally. It also has some bearing on what we take to be signs of national humiliation. It is no secret that the real source of India's humiliation is still abiding and crushing poverty. But it is still seen, for the most part, as an embarrassment to be negotiated rather than the project that should be an object of our single-minded attention.

The nature of traumas was different. The Chinese construction of humiliation was directly structured around military defeats: First, the opium wars and then the brutal Japanese invasion. Because both the West and Japan were implicated, the theme of humiliation could become an organising frame for foreign policy. The Chinese Communist Party was both a military force and a political party; the fusion of the two in narratives of national resistance, unification and regeneration, perhaps makes possible a singular construction of national humiliation. India's traumas, at least in terms of the scale of political violence and significance, turned out to be more self-inflicted. No war defines Indian victimhood or trauma. Ironically, it is perhaps 1962 that is marked as a national humiliation. But its suffering and trauma cannot be deployed in the same way in which the Chinese deploy memories of WW II as Rana Mitter has shown in his wonderful book, "China's Good War".

VS Naipaul once wrote that "out of the encompassing humiliation of British rule, there will come to India the ideas of country and pride and historical self-analysis." But what actually came out was not so much a project of deploying humiliation in the service of national unification and regeneration, but a divisive tactic directed against our own citizens. The presence of the Hindu-Muslim question in Indian politics meant that humiliation, rather than being mobilised for common memory, became a source of divisiveness. The trope of humiliation is more easily deployed against pre-British, Mughal and Sultanate rule, than as a unifying ideology. This is the form in which the discourse of humiliation has grown more powerful. Indian nationalism quietly understood that a national self constituted by a narrative of humiliation will immediately become a divided Self, turning on itself.

The practical and moral necessity of playing down national humiliation may not be a bad thing. It makes for a less militarised society, perhaps a less authoritarian society. But India has an unresolved tension: The loud declamations of India being a Vishwaguru and a new aggressive nationalism, are not signs of a new confidence. They are signs of a repressed sense of humiliation that is unable to confront its true sources: India's relative powerlessness and its inability to give most of its citizens a dignified life. So it engages in a fantasy of overcoming humiliation, in history, in culture, in internal division. China, on the other hand, feeds the humiliation machine so that it can legitimise deeply authoritarian rule, cement the party's place, and lay the basis for its dealings with the external world. How these countries deal with their own constructs of humiliation may well determine the future.

THE TIMES OF INDIA, NEW DELHI 7-7-2021

Confronting Xi: India should engage both the Dalai Lama and Taiwan

TOI Editorial

Times of India's Edit Page team comprises senior journalists with wide-ranging interests who debate and opine on the news and issues of the day.

The Dalai Lama's 86th birthday, celebrated on Tuesday, made headlines here for an unusual reason – PM Modi had greeted the Tibetan spiritual leader. The public acknowledgement is, of course, a subtle recalibration in the China policy as he's persona non grata for China. However, it also shows the limited number of cards India has as it confronts a belligerent China.

China recently celebrated the centenary of the Communist Party of China (CPC). India's challenge was amplified in the speech delivered by Xi Jinping. Its tenor signalled a China that will be even more confrontational. It poses a tricky challenge. Especially since commanders from the two militaries are scheduled to meet, for the 12th time, to work out a disengagement from friction points on the LAC in eastern Ladakh.

After China's unilateral ingress last year, in violation of existing border agreements, India negotiated a disengagement this year at one friction point – Pangong Tso. However, there has been no progress on disengagement in Demchok, Gogra, Hot Springs and Depsang. China's actions and their scale have altered the bilateral relationship. GoI has begun to scale back the economic engagement. Noticeably, in keeping China out of the forthcoming 5G transition and parts of the tech market.

An important takeaway for India is that the size and the sophistication of the domestic economy matters in securing strategic interests. China's increasing belligerence has accompanied its growing economic clout that is backed by a $14.7 trillion GDP. As India works on its economic transformation, it should deepen its ties with Taiwan, a global leader in semiconductors. Deepening ties will simultaneously serve India's economic interests and send China a message. Being deferential to China's sensitivities won't help India's cause.

INDIAN EXPRESS, NEW DELHI 9-7-2021

Jaishankar: China hasn't observed agreements, this has 'disturbed' foundation of ties

Express News Service

On a question on the possibility of nuclear arms race between the two countries, Jaishankar dismissed it saying the evolution of the Chinese nuclear programme has a much larger dynamic than India.

External Affairs Minister S Jaishankar Thursday said there has been a lot of concern about the India-China relationship for the last one year as Beijing has not observed agreements on the border issue which has "disturbed" the foundation of bilateral ties.

"I would say, for the last 40 years, we had a very stable relation with China… China emerged as the second largest trade partner," Jaishankar said in response to a question on China-India relations at the Primakov Institute of World Economy & International Relations in Moscow.

"But for the last one year, there has been a lot of concern about the relationship because China has not observed agreements it had signed up for when it came to our border," said Jaishankar, who is in Moscow on a three-day visit.

"After 45 years, we actually had a border incident with casualties. Peace and tranquility on the border, for any country, is the foundation of a relationship with a neighbour. So, naturally, the foundation has got disturbed, so has the relationship," he added.

India and China have been locked in a military standoff at multiple friction points in eastern Ladakh since early May last year. However, the two sides completed the withdrawal of troops and weapons from the North and South banks of Pangong Tso lake in February following a series of military and diplomatic talks.

The two sides are now engaged in talks to extend the disengagement process to the remaining friction points.

On a question on the possibility of nuclear arms race between the two countries, Jaishankar dismissed it saying the evolution of the Chinese nuclear programme has a much larger dynamic than India.

"I don't believe there is a nuclear arms race between India and China. China became a nuclear power in 1964, India in 1998," he said.

In his address, ahead of his bilateral meeting with his Russian counterpart Sergei Lavrov, Jaishankar also emphasised that on the political front, it is essential for India and Russia to work together to ensure stability and diversity of the world "as we know it".

"This includes insistence on honouring agreements and observing laws," he said, apparently referring to China which has been behaving aggressively in the Indo-Pacific region.

INDIAN EXPRESS, NEW DELHI 1-7-2021

France and India's successive presidencies are a force for good in UN Security Council

Written by Emmanuel Lenain

The shaping of the strategic partnership between France and India takes place not only in Paris and Delhi, but also in New York, at the table of the United Nations Security Council, where our two countries are currently seated side by side. And indeed, over the summer, France and India will be at the forefront of UN endeavours as they chair the Security Council in July and August respectively.

Defending the rules-based, multilateral system against the many crises of the 21st century is our common priority. In the face of conventional rivalries and transnational threats — like terrorism, new forms of insecurity triggered by climate change or pandemics, contestation of universal principles of international law — our countries are convinced that only coordinated, human-centric responses can ensure peace and stability.

To this end, the United Nations must be ready to evolve. Hence the call by the External Affairs Minister S Jaishankar for a "reformed multilateralism" is dear to my country and echoes France's long-standing efforts to make the United Nations more representative and efficient.

This requires reforming the Security Council, which bears the primary responsibility for international peace and security according to the UN charter. We advocate the council's consideration of the emergence of new powers that are in a position to make an important contribution to its action. France favours the expansion of the council in both categories of membership, permanent and non-permanent. We support the candidatures of India and the three other G4 members (Germany, Japan, Brazil) for permanent seats. Indeed, we see India as a major, responsible power whose permanent presence at the council's table would be a force for good. Like India, we also desire an enhanced presence of Africa among the permanent members as well as the non-permanent members. Thus, an expanded council could have up to 25 members. It would make the Security Council more representative of today's world and strengthen its authority, while preserving its executive and operational nature.

It is high time that we moved forward with this reform. That is why France, together with India, calls for negotiations to start without further delay, and on the basis of a draft text, a single document.

As a complement and in parallel, we must make sure that the Security Council fully assumes its responsibilities and takes action, particularly to end mass atrocities. Deadlocks in the council fuel impunity, radicalisation, and erode the universal principles of international law. This leads us to consider the sense of responsibility intrinsically attached to the use of the veto by the permanent members. In this regard, France proposed a collective and voluntary agreement among the current permanent members of the Security Council to the effect that they would refrain from using the veto in case of mass atrocities, such as crimes of genocide, crimes against humanity and war crimes on a large scale. We are glad that this initiative has attracted wide support. To this date, 105 countries from all continents, including several members of the G4, officially support this endeavour whose goal is to make multilateralism more efficient. We do hope that India will join in, too.

In addition to working for the reform of the UN, France and India are proactive on key issues on the Security Council agenda. Our successive presidencies of the Council in July and August offer a welcome opportunity to join forces on common priorities, like the active protection of civilians in conflict areas, for instance in Africa or West Asia, the rigorous implementation of arms embargoes, the strengthening of the humanitarian space as well as the modernisation of peacekeeping missions, to which India and France are both important troop contributors.

To prepare for a productive summer of multilateralism, the daily contacts between our permanent missions in New York, and trust at all working levels between our capitals will be an invaluable asset. And I am confident that our open, results-oriented diplomatic practice will help forge consensus and deliver concrete outcomes at the Security Council. This will be another example of how our bilateral strategic partnership acts as a multilateral force for good.

INDIAN EXPRESS, NEW DELHI 6-7-2021

What India must keep in mind when it comes to Turkey

Written by C. Raja Mohan

As a new round of geopolitical jousting begins on India's north-western frontiers, Delhi must deal with a number of new actors that have carved out a role for themselves in the region. Turkey, Qatar and China come readily to mind. While all three have become critical players in post-America Afghanistan, our focus today is on Turkey's regional ambitions and their implications for India.

Ankara is in negotiations with the US on taking charge of the Kabul airport which is critical for international presence in Afghanistan that is coming under the Taliban's control. Turkey has been running Kabul airport security for a while, but doing so after the US pullout will be quite demanding.

Taking a longer view, though, Turkey is not a new regional actor in India's northwest. Ankara and Kabul have recently celebrated the centennial of the establishment of diplomatic relations. Through this century, Turkey has engaged purposefully with Afghanistan over a wide domain.

While it joined the NATO military mission in Afghanistan after the ouster of the Taliban at the end of 2001, Turkey avoided any combat role and differentiated itself from the Western powers. Ankara has contributed to the training of the Afghan military and police forces. It has also undertaken much independent humanitarian and developmental work.

Turkey's good relations with both Afghanistan and Pakistan have also given space for Ankara to present itself as a mediator between the warring South Asian neighbours. Turkey's "Heart of Asia" conference or the Istanbul Process has been a major diplomatic vehicle for attempted Afghan reconciliation in the last few years. Widespread goodwill for Turkey in Afghanistan has now come in handy for the US in managing some elements of the post-withdrawal phase. Turkey, in return, will of course demand its pound of flesh from the West.

Turkey's growing role in Afghanistan opens a more difficult phase in relations between Delhi and Ankara. India's opposition to alliances and Turkey's alignments reflected divergent international orientations of Delhi and Ankara after the Second World War. And Turkey's deepening bilateral military-security cooperation with Pakistan made it even harder for Delhi to take a positive view of Ankara.

Turkey and Pakistan were part of the Central Treaty Organisation that was set up in 1955 by the British. Although CENTO eventually wound up in 1979, Turkey and Pakistan remained close partners in a number of regional organisations and international forums like the Organisation of Islamic Cooperation.

The shared secular values between Delhi and Ankara in the pre-Erdogan era were not enough to overcome the strategic differences between the two in the Cold War. To make matters more complicated, the positive legacy of the Subcontinent's solidarity with the Ottoman Empire and the Turkish Republic, emerged out of its ruins in the early 20th century, accrued mostly to Pakistan.

There were moments — during the tenures of Prime Ministers Rajiv Gandhi and Atal Bihari Vajpayee, when India and Turkey seemed poised for a more productive relationship. But those have been rather few and far between. Meanwhile, Turkey's Islamist internationalism under Recep Tayyip Erdogan has inevitably led to its deeper alliance with Pakistan, greater meddling in South Asia, and a sharper contraction with India.

The Pakistani prism through which Delhi has long seen Ankara, however, has prevented it from fully appreciating the growing strategic salience of Turkey. Erdogan's active claim for leadership of the Islamic world has seen a more intensive Turkish political, religious, and cultural outreach to the Subcontinent's 600 million Muslims.

Turkey has become the most active international supporter of Pakistan on the Kashmir question. In Pakistan, Prime Minister Imran Khan has rallied behind Erdogan's ambition to seize the leadership of the Islamic world from Saudi Arabia. Pakistan's Army Chief, General Qamar Javed Bajwa had to step in to limit the damage with Saudi Arabia, which has long been Pakistan's major economic benefactor. Erdogan was quick to condemn the Bangladesh government's hanging of a senior Jamat e Islami leader in 2016. But in a reflection of his strategic suppleness, Erdogan also offered strong political support for Dhaka on the Rohingya refugee crisis. As Bangladesh emerges as an attractive economy, Ankara is now stepping up its commercial cooperation with Dhaka.

Turkey, which hosted the Caliphate in the Ottoman era, had natural spiritual resonance among the South Asian Muslims. The abolition of the Caliphate in 1924, Turkey's Westernisation under Ataturk reduced its religious significance. Erdogan's Islamist politics are about regaining that salience.

Erdogan's strategy marks the declining relevance of the old antinomies — between alliances and autonomy, East and West, North and South, Islam and the West, Arabs and the Jews — that so resonate with the traditional Indian foreign policy discourse.

Consider the following.

Turkey has been a member of the North Atlantic Treaty Organisation since the early 1950s; but Ankara has no hesitation today in breaking from NATO policies when it suits its interests. Turkey has learnt to take advantage of the alliance without sacrificing its "strategic autonomy".

If the fear of the Soviet Union led Turkey to NATO, a weaker Russia has opened space for Erdogan to collaborate as well as compete with Moscow. Ankara buys S-400 missiles from Russia in defiance of NATO, while challenging Moscow's primacy in the Caucasus.

Turkey was the first Muslim-majority nation that established full diplomatic relations with Israel. Erdogan now actively mobilises the Arab and Islamic world against Israel without breaking relations with Tel Aviv. Erdogan's outrage on Israel is about presenting himself as a better champion of Palestine than his Arab rivals. Sceptics question the sustainability of Erdogan's adventurism given Turkey's economic vulnerabilities at home and growing regional backlash from several countries, including France, Greece, Egypt, Saudi Arabia, UAE, and India.

India, which has been at the receiving end of Erdogan's internationalism, has multiple options in pushing back. The recent naval exercise between India and Greece in the Mediterranean offers a small hint of India's possibilities in Turkey's neighbourhood.

Many Arab leaders reject Erdogan's policies that remind them of Ottoman imperialism. They resent Erdogan's support of groups like the Muslim Brotherhood that seek to overthrow moderate governments in the Middle East. There is much that India can do to up its game in the Arab world.

Delhi is aware of Erdogan's hypocrisy on minority rights. While pitching for self-determination in Kashmir, Erdogan actively tramples on the rights of its Kurdish minority at home and confronts them across Turkey's border in Syria and Iraq.

For Delhi, there are larger lessons from Erdogan's regional ambitions. One is the new fluidity in geopolitics in India's extended neighbourhood to the west. Two, agency for regional powers is growing as the influence of great power weakens. Three, religious ideology, like the more secular ones, is a cover for the pursuit of power.

Finally, Erdogan has carefully modulated his confrontation with major powers by avoiding a breakdown in relations. For Erdogan, the choices are not between black and white. That should be a good guide for India's own relations with Turkey. Delhi needs to vigorously challenge Turkey's positions where it must, seize the opportunities opened by regional resentments against Erdogan's adventurism, and at the same time prepare for a more intensive bilateral engagement with Ankara.

HINDUSTAN TIMES, NEW DELHI 6-7-2021

Jaishankar calls for greater cooperation between Indo-Pacific countries to tackle Covid-19

Written by Srivatsan K C

External affairs minister S Jaishankar made the remarks during his address to the inaugural session of the Indo-Pacific Business Summit, organised by the Confederation of Indian Industry (CII) in association with the ministry of external affairs.

India is coming out of the second wave of the coronavirus disease (Covid-19) and will witness a strong economic recovery, Union external affairs minister S Jaishankar said on Tuesday. He also called for greater cooperation between countries in handling the Covid-19 pandemic and assured that India would be an "engine of growth" for the global economy.

The minister made the remarks during his address to the inaugural session of the Indo-Pacific Business Summit, organised by the Confederation of Indian Industry (CII) in association with the ministry of external affairs.

"India is coming out of the second wave and will witness a strong economic recovery. It will be a more dynamic and friendlier business destination. We will contribute to being an engine of growth for the global economy and we will be very much a part of the more reliable and resilient supply chains that the post Covid world requires," Jaishankar said.

In his address, Jaishankar also said that the pandemic disrupted supply chains across the globe, negatively impacted manufacturing and has also made international trade unpredictable.

"Globalised production networks remain vulnerable and fragile, with global merchandise trade falling by 5.6% in 2020, compared to 2019, and the predicted trade and services declining by as much as 15.4% in the same duration. This decline in merchandise trade is the sharpest since 2009, whereas the decline in services trade is the biggest since 1990," he said.

Stressing on the need for international collaboration to improve public health, the minister said that the collaboration between not just governments but businesses and medical and scientific professions is needed.

"Prime Minister Modi has called for adopting 'one earth, one health' approach at the recent G7 summit, where India was a guest. We need meaningful partnerships, sharing of advanced technologies, collaboration in vaccine and pharma production, cap building and transparency in health information and in all of this, the role of our private sectors is critical," he further said.

He also said that Covid-19 has made people much more digital and along with it the risks too have magnified. "The strengthening of digital connectivity, both within and between the countries of the Indo-Pacific, is an essential condition for our economic prosperity and development. Like-minded countries must work together for data driven digital dev partnerships," the minister said.

"High speed internet, cyber security, enhanced digital literacy, deeper technical cooperation, regional e-commerce and efficient e-governance will have a more salient place in the conversations of the coming days," he added.

The pandemic, he said, brought three major issues to the fore namely, the salience of health, the power of the digital and the importance of building or rebuilding greener. He also said this is a time to introspect on how to build greener, as the pandemic has slowed down the global economy.

"Physical and digital connectivity remain important for supporting shorter, efficient and diversified supply chains, risk mitigation, enhanced trade facilitation and reduction in the cost of intra-regional trade," Jaishankar said.

He also assured that the Indian government has taken many measures to improve public health, infrastructure, agriculture and manufacturing sectors.

HINDUSTAN TIMES, NEW DELHI 4-7-2021

Pakistan's Kabul focus stalls backchannel with India

By Rezaul H Laskar

The revival of the LoC ceasefire was followed by a proposal piloted by the Pakistani military establishment in March to resume limited trade relations with India, but this fell through because of strong opposition from several leaders in the civilian government.

Backchannel contacts between India and Pakistan have stalled in recent months, largely because of the Pakistani side's growing focus on the situation in Afghanistan and pressing domestic issues, according to people familiar with developments.

There haven't been any substantial contacts between the two sides since they agreed to revive the 2003 ceasefire on the Line of Control from February 25 and the two sides also haven't been able to reach common ground on the next steps that could facilitate the expansion of the backchannel contacts, the people cited above said on condition of anonymity.

The revival of the LoC ceasefire was followed by a proposal piloted by the Pakistani military establishment in March to resume limited trade relations with India, but this fell through because of strong opposition from several leaders in the civilian government, including foreign minister Shah Mahmood Qureshi and interior minister Sheikh Rashid Ahmed.

"There was a feeling on the Pakistani side that things should be allowed to cool down for some time. There was also internal criticism within Pakistan because of a feeling in some quarters that Pakistan had agreed to recommit itself to the LoC ceasefire without any concessions from India," said one of the people cited above.

"A lot of the Pakistan government's bandwidth has also been consumed by the fast-changing situation in Afghanistan and a second wave of Covid-19 infections and urgent domestic issues, such as economic problems," the person added.

The difficulty in selling the limited trade resumption package, which received the green light from Pakistan Army chief Gen Qamar Bajwa, too, was a factor in stalling of backchannel contacts, the people said.

On the Indian side, there are concerns on whether Bajwa's successor would continue efforts to work towards a normalisation of relations, and whether there is adequate buy-in from Prime Minister Imran Khan's civilian government.

Following an extension in service granted by the Pakistan government in January 2020, Bajwa's term as army chief is set to end in about 17 months in November 2022.

"It's the classic problem of dealing with Pakistan's military – we don't know if the current army chief's successor will continue this process. Gen Bajwa may be keen about this process but there is no guarantee the next general will stick to it," said a second person.

The two sides have also been unable to find common ground on the next steps that can help them take forward the backchannel contacts, including the situation in Jammu and Kashmir, the people said.

Reports have suggested the Pakistani side suggested during the backchannel contacts that India should take steps to restore the statehood of J&K and put in place measures to maintain the current demography of the state and to protect the rights and employment opportunities of Kashmiris.

Pakistan's civilian leadership, including Prime Minister Khan, has linked any talks with India to the restoration of J&K's special status, which was scrapped by the Indian government in August 2019. Some elements on the Pakistani side had even hoped that India's current standoff with China on the Line of Actual Control could lead to some movement on the Kashmir issue, the people said.

The people further said India's recent outreach to some Afghan Taliban factions and elements was perceived as a "red flag" by Pakistan's security establishment.

Pakistan's civil and military leadership have said in recent weeks that they do not see a large role for India in Afghanistan as the US begins a drawdown of troops. On the other hand, India has said it is in touch with "various stakeholders" in Afghanistan to protect its legitimate security interests.

The India-Pakistan backchannel contacts gained urgency last year, the people said. Inter-Services Intelligence chief Lt Gen Faiz Hameed has had two meetings with Indian interlocutors – one with a senior security official and another with his Indian counterpart in the United Arab Emirates in January that led to revival of the ceasefire, they said.

Contrary to earlier reports, Pakistan's National Security Adviser Moeed Yusuf is now playing a larger role in ties with the US, the people added.

Former ambassador Vishnu Prakash, who closely tracks developments in the region, said perpetual hostility between

India and Pakistan “cannot and should not go on”. “We are neighbours, we may not like it but we must find a modus vivendi... keep all options open and try the dialogue route and the front and back channels, while we also have the necessary defences and counter-offensive capabilities.”

“We have to be prepared for all eventualities and the end objective is that we coexist without acrimony and are not at each other’s throat...”

HINDUSTAN TIMES, NEW DELHI 5-7-2021

Afghanistan situation to be focus on Indian foreign minister’s visit to Russia

By Rezaul H Laskar

The rapidly deteriorating situation in Afghanistan and several upcoming high-level meetings, including the annual India-Russia Summit, are expected to top the agenda when external affairs minister S Jaishankar visits Moscow this week.

Russia sees India as an important player for formulating a coordinated response to the situation in Afghanistan, where the Taliban have significantly stepped up attacks in recent weeks and captured key districts in different parts of the country. People familiar with developments said on condition of anonymity.

Though there has been no formal announcement about Jaishankar’s visit, he is expected to be in Moscow later this week, the people said. Jaishankar had visited Russia in September last year to attend a meeting of foreign ministers of the Shanghai Cooperation Organisation (SCO).

In addition to the fast-paced developments in Afghanistan, Jaishankar’s meetings with his Russian counterpart Sergey Lavrov and other interlocutors are expected to focus on upcoming meetings between the two sides, including the annual India-Russia Summit, a meeting of the bilateral inter-governmental commission on trade, economic, scientific, technological and cultural cooperation in Delhi in August, and a meeting of the inter-governmental commission on military and military-technical cooperation in Moscow in November.

Jaishankar’s visit to Moscow is a follow-up to the trip by Lavrov to New Delhi in April. The two sides are also expected to discuss cooperation in areas such as trade, defence, hydrocarbons, nuclear energy and India’s participation in the development of Russia’s Far East region.

The annual summit, which couldn’t be held last year because of the Covid-19 pandemic, is expected to be held in the second half of 2021, the people said.

“The two sides will discuss all bilateral and international developments, including the most vital and current issues such as Afghanistan. The developments in Afghanistan are being seen as huge concerns,” said one of the people cited above.

“There is scope for India and Russia to cooperate both bilaterally and through multilateral platforms. The situation in Afghanistan is a concern for everyone and Russia sees India as an important partner on the Afghan issue,” the person added.

Russia is particularly concerned about an increase in instability in Afghanistan and the fallout on the Central Asian states, especially Tajikistan, Uzbekistan and Turkmenistan, which share borders with the war-torn country.

“Instability in Afghanistan would be dangerous for the region and there is also the fear of a surge in refugees. This would pose an immediate security challenge to the Central Asian countries,” the person cited above said.

Amid reports on Monday of more than 1,000 Afghan troops fleeing into Tajikistan following clashes with the Taliban, Russia is also looking at mounting a coordinated and joint response with the Central Asian states through the Collective Security Treaty Organization (CSTO), a collective security arrangement that includes Armenia, Kazakhstan, Kyrgyzstan and Tajikistan.

The Taliban have stepped up violence and targeted attacks against the backdrop of the withdrawal of US forces from Afghanistan. India has repeatedly expressed concern at the surge in violence and called for a comprehensive ceasefire and the preservation of the democratic system built up in Afghanistan over the past two decades.

HINDUSTAN TIMES, NEW DELHI 7-7-2021

India says its Afghan missions still open; envoy briefs Shringla

By Rezaul H Laskar

Indian authorities were keeping a very close watch on the fluid situation in Afghanistan, especially against the backdrop of a massive surge in violence by the Afghan Taliban, to ensure that Indian officials and nationals were not put in harm’s way.

India on Tuesday dismissed speculation about the closure of its embassy and two consulates in Afghanistan even as Afghan envoy Farid Mamundzay briefed foreign secretary Harsh Shringla on the fragile security situation in the troubled country.

People familiar with developments said on condition of anonymity that Indian authorities were keeping a very close watch on the fluid situation in Afghanistan, especially against the backdrop of a massive surge in violence by the Afghan Taliban, to ensure that Indian officials and nationals were not put in harm’s way.

Gains by the Taliban in northern Afghanistan have led to some countries closing their consulates in this region. Reports suggested some districts collapsed without a fight and that some 1,000 Afghan security personnel crossed the border to seek refuge in Tajikistan.

Amid the uncertainty, the Indian embassy in Kabul ruled out the immediate closure of the Indian missions in Afghanistan. “Media reports on #India closing its Embassy & Consulates in [Afghanistan] are incorrect. @IndianEmbKabul, Consulates in Kandahar & Mazar are open, functioning. We DO HOWEVER continue to closely monitor the evolving security situation particularly around Kandahar & Mazar cities,” it tweeted.

The Indian side is keen to not do anything that would send a wrong signal to the Afghan government or elements that have sought to use Afghanistan for anti-India actions, the people said, adding Centre would also keep a watch on the actions of other key players such as the US.

In a separate development, Afghan ambassador Mamundzay briefed foreign secretary Shringla during a meeting in South Block. “Ambassador briefed FS on the security situation in Afghanistan. FS assured our Afghan friends of India’s long term commitment towards peace and prosperity in Afghanistan,” external affairs ministry spokesperson Arindam Bagchi tweeted.

On June 29, India issued a detailed and specific security advisory for its nationals in Afghanistan following an escalation in terrorist attacks, warning that they should exercise utmost vigilance as they faced a “serious threat of kidnapping”. Indian nationals were strongly advised to avoid all non-essential movements.

According to the external affairs ministry’s data, there are around 3,100 Indian nationals in Afghanistan.

THE DAILY STAR, DHAKA 2-7-2021

Bangladesh, China should explore more avenues

UNB, Dhaka

Describing China as a trusted partner in the socio-economic development of Bangladesh, Prime Minister Sheikh Hasina has stressed the need for exploring more avenues to take the bilateral strategic partnership to a new height.

"We would like to explore more avenues to take Bangladesh-China strategic partnership to new heights and also work together to address the regional and global issues for peace, security, stability and development," she said.

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The PM said this in her prerecorded message shared yesterday afternoon at a function marking the 100th founding anniversary of the Communist Party of China (CPC).

Hasina said Bangladesh and China enjoy excellent relations based on mutual respect, shared values and commonalities in core national objectives.

She acknowledged with deep appreciation the cooperation and assistance by China during the Covid-19 pandemic, including the recent gifts of vaccine doses and CPC's gifts of medical equipment to Awami League.

"I'm confident that the existing cordial ties between our two countries will be strengthened further in the days to come," she said.

She recalled with profound appreciation the contributions of many CPC leaders in bolstering Bangladesh–China as well as CPC–Awami League relations over the past decades.

"On the auspicious occasion of the 100th anniversary of the establishment of the Communist Party of China, I, as the president of Bangladesh Awami League and on behalf of the government and the people of Bangladesh, would like to convey to you and through you, to the government, members of the CPC and the friendly people of China, our heartiest felicitations and warmest greetings," she said, referring to Chinese President Xi Jinping,also the CPC general secretary.

The premier said the historic visits of Father of the Nation Bangabandhu Sheikh Mujibur Rahman to China in 1952 and 1957, as a young leader of Awami League, provided further opportunities to exchange views with the then CPC leadership.

Bangabandhu recorded his admiration of the passion, commitment and conviction of the Chinese people to build a prosperous country under the leadership of CPC, in his book "Amar Dekha Noyachin" -- The New China 1952, she mentioned.

Hasina said the CPC, through its judicious policies and visionary leadership, has transformed the country into a modern state to ensure prosperity for all.

In a span of a few decades, China has achieved amazing and inspiring progress in different areas -- from space to nanotechnology, robotics to avionics -- backed by high quality education and resulting in production of world-class goods and services, she said.

The PM said the development dividend has reached the common people even in the remote parts of China.

Similarly, Awami League, once headed by the Father of the Nation, led the War of Independence in 1971, established free and independent Bangladesh and now imbued by his dream of "Sonar Bangla", is resolute to materialise that vision, she said.

"We aspire to bring affluence to all our citizens by 2041. I believe greater cooperation between our two parties would bring about more benefits to our citizens."

Hasina wished Xi Jinping good health and happiness and continued peace, progress and prosperity of the friendly people of China.

THE DAILY STAR, DHAKA 3-7-2021

Why China and India are wooing Bangladesh

Syed Munir Khasru

Bangladesh, which was once dismissed by former US Secretary of State Henry Kissinger as a "basket case" after its birth in 1971, is en route to becoming one of the "Asian Tigers". Leaving behind the dark, post-liberation period, its economy is weathering the pandemic well. The International Monetary Fund has projected a 4 percent rise in gross domestic product for 2022, whereas India's could decline by 10.3 percent.

Bangladesh's annual growth is 8 percent and per capita income stands at USD 2,227 in the 2020-21 financial year—12 percent higher than India. Add to this a giant market of 164.69 million people, growing manufacturing prowess, and availability of cheap labour, it is no wonder that the country is attracting renewed attention.

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But geopolitics also plays a part here. Friction between emerging global superpower China and regional superpower India is elevating Bangladesh's regional importance. Located at the head of the Bay of Bengal, Bangladesh is in a key strategic position, with both Asian powers eyeing to build ports in the country to boost their presence in the Indian Ocean region.

Chinese aid, Indian historical ties

India-Bangladesh relations have had their fair share of ups and downs. Since the government led by Prime Minister Sheikh Hasina came to power in 2009, ties with India have greatly improved, with Bangladesh now India's largest trading partner in the sub-continent, with bilateral trade pegged at USD 9.5 billion in 2019-20.

Both governments have undertaken initiatives for boosting connectivity, while cooperation in the power sector has resulted in private Indian companies investing USD 9 billion in Bangladesh. Ms Hasina has also rooted out cross-border anti-India insurgency activities from Bangladesh and strengthened defence cooperation.

However, unresolved water-sharing issues, India's border killings of Bangladeshi nationals, controversial laws on Muslims in India and expulsion of alleged illegal Bangladeshi migrants remain sources of friction.

Meanwhile, China is considered an "all-weather friend" by many in Bangladesh. A Chinese move to exempt tariffs for 97 percent of Bangladeshi products is a welcome boost in Covid-stricken times for bilateral trade, which stood at USD 18 billion in 2019. Bangladesh now accounts for 20 percent of China's arms sales. Bangladesh is also the recipient of billions in loans and other assistance under China's Belt and Road Initiative (BRI).

It is building its third largest Payra deep-sea port with Chinese assistance while opening up Mongla and Chattogram ports to the Chinese, after access was granted to India. A USD 250 million contract to build an airport terminal in Sylhet city was awarded to China over Indian competitors.

And as India drags its feet on water-sharing negotiations for the Teesta River, the lifeline to north-western Bangladesh, the "Teesta River Comprehensive Management and Restoration Project" was inked last year with support from China for a USD 1 billion engineering scheme. That said, moves by Bangladesh to assert cost control on some Chinese-backed rail projects have led to friction.

Sino-India tug of war in South Asia

China's growing influence in Bangladesh is being replicated in other parts of South Asia—a source of concern for India. Earlier last month, India's External Affairs Minister S. Jaishankar spoke to his Sri Lankan counterpart Dinesh Gunawardena amid Delhi's growing concerns over the proposed Chinese-funded Colombo Port City project. Despite India's support for Bhutan against China over a still-unresolved border dispute, it has not stilled rumblings about reducing Bhutan's dependence on India in the Himalayan kingdom. In the Maldives, although there has been a renewal of an "India First" policy, China's expanding footprint there, such as the USD 200 million China-Maldives Friendship Bridge, has ensured its position in the country.

With the withdrawal of US troops from Afghanistan, the stakes for both India and China's regional security concerns have increased. Though India enjoys cordial relations with the current Afghan regime, China has the advantage of deeper pockets and good ties with Pakistan, a key player in Afghan geopolitics. While Beijing has diplomatic ties with Kabul, it has also been hedging its bets by building up contacts with the Afghan Taleban.

Politics of self-interest

The wooing of Bangladesh by China and India is part of a bigger tussle over regional and maritime security. China, whose economy is heavily dependent on energy exports shipped from the Middle East, is driven by its need to ensure it has friendly relations with littoral states around the Indian ocean.

From India's perspective, the building of Chinese relationships—and the ports and other facilities that come with it—with key countries along the maritime route is a threat, with the likes of Pakistan, Sri Lanka, Bangladesh and the Maldives being part of a strategic "string of pearls" to encircle India and choke its power projection.

Seen in this light, China's BRI is a tool to augment its foothold in South Asia by creating economic dependence, as it did in Sri Lanka. Chinese support for Bangladesh under the BRI framework, it is argued, is part of the same game to undermine India's security and strategic interests.

India too has been wooing Bangladesh in line with its "Act East" policy. Among other things, Delhi is trying to get Dhaka to join the Indo-Pacific "Quad", an informal strategic alliance involving the United States, India, Japan, and Australia. This has elicited a strong reaction from Beijing, with the Chinese Defence Minister Wei Fenghe on a recent visit to Dhaka calling for joint efforts to resist "powers from outside the region setting up a military alliance in South Asia".

Dealing with two giants

Bangladesh has been deftly balancing its relations with the two Asian giants, making it clear that it would not be choosing between the two. While trying to address India's geopolitical concerns, Bangladesh has steadfastly maintained its right to maintain economic cooperation as well as close defence ties with China.

While China has strengthened its economic ties with Bangladesh by bankrolling development projects, India has the benefit of a shared history, values, culture and connectivity with Bangladesh.

The onus is now on the two giants to prove whose strategic objectives are more aligned with the long-term interests of Bangladesh. For now, the country can enjoy the attention it gets from the two rivals. By playing its cards wisely, South Asia's stellar performer can safeguard its economic and strategic interests.

THE KATHMANDU POST, KATHMANDU 4-7-2021

Whither Nepal’s foreign policy

Kul Chandra Gautam

Nepal’s abstention from voting for the UN resolution on Myanmar was a mistake.

The fundamental principles of Nepal’s foreign policy have been clearly and consistently communicated to the international community ever since Nepal joined the United Nations in 1955, and especially since the country’s first democratically elected Prime Minister, BP Koirala, addressed the 15th regular session of the UN General Assembly in 1960. In his memorable speech entitled Small Nations Have a Role to Play, BP Koirala eloquently outlined how Nepal’s foreign policy would be fully inspired by the principles and purpose of the United Nations Charter.

Article 51 of the 2015 Constitution also clearly reaffirms that Nepal would conduct an independent foreign policy based on the Charter of the United Nations, non-alignment, principles of Panchasheel, international law and the norms of world peace, taking into consideration the overall interests of the nation. This harks back to BP Koirala’s original affirmation that Nepal would regard the United Nations not only as a bulwark of our independence and security, and a protector of our rights and freedom, but also as an instrument for promoting peace and justice among nations. Accordingly, Nepal would judge every international issue on its merit without consideration of anybody's fear or favour. Nepal has pursued this line in its foreign policy fairly consistently during the past six decades, despite numerous changes in not only the government but even our political system.

The Myanmar deviation

However, on June 18, Nepal seriously deviated from this age-old policy when it abstained from voting for the UN General Assembly resolution on Myanmar that was approved by an overwhelming majority of 119 members voting 'yes', one voting 'no' and 36 abstaining. It is worth recalling that the key provisions of the resolution on Myanmar condemned its military junta's crackdown on peaceful protesters and civil society. It called for the immediate and unconditional release of arbitrary detainees and an end to restrictions on freedom of expression. And it called on all countries to stop selling arms to Myanmar.

It seems to me that there was nothing objectionable for Nepal in that resolution which was supported by a cross-section of countries from all regions of the world, including a majority of the Non-Aligned Movement, the Group of 77 and Myanmar’s fellow Association of Southeast Asian Nations (ASEAN) neighbours. Nor was Nepal's position guided by any agreement among the South Asian Association for Regional Cooperation (SAARC) countries, as two of its members, Afghanistan and the Maldives voted for the resolution.

As there was no compulsion for Nepal to vote the way it did, my speculation is that it took the cue for abstaining from its two large neighbours, China and India. Along with Russia, China and India are major arms suppliers to Myanmar, and they also have other competing strategic and economic interests. But Nepal has no such vested interest. Hence it is all the more puzzling and deplorable why it chose to vote the way it did. I would hazard a guess that if we had more principled and courageous leaders like BP Koirala, GP Koirala or Man Mohan Adhikari guiding Nepal's foreign policy, in a case like this one, Nepal would have joined the majority of UN members and supported the resolution.

Nepal and Burma have long-standing, friendly relations. When the people of Nepal were struggling to overthrow the autocratic Rana regime, the newly independent Burmese government supported the Nepali freedom fighters and even provided military assistance. Myanmar’s democratically elected, but now detained National League for Democracy leader, Aung San Suu Kyi herself knows Nepal well.

The Myanmar case indicates that Nepal needs to revisit not so much the values and principles guiding its foreign policy, which are perfectly appropriate, but its practical application by the current crop of our diplomats and their political masters. Perhaps a little historical retrospective might be helpful in this context. As BP Koirala had articulated so eloquently six decades ago, small nations like Nepal can and have played a large and important role at the United Nations. Backed by visionary leaders like BP Koirala, Mahendra, Birendra, GP Koirala and Man Mohan Adhikari, capable diplomats like Padam Bahadur Khatri, Rishikesh Shah, Shailendra Kumar Upadhyaya, Yadunath Khanal, Bhekh Bahadur Thapa and others have made their mark in Nepal's diplomacy, including at the United Nations.

A hallmark of Nepal's neutral and non-aligned foreign policy has been that it has dared to take independent positions based on the merits of the case, often contrary to the views and wishes of the Big Powers, including our neighbours China and India. Thus, notwithstanding pressure from the United States, Nepal advocated for the membership of the People's Republic of China (in lieu of the Republic of China) in the UN in the 1950s and 1960s. Resisting pressure from the then Union of Soviet Socialist Republics, Nepal condemned the Soviet invasion of Hungary in the 1950s and Czechoslovakia in the 1960s.

Historic track record

While supporting the rights of the Palestinian people, Nepal became the first country in South Asia to recognise Israel. Taking a principled stance, Nepal firmly opposed apartheid in South Africa even when many Western powers were dithering. It voted to impose sanctions against apartheid-era South Africa, but it has consistently voted to lift unilateral US sanctions on Cuba. Nepal commanded sufficient respect at the UN in the 1960s to be entrusted with the responsibility of chairing a high-profile investigation on the death of Secretary-General Dag Hammarskjöld in the 1960s. In the 1970s, Nepal provided strong global leadership in UN negotiations on the Law of the Sea. In more recent times, Nepal has been a strong and eloquent advocate on behalf of the least developed and land-locked countries.

In all such cases, the hallmark of Nepal's foreign policy has been exercising its independent judgment, not swayed or pressured by the Big Powers, including our large neighbours or any other ideological pressure groups or voting blocs. In light of this historic heritage and track record, Nepal's abstention from voting for the UN General Assembly resolution on Myanmar last week was a regrettable mistake. I sincerely hope that Nepal will make a course correction and revert to pursuing a better thought through, independent and principled position in its international relations. Most of our professional diplomats are smart and capable, but they deserve better political masters who listen, consult, motivate and empower them to better serve the nation.

SPOTLIGHT, KATHMANDU 9-7-2021

Nepal and India Signed LoE to Nepal-India rail service agreement

By New Spotlight Online

Nepal and India have signed a Letter of Exchange (LoE) to the India-Nepal Rail Services Agreement (RSA) 2004. A virtual ceremony was held on 9 July 2021 to exchange Notes Verbales and signed copies of the LoE, between the two governments.

From the Indian side, the ceremony was led by i Sanjay Kumar Mohanty, Member (Operations and Business Development), Ministry of Railways. From the Nepalese side, it was led by Dinesh Bhattarai, Secretary, Ministry of Commerce, Industry and Supplies.

According to a press release issued by The Embassy of India Kathmandu, the ceremony was conducted in presence of Ambassador of India to Nepal Vinay Mohan Kwatra, the Ambassador of Nepal to India, Nilamber Acharya, Joint Secretary (North), Ministry of External Affairs of India, Anurag Srivastava and Joint Secretary (South Asia), Ministry of Foreign Affairs of Nepal, Tirtha Raj Wagle. Also present were representatives from the two Embassies and concerned Ministries of both the Governments.

With the entering into force of the LoE, all authorized cargo train operators which include public and private container trains operators, automobile freight train operators, special freight train operators or any other operator authorized by Indian Railways will be able to utilize the Indian railway network to carry Nepal's container and other freight – both bilateral between India and Nepal or third country from Indian ports to Nepal.

This liberalization will allow market forces to come up in the rail freight segment in Nepal and is likely to increase efficiency and cost-competitiveness, eventually benefiting Nepalese traders, transporters and the consumer.

Further, after this LoE, all kinds of cargoes in all categories of wagons that can carry freight on the Indian Railways network within India can also carry freight to and from Nepal.

The liberalization will particularly reduce transportation costs for automobiles and certain other products whose carriage takes place in special wagons. Wagons owned by Nepal Railway Company will also be authorized to carry Nepal-bound freight (inbound and outbound on Kolkata/Haldia to Biratnagar/Birgunj routes) over the Indian Railways network as per IR standards and procedures.

The LoE also updates several other portions of the India-Nepal RSA and brings those in line with the latest operational and infrastructure status of Indian and Nepalese Railways. It, therefore, marks another milestone in India's efforts to enhance regional connectivity under the "Neighbourhood First" policy.

DAWN, ISLAMABAD 2-7-2021

Islamabad backs Beijing's version on Uighurs: PM

Syed Irfan Raza

• Says Communist Party of China offers alternative model to democracy

• Rules out taking sides in rivalry between great powers

ISLAMABAD: Prime Minister Imran Khan on Thursday said as Pakistan had relations based on trust with China, it would accept the Chinese version on Uighurs in Xinjiang.

In reply to a question about western media reports on Xinjiang during an interview with Chinese media at the PM House, he said western press hardly reported massive human rights violations in Indian Illegally Occupied Jammu and Kashmir where nine million people had been put into an open prison.

The prime minister said that IIOJK had been turned into a police state with extrajudicial killings, imprisonments and ban on media, yet there was hardly any adverse comment in (western) media. "This is what Pakistan finds very hypocritical."

Answering another question, the prime minister said the Communist Party of China (CPC) offered a unique and alternative model to democratic system.

He said the CPC had introduced an efficient system of sifting talent and grooming it up which was more remarkable than electoral democracy.

Mr Khan also appreciated the flexibility in the system of the CPC to adopt changes and mend its policies according to the needs which had led to rapid development of China.

He said having gone through political process from village level to national level, Chinese President Xi Jinping and Prime Minister Li Keqiang were well aware of the people's problems.

"This is something unique for China. You don't see this in many … electoral democracies."

Mr Khan said Pakistan would not take sides in great power rivalry and would never accept any pressure to either change or downgrade its relations with China, as the neighbouring country had always stood by Pakistan in its difficult times.

"If pressure is exerted on Pakistan to change its relations or downgrade its ties with China, it would not happen. We think that it is unfair of the US and Western powers to expect countries like Pakistan to take sides."

The prime minister said: "Relationship between Pakistan and China is very deep. It's not just the governments, but its people-to-people relationship. Whatever will happen, relationship between our two countries, no matter what pressure is put on us, is not going to change."

Responding to a query, Mr Khan said the US-China rivalry was worrying for the world as it could divide the world just like the cold war as well as during war against terrorism. He attributed the US-China rivalry to the fear of China's economic dominance.

"You see a strange great power rivalry in the region. The United States is wary of China and has formed a regional alliance called the 'Quad."

Prime Minister Khan said the idea that India was supposed to act as counter balance to China would be "detrimental" for the former. "China is too strong. India will reap far greater benefits by engaging in trade with China rather than trying to act as a counter balance. If anyone is going to lose out, it will be India," he added.

He said Pakistan's relationship with China had nothing to do with India. "Our relationship is a bilateral relationship. It is extremely strong."

The prime minister said whenever Pakistan was in trouble, politically or internationally, or had a conflicts with its neighbour, China always stood with it.

"You remember friends who stand with you in all times. In good times, everyone stands with you but in difficult, tough, and bad times, you remember those people who stood by you."

About the China-Pakistan Economic Corridor (CPEC), he said the CPEC was the biggest thing happening in Pakistan and where its economic future was moving to. Under the second phase of the CPEC, Pakistan would attract Chinese industry to the Special Economic Zones as well as Chinese agricultural technology to achieve higher productivity, he added.

The prime minister said cultural relations between Pakistan and China were not at par with the political ones and the "idea behind today's meeting is to improve these relations".

Felicitating China and the Communist Party of China on the CPC's 100th anniversary, Imran Khan said Pakistan considered President Xi Jinping as one of great statesmen of modern world for his commitment to fighting corruption, establishing rule of law and steering around 700 million people out of poverty.

Commenting on the Covid-19 situation, he said the way China had dealt with the pandemic was unique. He thanked China for helping Pakistan, donating vaccine to it and helping it stand out in the region.

The prime minister also spoke high of President Xi Jinping's environment-friendly initiatives, including developing an exclusive city with environment-friendly features.

Commenting on Afghan situation, the prime minister said the US had made the biggest mistake by trying to find out a military solution.
"Afghans have a history that they cannot be dictated from outside. They do not like to be controlled from outside, this is history."
He said the moment the Americans gave the date of exit, Taliban considered it a victory. He said in this situation, it was difficult to bring them back to a political settlement.
If a civil war took place in Afghanistan, Pakistan would suffer the most, after Afghanistan, he feared.

DAWN, ISLAMABAD 5-7-2021

Evidence of India's terror financing shared with FATF: Qureshi

Mansoor Malik

LAHORE: Foreign Minister Shah Mahmood Qureshi has said that Islamabad has shared 'concrete proofs' of India's terror financing in Pakistan and demanded that the Financial Action Task Force (FATF) bring India in the dock and question its wrongdoings.
"The FATF member countries' action [after witnessing India's terror financing proofs] will determine whether it's a technical or a political forum," Mr Qureshi asserted while speaking to a private news channel soon after National Security Adviser Moeed Yusuf, Information Minister Fawad Chaudhry and IG Punjab Inam Ghani's press conference in Islamabad.
The foreign minister said he himself and Mr Yusuf had already expressed concerns at a recent presser that India was supporting terrorism in Pakistan and proofs explicitly explained that it (India) was providing weapons, finances as well as training to terrorists in Pakistan.
He said India was also using Afghanistan's land against Pakistan. "The Johar Town, Lahore, bomb blast proved our concerns," he said.
Mr Qureshi claimed that Pakistan's intelligence agencies had exposed India and now solid proofs had been shared with the diplomatic corps and P5 countries' ambassadors in Pakistan as well as with the United Nations and the media.
"Isn't it a responsibility of the FATF to bring India in the dock and ask why it is backing terrorism in Pakistan," Mr Qureshi asked.

DAWN, ISLAMABAD 6-7-2021

Regional efforts on to resolve Afghan issue: PM

Saleem Shahid, Behram Baloch

PRIME Minister Imran Khan receives briefing on south Balochistan package at Gwadar on Monday.

• Says civil war in neighbourhood can affect Pakistan's trade link with Central Asia
• First phase of Gwadar free port zone inaugurated
• MoUs signed with China for desalination, solar energy projects
• Seven countries express interest in Balochistan's port city

GWADAR / QUETTA: Prime Minister Imran Khan has said that Pakistan and its neighbouring countries want peace and a political settlement in Afghanistan to avoid possible civil war, which would affect the entire region.
Speaking at the launch of development projects and the signing of two Memoranda of Understanding (MoU) with China for different projects in Gwadar during his daylong visit to the port city on Monday, Prime Minister Khan said: "Pakistan is trying to talk to all the neighbouring countries and the Taliban to work out a political settlement with consensus."
"I have recently talked to the newly elected president of Iran and discussed the Afghan situation," he said, adding that all neighbouring countries should work for a political settlement between Kabul authorities and Afghan Taliban so that Afghanistan should not fall to yet another civil war.
While expressing concern over the emerging situation in Afghanistan along with the withdrawal of US and Nato forces, the prime minister said Pakistan was making all-out efforts for a political solution of Afghan issue.
"Afghanistan will suffer most if civil war breaks out and neighbouring countries will also be affected apart from the Afghan refugees," Mr Khan reiterated, pointing out that Pakistan's trade link with Central Asia could also be affected. Pakistan made good contracts with Tajikistan and soon he would be visiting Uzbekistan, he said. "They all are interested in using Gwadar deep sea port for trade since they are landlocked," he explained.
About development of Balochistan, the prime minister said the future belonged to Gwadar as it would emerge as the focal point of development, ensuring prosperity of the entire country.
It would open up new avenues of opportunities for regional trade, Mr Khan said, mentioning that Gwadar International Airport would encourage regional trade and boost economic activity and the port of Gwadar would connect directly with other countries.
One-window operation was in progress to facilitate investment, he said, asking the Balochistan government to ensure proper servicing of investors as the subject moved to the provinces after the passage of 18th Amendment to the Constitution.
He thanked the government of China for launching water and solar projects in Balochistan, particularly in Gwadar. One of the MoUs signed was regarding the setting up of a desalination plant with a capacity of 1.2 million gallon a day

to resolve water shortage in Gwadar, while the other was related to the Chinese grant for solar generators for south Balochistan.

Mr Khan appreciated the provision of technical education to the youth of Gwadar by China and said it would prove greatly helpful in future as foreign investment grew. “Pakistan can benefit from its strategic location and also from the expertise of its friend China,” he observed.

According to Pakistan’s official news agency APP, seven regional countries — Saudi Arabia, Kuwait, Oman, the United Arab Emirates, Egypt, Kenya and Qatar — have expressed their commitment for cooperation on Gwadar’s development.

The prime minister mentioned several initiatives for Gwadar uplift including establishment of a university, employment under Kamyab Jawan Programme and upgrade of equipment of local fishermen to ensure value addition of their catch. To fully protect the fishermen and improve their conditions, Rs10 billion was allocated under Kamyab Jawan programme and out of which Rs 5bn had been spent so far.

Mr Khan vowed that PM Office would monitor on a monthly basis progress on the development plans in Gwadar.

The prime minister said his vision of an emerging Pakistan was that of a steadfast nation committed to country’s prosperity. The government was focused on ensuring provision of basic amenities in Gwadar and Balochistan, particularly clean water and electricity to encourage industrialization.

Terming the recently announced Rs730bn development budget for Balochistan by the federal government ‘historic’, the prime minister expressed the hope that it would mitigate the longstanding deprivation of the people of the province. “No country can progress unless it mainstreams all its areas and ensures development across the board,” he said, adding that ‘connectivity’ was one of the major components of the Balochistan package.

Senate Chairman Sadiq Sanjrani, federal ministers Shah Mehmood Qureshi, Asad Umar, Ali Zaidi, Fawad Chaudhry, Zubaida Jalal, Chinese Ambassador to Pakistan, Balochistan Chief Minister Jam Kamal Khan, China Pakistan Economic Corridor Authority Chairman Asim Saleem Bajwa, Chief Secretary Mathar Niaz Rana and provincial minister were present on the occasion.

Free port zone inaugurated

On the occasion, the prime minister inaugurated the first phase of Gwadar Free Port Zone besides performing the groundbreaking of its second phase spread over 2,200 acres. The factories inaugurated on the occasion included a chemical fertilizer factory, Gwadar animal vaccine factory and lubricant factory, besides the opening of Gwadar Tissue Plant Laboratory, adds APP.

Also attending the programme from Shanghai through a video link were the Chinese investors who expressed commitment for investment in Gwadar and other parts of Balochistan. Those who pledged to invest in Balochistan’s different sectors included Huang Weiguo (textile), Huang Daoyuan (prefabricated technology), Fang Hongyan (agriculture), Shen Jian (wool spinning), David Dia and Yi (dairy processing) and Bao Dequan (textile).

Earlier, Gwadar Port Authority Chairman Naseer Khan Kashani briefed the ambassadors on the model of free port zone and the facilities being provided at the seaport.

Enhanced yearly contribution promised

Meanwhile, the prime minister assured a gathering of elders that the federal government would enhance its contribution for the development of the Balochistan every year.

He decried the past rulers for putting Balochistan progress on the backburner. They did not pay attention to the province and focused solely to become the prime minister of the country, he said, adding that they preferred to live in London and spent summers there. Nawaz Sharif had 24 visits to the UK out of which 23 were his private trips, he said, adding that the ex-premier did not visit Balochistan. If they had paid attention to the whole country, they might have continued as country rulers, he observed.

Mr Khan said one who thought of Pakistan would always focus on its less developed areas first. He reiterated that the country could progress only when there was simultaneous and uniform development in all its parts. Residents of Balochistan had a sense of deprivation due to continuous neglect in the past, he added.

Moreover, neither the Center nor the political leadership of the province, in the past, paid due attention to the plight of people, leading to widespread sense of deprivation, he said.

He said his government was focusing on Gwadar uplift with string of development projects, including setting up of the desalination plant and the construction of a 300-bed teaching hospital.

About the construction of low-cost housing units, the prime minister said, the government had received a total of 4,000 applications from the area and had identified 200 acres of land over which initially 2,500 houses would be built. He announced that Ehsaas scholarships would be given to 4,698 young people of the province.

He made it clear there was complete ban on illegal fishing through big trawlers.

He said the federal government was committed to provide 3G and 4G connectivity across the province, which would create huge jobs opportunity for all.

	PAKISTAN			
13.	Trade deficit swells to $30.8bn in FY21 By Mubarak Zeb Khan	Dawn, Islamabad	2-7-2021	25
14.	Pakistan's economy in growth mode: SBP's Baqir	The News, Islamabad	2-7-2021	26
15.	Circular debt soars to Rs2.327 trillion in 2020-21 By Khaleeq Kiani	Dawn, Islamabad	2-7-2021	27
16.	Foreign investors contributed Rs1.4tr tax, invested $2.4b during 2020 - Staff Report	The Nation, Islamabad	6-7-2021	28

HINDUSTAN TIMES, NEW DELHI 3-7-2021

Economic reforms: Why 2021 must surpass 1991

By NK Singh

The 1991 reforms changed things for the better. But were they delayed, half-hearted and incomplete? In driving the next set of changes, conviction, not compulsion, must be our motto

The 30th anniversary of the 1991 economic reforms is a time for nostalgia, retrospection and introspection. Undoubtedly, for crystal-gazing, too, to consider what lies ahead.

Was 1991 indeed a magic moment or a continuation of a prior, halting processes of reforms? How have the deeper shifts stood the turbulent test of time?

To answer this, we must address a set of significant issues. Were the reforms of 1991 an act of free choice or the compulsions of the time? Or was it a perfect storm consisting of several factors such as the disintegration of the Soviet trading system that terminated the bilateral rupee-rouble payment agreement, the Iraq-Kuwait War, the slowdown of India's trading partners (the United States, the Soviet Union and others), and years of unabated fiscal profligacy, compounded by the political instability of having three prime ministers (PMs) between 1989 and 1991? Some might say that this is irrelevant in the rearview mirror, but it is a deeper question about our capacity to get the next set of changes right.

Undoubtedly, a lot has changed in the last 30 years, and much for the better. For instance, rapid growth has dramatically reduced poverty. Metrics have varied over time, making a direct comparison of 1991 and 2021 fraught with assumptions, but a 2020 UNDP report found that a record 273 million people were lifted out of poverty in one decade (2005-16). We have realised various sustainable development goals; expanded access to education and health care; opened up new opportunities through financial inclusion; freed regulatory stranglehold in large sectors of the economy; and fostered entrepreneurs and small businesses. It is hard to even recall the limited choices we had for infrastructure, services and goods in 1991 in comparison to what we have today.

But how did this happen? We need to look back at the decision-making process in the face of uncertainty and pressure, and see what we can learn from history to enable the inevitable next pivot. This leads to several other questions and issues.

One, why did we wait so long? Many believe that the excessive hangover of the socialist mindset and faith in the power of public outlays was a debilitating influence over successive decades. Why did India delay its economic reforms more than a decade after China had begun its reforms? Many argue that the wounded ego of the Congress leadership in the unkept promises by the West or the continuation of a mindset which had not adjusted to the times remained an abiding handicap.

Two, why were we so half-hearted? Even Manmohan Singh as finance minister had to negotiate the much-needed devaluation under PM PV Narasimha Rao's sagacious leadership. Equally, the rollback of an increase in fertiliser prices to preserve the consensus in the party was a setback in the early days of the reforms itself. The success of our negotiating ability with the international community lay not only on what we did but what we succeeded in not doing.

For instance, we did not address many important issues embedded in the Quarterly Performance Criteria, which we had negotiated with the International Monetary Fund, or the structural reforms as part of the Structural Adjustment Loan of the World Bank. Being part of the negotiating team, I look back at the inadequacy of our responses in meeting these twin conditionalities, particularly the moment the formal arrangement with them was terminated. The implementation of the 1991 reforms remained tardy such as liberalising factors of production, adoption of a Goods and Services Tax (GST) regime, revisiting the ownership issues of public sector banks, or the raison d'etre of public sector undertakings. The name of the game was that we were great negotiators. In a self-congratulatory mood, we gloated that we had outlived the crisis and parted with little concessions. However, in today's multi-polar, fast-moving geopolitics, there is not really a negotiation to win, except with reality.

Three, we must recognise the important ways in which the implementation evolved. We have set the ball rolling for liberalising various infrastructure sectors, but the nature of what was to be managed has also evolved substantially. Consider the changes in telecommunications with wireless technologies, the internet of things and Artificial Intelligence, or the shifting sources of competitively priced energy from fossil fuels to solar and wind. Both are essentially different policy problems in 2021 than they were in 1991. At that time, the Chandra Shekhar government and finance minister Yashwant Sinha took audacious steps to prevent a default. Additionally, we had to await the initiatives of the Atal Bihari Vajpayee period. The enactment of the Fiscal Responsibility and Budget Management Act, 2003, was a watershed moment, as were changes in telecom and road connectivity that knit together the nation.

These are essential questions for evaluating the reforms in retrospect against the only metric that matters: How well equipped are we to tackle what lies ahead? By any reckoning, this is another moment, not as much of a perfect storm, but the ability to convert the pandemic into new opportunities for economic reforms.

So, what does history show us about how we can best seize this moment? Others in this series on reforms, notably the finance minister, have argued that we need to repeat the 1991 moment of transformational changes. I agree, but with the caveat that we must think about how to follow through credibly and in ways which do not replicate our tardiness of the past, but to exert constant pressure for the ongoing evolution.

Underneath the substantial changes of the past six years, there are foundations that I believe we did not have in 1991. Inevitably, the relationship between the Centre and states has shifted to new fulcrums of cooperative federalism. States will be the important theatres where many of these reforms will need to unravel and be implemented. These will be tested, but will be a foundation for next steps in green energy, sustainable development, education, health, and other constitutionally shared responsibilities. We also have a fundamental reform of the taxation system, particularly GST, such as inverted duty structure and rate rationalisation. Then there is the area of judicial reforms where action in litigations and conflict resolution has remained opaque, if not elusive.

In improving the overall competitiveness of the economy, the quality of social and physical infrastructure, along with following through with the important changes which have been initiated over the last two years, will be crucial. We need to make exports an engine of growth and ensure abiding changes in trade logistics. We need to shed the hesitation in becoming a driver of, not a reactive agent to, preferential trade arrangements.

Overcoming any subsisting hesitation of private capital in areas such as banking and insurance, and encouraging more meaningful partnerships in renewable energy, will be central to our growth. The hard-won battle on macroeconomic stability must be embedded in our memory. A return to the path of fiscal rectitude sooner rather than later is inevitable.

Fortunately, in PM Narendra Modi, we have purposive and decisive political leadership. This leadership, unmindful of the resistance that some reforms have encountered, has shown the will and ability to push a complex and difficult reform agenda. The next set of changes must be motivated not through minimalistic changes and driven, not by compulsion, but by conviction. This depends on not the gains of the last 30 years but the vision for the next 30 years. Destiny is not a matter of chance. It is a matter of choice.

<u>THE TIMES OF INDIA, NEW DELHI 11-7-2021</u>

Unconventional, Thrifty Ways to Revive the Economy

Soumya Kanti Ghosh

Debates on economic boosters get stuck on whether government should spend more. But GoI's fiscal situation is improving and it can do plenty with moderate extra spending. Here's how.

What is the key insight of a revival strategy?

It has to be consumption-led. 2021-22 data shows real per capita private final consumption expenditure (PFCE) fell more sharply than GDP did. Clearly, household consumption has taken sharp hits, and continues to do so. The other key point is since the pandemic, and with health risks continuing, health insurance is critical. Health expenditure is a major consumption downer.

But won't higher consumption stoke inflation?

No. That happened after the revival package following the 2008 crisis. However, there is a clear difference between then and now. In 2009, pay commission awards, loan waiver, large MSP increase and past arrear payments adding up to 22% of incremental PFCE resulted in a frothy boom in consumption.

None of that applies now. In 2020-21, incremental PFCE has declined by Rs 7.4 lakh crore, while household debt increased by Rs 7.5 lakh crore. Hence any income support for households will nurture consumption, and not be inflationary.

Yes, inflation is going up. But that's mainly due to high indirect taxes, not because of consumption.

What about fiscal deficit?

To begin with, the fiscal situation isn't as bad as is generally thought. GoI can get an additional Rs 1.32 lakh crore over the amount budgeted for oil excise tax collections. And for GST, the extra amount is likely to be Rs 60,000 crore. And, more important, there are a number of unconventional, fiscally moderate ways to support consumption.

Devise a micro livelihood loan for MGNREGS job-cardholders.

There are 9.35 crore MGNREGS cardholders. For 100 days' work at Rs 200/day, the cost is around Rs 1.87 lakh crore. This payment can be frontloaded. Commercial banks can advance, say, 30% of income, or Rs 50,000 crore, to MGNREGS cardholders, all of whom have bank accounts. Government can "reimburse" banks' interest costs on these advances. At 8% of Rs 50,000 crore, this will come to Rs 4,000 crore.

The debt will be self-liquidated when the cardholder contributes labour. The key thing is the economy will get a spending power of Rs 50,000 crore. Assuming a marginal propensity to consume (MPC) of 0.7 this should result in a consumption boost of Rs 1.66 trillion. This will be purely subsistence based and hence non-inflationary.

(MPC is the proportion of extra income an individual spends on consumption. MPC of 1 means entire extra income is spent.)

Give livelihood loans for the rural poor.

Government can offer loans up to, say, Rs 50,000. This loan may be given on the premise that interest-servicing alone will keep the loan current. But loan renewal will be linked to a successful repayment record. If government were to bear, say, 3% interest subsidy, on a portfolio of Rs 50,000 crore, the outlay would be only Rs 750 crore for half of 2021-22. And these loans will also act as a big consumption booster at subsistent levels.

The additional advantage of these micro livelihood loans is that they will help the banking system prepare a comprehensive database and credit history of marginal borrowers.

To improve health insurance cover, use savings account interest.

Create an opt-in scheme to deduct interest from savings accounts to pay towards mediclaim policies. The approximate size of the health insurance coverage is Rs 58,572 crore. Savings bank interest across all accounts is Rs 1.6 lakh crore. The difference between these figures shows the potential of this idea.

There are 130 crore savings bank accounts. Average interest paid per account is Rs 1,215. An opt-in scheme, where the account holder's savings bank interest can become the premium of a health insurance policy, means that at an average premium of around Rs 1,200, health cover of up to Rs 50,000 can be bought.

This scheme can be temporary, for the duration of the pandemic. Most people pay no attention to their savings bank interest. This is an excellent way to leverage that amount for something useful.

HINDUSTAN TIMES, NEW DELHI 3-7-2021

Exports touched $95 billion in June quarter

By Rajeev Jayaswal, Roshan Kishore

Merchandise exports in the first quarter of 2021-22 jumped 16% over $82 billion in the same quarter two years ago (Q1, FY19), when compared with a normal year preceding the first wave, Piyush Goyal said.

Indian merchandise exports touched $95 billion in the three months ended June, recording an all-time high in any single quarter, commerce and industry minister Piyush Goyal said on Friday, adding that the country is set to achieve its $400 billion export target in 2021-22. He attributed the performance, which came despite the second wave of the coronavirus disease pandemic, to excellent performance by labour-intensive sectors such as engineering goods, rice, oil meals and marine products.

Merchandise exports in the first quarter of 2021-22 jumped 16% over $82 billion in the same quarter two years ago (Q1, FY19), when compared with a normal year preceding the first wave, he said. The previous record was $90 billion in the fourth quarter of 2020-21.

The first wave of the Covid-19 pandemic and the consequent 68-day nationwide lockdown since March 25, 2020 adversely affected merchandise exports in the first quarter of the previous financial year (April-June, 2020-21) , which clocked $51 billion.

According to official data, the highest growth of 168% was achieved in iron ore exports, which touched $1.7 billion compared to the same period two years ago [Q1 FY-20]. Similarly, rice exports grew 37% to $2.4 billion. In value terms, engineering goods worth $25.9 billion were exported, a 25% jump over $20.7 billion in April-June 2019. Petroleum products saw 16% growth during this period to $12.9 billion. About 14% growth was also recorded in pharmaceutical exports the tenth top export item, to $5.8 billion.

Commerce secretary BVR Subrahmanyam said export growth in India surpassed that in major economies such as the European Union, Japan, South Korea, the UK and the US in April 2021.

said the government has now set a $400 billion merchandise export target for the current financial year, which is over 21% higher than the record $330 billion achieved in 2018-19.

Goyal said the record performance in Q1 FY-22 was a result of PM Modi's direct engagement with all stakeholders immediately after the Budget that ensured effective implementation of key policy announcements made on February 1. Goyal said the export performance is global recognition that India is a "trusted and reliable partner" to deliver high quality goods and services on time.

Despite a robust export performance, India's trade deficit has grown due to higher imports. The country's merchandise imports in April-June were $126.14 billion, an increase of 108% over $60.65 billion in April-June

2020, and a decrease of 3.05% over $130.1 billion in April-June 2019.

Petroleum import is one of the main reasons for the trade deficit. Oil import in April-June was $31 billion, a 136.36% jump compared to $13.12 billion in April-June 2020. However, India imported petroleum worth $35.36 billion in April-June 2019.

The net economic contribution of exports, net exports as a percentage of GDP, was the highest in 16 years during the quarter ending June 2020. This is basically a result of a simultaneous collapse in non-petroleum imports and crude oil prices as the pandemic ravaged the global economy and India was under a strict lockdown. India's merchandise trade deficit was $30.7 billion in the quarter ending June, lower than the $41.1 and $35.1 billion figures for the quarters ending March 2021 and December 2020.

While complimenting government policies for a robust growth in exports, Federation of Indian Export Organisations (FIEO) president A Sakthivel said increase in both quarterly and monthly imports should be looked into.

Sakthivel, who is also the chairman of the Apparel Export Promotion Council (AEPC), said: "India's economic recovery is likely to be led by exports till domestic demand picks up. And, leading the pack of exporters will be the MSMEs [micro, small and medium enterprises], as exports need personalised management."

Confederation of Indian Industry (CII) director general Chandrajit Banerjee said: "Driven by structural reforms and positive sentiments about Indian goods, the milestone of highest-ever merchandise exports strongly demonstrates the growing importance of the country in global supply chains."

INDIAN EXPRESS, NEW DELHI 3-7-2021

India backs OECD-G20 tax deal, 'consensus agreement' likely by Oct

Express News Service

The principles underlying the solution vindicates India's stand for a greater share of profits for the markets and consideration of demand side factors in profit allocation.

India and majority of the members OECD-G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) have adopted outline of a consensus solution to address the tax challenges arising from the digitalisation of economies. The principles underlying the solution vindicates India's stand for a greater share of profits for the markets and consideration of demand side factors in profit allocation.

The new framework also seeks to address concerns over cross-border profit shifting and bring in subject-to-tax rule to stop treaty shopping. The proposed solution consists of two components: Pillar One, which is about reallocation of additional share of profit to the market jurisdictions, and Pillar Two consisting of minimum tax and subject to tax rules.

"Some significant issues including share of profit allocation and scope of subject to tax rules, remain open and need to be addressed. Further, the technical details of the proposal will be worked out in the coming months and a consensus agreement is expected by October," the Finance Ministry said in a statement.

INDIAN EXPRESS, NEW DELHI 4-7-2021

Surge of $5 billion pushes reserves to new lifetime high

ENS Economic Bureau

In the previous week ended June 18, the reserves had declined by $4.418 billion to $603.933 billion.

Sustained foreign direct investment (FDI) and foreign portfolio investor (FPI) inflows had led to the gains in foreign exchange — or forex — reserves in the past few weeks.

The country's foreign exchange reserves surged by $5.066 billion to touch a record high of $608.999 billion in the week ended June 25, 2021, RBI data showed.

In the previous week ended June 18, the reserves had declined by $4.418 billion to $603.933 billion.

Sustained foreign direct investment (FDI) and foreign portfolio investor (FPI) inflows had led to the gains in foreign exchange — or forex — reserves in the past few weeks.

During the week under review, the increase in the forex reserves was on account of a rise in foreign currency assets (FCA) — a major component of the overall reserves — Reserve Bank of India's (RBI) weekly data showed.

FCA rose by $4.7 billion to $566.24 billion.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US currencies such as the euro, pound sterling and Japanese yen held in the foreign exchange reserves.

Gold reserves rose by $365 million to $36.296 billion in the period under review, the data showed.

The special drawing rights (SDRs) with the International Monetary Fund (IMF) remained unchanged at $1.498 billion.

The country's reserve position with the IMF increased marginally by $1 million to $4.965 billion in the week, the data showed.

THE DAILY OBSERVER, DHAKA 5-7-2021

Bangladesh apparel exports to US bounce back

Business Correspondent

Bangladesh apparel exports to the USA bounced back during the first five months of this calendar year, registering a double-digit growth both in terms of value and volume compared to the same period of last year, according to US trade statistics.

The exports to US market returned to the positive territory after facing a setback for some time due to the Covid-19 pandemic. RMG exports to the US grew by 15.38 per cent to US$ 2.58 billion from January to May this year over the same period last year.

US imports from Vietnam and Cambodia witnessed bigger growth at 19.48 per cent and 15.35 per cent respectively. US buyers have shifted some of their orders from China to Bangladesh while exports from India to US suffered due to deteriorating Covid-19 situation

Bangladesh had fetched $ 2.24 billion during the corresponding period of 2020, as per figures available from the Office of Textiles and Apparel (OTEXA) which is an affiliate of the US Department of Commerce and released on Friday, reports RMG Bangladesh. Apparel exporters said the industry registered better performance due to the start of economic recovery aided by good coverage of Covid-19 vaccination, better control in coronavirus infection, and a shift of orders from China.

During the first five months of the 2021, Bangladesh shipped 1.02 billion square meters of apparel items, up from 807.67 million square meters or 27.30 per cent. RMG exports to the US stood at $5.22 billion in 2020, down from $5.92 billion in 2019, data said.

The overall apparel imports of the USA from across the world during the period under review increased by 22.19 per cent to US$ 29.21 billion from $23.91 billion during the same period in 2020, data showed.

During this period, the US apparel imports from China witnessed 26.17 per cent growth to US$ 5.82 billion, which was $4.61 billion during the corresponding period of last calendar year.

US imports from Vietnam and Cambodia also witnessed a growth of 19.48 per cent and 15.35 per cent to $5.74 billion and $ 1.24 billion respectively year-on-year during the period.

Apparel exports from other major sourcing destinations including India, Mexico, and Pakistan also grew by over 21 per cent to 58 per cent except Indonesia that was maintaining a negative growth of 1.75 per cent.

BGMEA Vice President Md Shahidullah Azim, said the US economy is slowly recovering from Covid-19 impact with the rise in consumer spending. Besides, US buyers have shifted some of their orders from China to Bangladesh while exports from India to US suffered due to the deteriorating Covid-19 situation, he added.

He, however, hoped that local RMG exports to US will increase further with the return of one of its big companies - the Walt Disney - to Bangladesh.

Disney that stopped sourcing from Bangladesh eight years back will reinstate Bangladesh as its permitted sourcing country, he said.

He added that it would also help to regain the image of the industry that has made significant improvements in the areas of workplace safety and other issues.

THE DAILY OBSERVER, DHAKA 7-7-2021

Export target set at $51b in FY'22, up 12.37pc from last year's earnings

Business Correspondent

Commerce Minister Tipu Munshi said Bangladesh has set an export earnings target of USD $51 billion for fiscal 2021-22 with an export growth target at 12.37 percent.

Of this, $43.5 billion has been targeted from merchandise export and $7.5 billion from export of services. The Minister made the announcement at an online press conference from the secretariat in the capital on Tuesday.

The Minister said that all kinds of cooperation will be given to entrepreneurs to achieve the target.

Bangladesh earned $38.75 billion in exports during fiscal 2020-21, missing the $41 billion target mainly because of destabilization of global market due to spread of coronavirus. It was, however, 15.1 percent rise over US$ 33.67 billion export in 2019-20.

This year's higher target is based on significant growth in exports in the previous year and various policy steps to promote exports, such as concessions given to "Made in Bangladesh" brands, said Tipu Munshi attended by business leaders of export-oriented industries.

Commerce Secretary Tapan Kanti Ghosh, Export Promotion Bureau (EPB) Vice Chairman AHM Ahsan, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) former president Siddiqur Rahman, Bangladesh Knitwear Manufacturers and Exporters Association (BMKEA) first vice president

Mohammad Hatem, Leather and Footwear Manufacturers and Exporters Association President Saiful Islam and Bangladesh Tennis Association President Shaheen Ahmed were present at the press conference.

He praised the country's business community and said considering the "brave way" industries have continued to function during the pandemic. The export target is "very realistic and achievable", he said.

He said the target from ready-made garment exports has been fixed at $ 35.14 billion while $10 billion in leather exports. Targets for other sectors have also been set at different rates.

Entrepreneurs in the export and service sectors and Bangladesh's commercial counselors at different mission abroad were present at the press conference.

He said, "The government is working sincerely to increase exports. It has undertaken projects to make several sectors efficient in exporting goods. Besides country-made garments, there is huge potential for export of light engineering, ICT, leather and leather goods, plastics and agricultural products.

The minister said export targets have been set taking a number of issues into account including trade performance of last year, Covid-19 situation and its impact on global supply chain and the packages announced to overcome the pandemic impact.

"The ministry is implementing a project in collaboration with the World Bank to strengthen export sectors. It is expected exports of these sectors will increase at a significant rate. Efforts to sign PTAs or FTAs also continued to boost export. Commercial counselors are also working in different countries to this end," he added. The commerce minister said, "Even in the Covid-19 situation, Bangladesh's export sector is active and has turned around. The government is providing all necessary cooperation in their efforts to achieve targets."

The government has taken special initiatives to increase exports and expand market. He said exporters and all concerned will have to work sincerely to achieve the goals.

THE DAILY OBSERVER, DHAKA 8-7-2021

Bangladesh-Pakistan business forum in the offing

Daily Times

Pakistan Bangladesh Business Council may be created to give a quantum jump to bilateral trade and to ensure durable peace in this region, said Mr. Imran Ahmad Siddiqui Pakistani High Commissioner in Bangladesh.

He was addressing an international webinar on "Pakistan Bangladesh Economic Relations: Future of Cooperation". It was also attended by Engineer Hafiz Ihtasham Javed President Faisalabad Chamber of Commerce & Industry (FCCI), Mr. Suleman Khan Commercial Counselor embassy of Pakistan in Dhaka, Mr. Sadrul Hassan Special Correspondent UNB Dhaka, Mr. Manzur Rashid Business Director, ACI chemicals, Mr. Nabeel Essa Director Tasho Enterprises Limited Dhaka and Ms. Shaista Riaz Research Associate at Pakistan House.

The High Commissioner pointed out that Pakistan and Bangladesh share many commonalities while Pakistani professionals have played a major role in the development of Bangladeshi textile and garment industry on solid and sustained basis.

He said that we must reactivate the dormant organizations like the joint economic commission. He said that the business community can accomplish this task with his entrepreneur's skills and hence it must play its role in the best interest of the country and nation. He also stressed the need to bring private sectors of both countries closer to materialize the dream of enhanced cooperation.

He said that Bangladesh economy has attained a position to invest in other countries and Pakistan should be their first choice for this purpose.

The Pakistani high commissioner explained in detail the massive opportunities offered by CPEC and said that it is time for Bangladesh to exploit these opportunities for its own benefit. He said that Bangladesh could also have access to the regional countries to enhance the export of its surplus produce.

He said that many countries have differences but they are doing business in their greater interest. He said that it is very encouraging that the governments in both countries are now inclined to promote bilateral trade relations, hence the business community should cash the unique opportunities.

Engineer Ihtesham Javaid, President Faisalabad Chamber of Commerce & Industry said that Faisalabad is Pakistan's 3rd largest city which alone is contributing 25% share in Pakistani economy.

He said that these routes must be utilized for increasing bilateral trade. He further said that in 2020, the volume of bilateral trade was $644 million, which was very little considering the size of market and opportunities. He said that the good news is that the volume of trade has increased significantly in 2021, as a rise in trade between Pakistan and Bangladesh has been reported. He said that Pakistan offers opportunities for cutting down the cost of many products through the facilities it could offer to the Bangladeshi investors and industrialists.

He said that the current GDP growth rate of Pakistan is 3.9%, and it could offer job opportunities to 2.4 million people. Bangladesh and Pakistan, both are developing countries, faced with similar kinds of conditions, thus, both countries should take measures and collaborate in enhancing their bilateral trade ties on a solid and sustained basis.

THE DAILY OBSERVER, DHAKA 9-7-2021

'BD-India economic deal to be a game changer for bilateral trade'

Diplomatic Correspondent

Indian High Commissioner to Bangladesh Vikram Doraiswami said the Comprehensive Economic Partnership Agreement (CEPA) between Bangladesh and India will be a game changer for bilateral trade partnership.

"The vast consumer market of India offers enormous opportunities for the quality food products from Bangladesh, however, Bangladesh is enjoying duty free quota free market access in India under SAFTA since 2011," Doraiswami said while addressing a virtual event on Wednesday, says a press release issued by Indian high Commission.

Focusing on Bangladesh-India trade agricultural and processed food products, Agricultural and Processed Food Products Export Development Authority (APEDA) in association with Bangladesh Fresh Fruits Importers Association and India Bangladesh Chamber of Commerce and Industry organised the virtual conference and India-Bangladesh Trade Fair on Agri Products.

He emphasized the importance of finalizing reciprocal arrangements with regard to food safety standards and rapid upgradation of logistics to enhance such trade.

The meet brought together key stakeholders from respective trade bodies and governments on a common platform for strengthening strategic cooperation between India and Bangladesh in the agri-food sector. The Indian High commissioner said CEPA is under active discussion of both the government, the release said.

Bangladesh Land Port Authority Chairman Md Alamgir, highlighted that the Bangladesh government is in the process of phased development and upgradation of land ports involving BDT 1.5 billion and starting with ports at Benapole, Sutarkandi, Belonia and Ramgarh.

He said land port authorities of both the countries are committed to seamless operation, passenger facilitation and timely handling of goods for the benefit of business community.

Abdul Matlub Ahmad, President of India Bangladesh Chamber of Commerce and Industry (IBCCI), said World Bank reports suggests that seamless transport connectivity between India and Bangladesh has the potential to significantly increase national incomes on both sides.

He urged the multilateral donors and private sector to invest in the development of ICDs, cold storages and warehousing facilities at the land customs stations. "Infrastructure, both digital and physical,will benefit traders and business community."

The virtual conference was joined by Dr M Angamuthu, Chairman, APEDA, Salimul Haque Essa, President, Bangladesh Fresh Fruits Importers Association, Shamim Ahamed, President, Halal Meat Importers Association of Bangladesh, Abdul Matlub Ahmad, President, India-Bangladesh Chamber of Commerce and Industry, Dr Pramyesh Basall, Commercial Representative, High Commission of India, Dhaka, Dr Tarun Bajaj, Director, APEDA and other senior officials of APEDA and High Commission of India, Dhaka, it said.

During the conference, an E-Catalogue for the Virtual Buyer Seller Meet was released followed by Virtual Trade Fair B2B meeting and interactions between exporters and importers.

THE KATHMANDU POST, KATHMANDU 11-7-2021

Nepal, India sign deal for $1.3 billion Lower Arun Hydropower project

This is the second mega project undertaken by the southern neighbour after the $1.04 billion 900-MW Arun-3 hydroelectric project in the Arun river in 2018.

Investment Board of Nepal Chief Executive Officer Sushil Bhatta (left) and Satluj Jal Vidyut Nigam Chairman and Managing Director Nand Lal Sharma exchange the memorandum of understanding for the development of 679-megawatt Lower Arun Hydropower project. Photo

Nepal on Sunday signed a pact with India's state-owned Satluj Jal Vidyut Nigam to develop the 679-megawatt Lower Arun Hydropower project in eastern Nepal.

The $1.3 billion project, the single biggest foreign investment project, as per the 2017 cost estimates, is located in Sankhuwasabha and Bhojpur districts.

This is the second mega project undertaken by the southern neighbour after the $1.04 billion 900-MW Arun-3 hydroelectric project in the Arun river.

A memorandum of understanding was signed by the Investment Board of Nepal Chief Executive Officer Sushil

Bhatta and Satluj Jal Vidyut Nigam Chairman and Managing Director Nand Lal Sharma in Kathmandu, on Sunday, the Investment Board said in a statement.

According to the board, the developer should complete the detailed project study of the project and submit the detailed project report for approval at the board within two years from the agreement date.

The project will be built under the build, own, operate and transfer (BOOT) model.

According to the statement, Finance Minister Bishnu Prasad Paudel, who is also the vice-chairman of the board, expressed commitment to extend necessary support to expedite and fast-track the project development.

According to Indian media reports, while India has been buying electricity from Bhutan, it is also supplying electricity to Bangladesh. The plan now is to include the option of building an overhead electricity link with Sri Lanka.

The project will not have any reservoir or dam and will be a tailrace development of Arun-3 hydro project, which will mean water re-enters the river for the Lower Arun project.

In 2018, Prime Minister KP Sharma Oli and visiting Indian Prime Minister Narendra Modi jointly laid the foundation stone for the Arun III Hydropower Project, remotely from Kathmandu.

SJVN's current installed capacity stands at 2,016 MW and it aims to be a 25,000 MW entity by 2040.

DAILY NEWS, COLOMBO 2-7-2021

Sri Lanka invites Pakistan to identify tariff issues

Business

The Sri Lankan government on Wednesday invited businessmen to identify tariff issues that are impeding trade between the two countries.

Consul General of Sri Lanka in Karachi G. L. Gnanatheva advised businessmen, exporters and members of Pakistan-Sri Lanka Business Council of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) to conduct a comparative study on tariffs levied on various products to resolve grievances.

Gnanatheva said traders of both countries should explore more varied sectors to increase the bilateral trade to its true potential. He also emphasised the need to scale up cooperation in the IT sector. The foreign envoy also asked for tea and rubber related joint ventures.

Bilateral trade between Pakistan and Sri Lanka amounted to $315 million in the first 11 months of the current fiscal year, according to the State Bank of Pakistan. The bilateral trade continued to show a downward trend despite a bilateral free trade agreement. According to an estimate, bilateral trade can reach $3 billion if impediments to the implementation of the free trade agreement are removed.

The FTA between Pakistan and Sri Lanka was signed in August 2002 and came into effect in July 2005. The terms of the FTA were comprehensive and granted 100 per cent immediate concessions to Pakistan and Sri Lanka’s major export products.

Pakistan’s exports to Sri Lanka reached $238 million in the first 11 months of the current fiscal year, while Sri Lanka’s exports to Pakistan stood at $77 million, leading to a trade surplus of $161 million in Pakistan’s favour. Both sides are rendering efforts to reactivate joint working groups to resolve issues.

FPCCI President Naser Hayat said the apex trade body is committed to helping business, industrial, and trade communities to capitalize on relations and geographical proximity with Sri Lanka and grow their businesses rapidly.

DAILY MIRROR, COLOMBO 9-7-2021

Sri Lankan economy in serious decline

Seneka Abeyratne

With the recent publication of the Central Bank annual report 2020, we are now in a position to ascertain how the Sri Lanka economy performed during the previous decade (2010-2019) as well as the first year of the current decade (2020). We may note in this regard that (a) the country on the whole has been free of violent ethnic conflict during the past 11 years and (b) there have been no significant acts of domestic terrorism during this period, with the exception of the Easter Sunday bombings of 2019, which killed over 250 civilians on the west coast and depressed economic growth during the remaining part of that year, due to its adverse impact on tourism and net foreign capital inflows. This was the first major macroeconomic shock the island received since the ending of the civil war in May 2009.

Approximately a year later came the second macroeconomic shock – far worse than the first, as the entire country went into lockdown, due to the advent of the coronavirus, which has taken the lives of over 3,000 Sri Lankans to date. So far, the island has been hit by three waves of COVID-19, which has forced the government to impose periodic hard lockdowns in all parts of the country, some short, some long, i.e. a few days versus several weeks, respectively. The most recent islandwide lockdowns occurred in May and June this year. Never before has the global economy experienced a combined health and economic crisis on such a gargantuan scale. COVID-19 has killed around four million people to date and driven a large number of poor nations to the brink of economic and social collapse.

The virus originated in Wuhan, one of China's wealthiest cities and rapidly engulfed the entire planet. As one country after another went into soft or hard lockdowns, the global economy began to shrink at an alarming rate, thereby causing a massive loss of livelihoods. Ironically China (where it all began) was the only country to register positive economic growth in 2020.

Economic performance in previous decade (2010-2019)

The main objective of this article is to examine Sri Lanka's macroeconomic performance, both before and after the advent of COVID-19 and to assess whether the economy is capable of recovering from the hammer blow delivered by the pandemic, given the inward-looking nature of the policy environment created by the present political leadership, which has been in power since November 2019.

One of the key indicators of overall economic progress is the growth of gross domestic product (GDP). For Sri Lanka to achieve a major economic transformation, GDP must grow at over 6 percent per annum on a sustained basis. During the past three decades, the only South-Asian nation to have done so was India. Some readers may be surprised to learn that India is now the world's fifth largest economy, ahead of England, France, Italy, Brazil and Canada, in that order. It is important to note that India's quantum leap from low to high GDP growth occurred only after the country abandoned its inward-looking policy orientation in favour of an outward-looking policy stance, which entailed far-reaching structural reforms. The architect of India's economic liberalisation, which commenced in the early 1990s, was Finance Minister Manmohan Singh – a progressive, Oxford-educated economist, who later served as Prime Minister for two consecutive terms (2004-2014).

While India grew so rapidly as to overtake England and become the world's fifth largest economy in the previous decade, how did Sri Lanka perform during the same period? As Table 1 shows, though GDP growth was impressive during the first three years (2010-2012), it has by and large been erring on the low side since then. After 26 years of internecine ethnic conflict, peace returned to the island in mid-2009, which largely explains why the country underwent rapid economic expansion during the initial, post-war period.

The rebuilding of physical infrastructure, revival of production and marketing activities, and restoration of livelihoods commenced briskly in the former war zone (North and East), which prior to the war, accounted for a sizeable share of the island's total agricultural output in the non-plantation, fisheries and livestock sectors. There was also a surge in foreign direct investment (FDI) inflows and workers' remittances during this period. From 2010 to 2012, annual GDP growth averaged 8.5 percent but from 2013 to 2019, it averaged only 3.9 percent.

It was assumed by the government that once peace returned to the island, there would be a rich dividend in the form of massive FDI inflows. But this did not occur. In 2009, FDI inflows amounted to only US $ 404 million. By 2011, they had increased to US $ 956 but after the initial spurt, they became erratic and exceeded US $ 1 billion in only two years (2017 and 2018). This temporary hike was largely due to a debt-to-equity swap with China Merchants Port. As FDI inflows started to wax and wane, so did GDP growth. The economy began to run out of steam, so to speak and the lack of a stable macroeconomic policy climate only served to aggravate the situation by dampening private sector growth.

Another reason why GDP growth began to decline after 2012 is that though exports increased significantly, imports grew at a faster rate. Hence, net exports were negative throughout the previous decade with the ballooning trade deficit exerting severe stress on the balance of payments (BOP). During this period (2010-2019), exports and imports averaged 5.7 percent and 8.1 percent growth per annum, respectively. Thus, on average, growth of imports exceeded growth of exports by 2.4 percent per annum. Moreover, in three of the 10 years under scrutiny, export growth was negative. In 2010, imports exceeded exports by US $ 4.8 billion. By 2018, this gap had widened to US $ 10.3 billion. In 2019, it narrowed to US $ 8 billion, not because exports increased but because imports decreased due to a significant hike in the import duty on luxury cars.

In 2010, tea and garments accounted for 55.6 percent of total exports, respectively. By 2019, the ratio had declined to 51.8 percent but it goes to show that the island is still heavily dependent on these two commodities to drive exports. All in all, the extent of diversification of the export base in the previous decade was modest, due to the absence of a viable, medium to long-term export development strategy designed to make the Sri Lankan economy globally competitive. Without large inflows of FDI on a regular basis, it is unlikely that the island could build a robust and diversified export base.

Key policy and institutional constraints

There are several reasons why foreign investors, on the whole, are staying away from Sri Lanka, which include the following: (i) poor quality economic infrastructure, which raises the costs of doing business; (ii) weak macroeconomic fundamentals, such as negative external and domestic current account balances, ballooning external trade and fiscal deficits, continual exchange rate depreciation, a high external debt to GDP ratio and depleted foreign reserves; (iii) the volatile and ad hoc nature of government policy formulation leading to a great deal of uncertainty in the business environment; (iv) a weak institutional and legal framework for facilitating and supporting FDI in export-oriented economic activities; (v) inadequate financial and institutional support for applied research and development across all sectors; (vi) the unwillingness of successive governments to address serious land and labour market distortions; (vii) a wide range of trade barriers (including import bans/restrictions on hundreds of goods), which severely decreases overall economic efficiency and last but not least, (viii) a volatile political climate. Over time most of these constraints have steadily worsened, which does not augur well for Sri Lanka's future economic development, keeping in mind the extent to which the pandemic has disrupted global trade and investment.

Economic performance in 2020

In 2020, due to the severe economic disruptions caused by a hard, islandwide lockdown from March 21 to June 1, GDP growth plummeted into negative territory. A recent World Bank report entitled Sri Lanka – Economic and Poverty Impact of COVID-19 (April 2021) notes that the economic contraction commenced in the first quarter of 2020 with GDP registering minus 1.8 percent growth. The corresponding figure for the year as a whole was minus 3.6 percent. What is clear is that the economy was already in bad shape when the first COVID-19 wave hit the island in the latter half of March and that the ensuing health crisis/lockdown simply made things worse.

The above report estimates that the US $ 3.20 poverty rate increased from 9.2 percent in 2019 to 11.7 percent in 2020. In absolute terms, the number of additional people pushed into poverty by the pandemic exceeded half a million. The increase in the poverty rate occurred mostly in the rural areas of Kandy and Ratnapura districts, where it was already high. As stated succinctly in the above report: "This implies that the COVID-19 crisis may have slightly shifted the composition of the poor but did not fundamentally change the nature of poverty in Sri Lanka, as most of the poor continue to live in predominantly rural areas."

The economy on the whole has been performing poorly during the past four years. Some of the key macroeconomic indicators shown in Table 1 (GDP growth, ratio of government revenue plus grants to GDP, domestic current account balance, overall fiscal balance, gross official reserves, foreign direct investment and the exchange rate) were weak in 2019 and continued to deteriorate further in 2020. To rebuild an economy that has undergone a severe contraction and facilitate robust private-sector development is a daunting task for the government in the context of the pandemic. Sadly by sending out mixed signals, it has failed by and large to gain the trust and confidence of the private sector.

Need for structural adjustment

What is extremely worrisome is the inward-looking, protectionist ideology embraced by the present regime. The last government to adopt the same stance was the left-of-centre regime that came into power in 1970. The experiment with a closed economy was such a disaster that the ruling party was soundly beaten at the General Election of 1977. The first thing the new right-of-centre government did was to liberate the economy from the shackles of socialism and facilitate rapid private-sector development.

The massive trade barriers erected since the pandemic began are seriously impeding GDP growth – a frightening scenario given that COVID-19 has taken the economy to the brink. The recent ban on chemical fertiliser imports, for instance, is likely to create havoc in the agricultural sector. The ruling party needs to take a close look at what happened from 1970 to 1977 and avoid repeating the same mistakes, if it wishes to prevent a serious erosion of its rural voter base.

Can the government solve the current economic crisis? At the core of the crisis is the external debt trap from which the country is unable to extricate itself. The government has adopted a borrow to pay old loans strategy to avoid defaulting on foreign debt service payments exceeding US $ 4 billion a year. The situation is grave as foreign reserves are currently hovering at roughly the same level. Currency swaps and other ad hoc policy measures (including restricted private-sector access to foreign exchange) will only buy time and further aggravate the crisis.

Even if these measures enable the government to meet its debt service obligations this year, it faces the grim prospect of defaulting on the external debt next year. The need for debt restructuring and structural adjustment is therefore critical at this time. The government needs to work with an external agency to remove serious market distortions, strengthen macroeconomic fundamentals and restore public debt sustainability through prudent fiscal management and revenue mobilisation. According to the above World Bank report, Sri Lanka's ratio of government revenue plus grants to GDP (12.6 percent in 2019) is one of the lowest in the world.

When Imran Khan was in the opposition, he was a vocal critic of the IMF. He also viewed foreign aid as a curse. After becoming the Prime Minister of Pakistan in August 2018, he was dismayed to find that the economy was hopelessly embedded in a vicious external debt trap. He had no choice but to swallow his pride and seek an IMF bailout, which came in the form of a US $ 6 billion Extended Fund Facility.

Perhaps our political leaders can take a leaf out of Imran Khan's book. They need to move quickly in order to avert a full-blown BOP crisis, which the country can ill afford at this time, given the oppressive and unpredictable nature of the pandemic. If a fourth wave hits the island in the midst of a severe BOP crisis, the economic and poverty impact will be catastrophic.

DAWN, ISLAMABAD 2-7-2021

Trade deficit swells to $30.8bn in FY21

Mubarak Zeb Khan

ISLAMABAD: Pakistan's merchandise trade deficit widened by 32.9 per cent, or $7.616 billion, in the outgoing fiscal year (FY21) from a year ago on the back of lower export proceeds and higher than expected imports, data shared by the Ministry of Commerce showed on Thursday.

The annual trade deficit reached $30.796bn in July-June FY21 from $23.180bn over the corresponding period of last year. This may pose some challenges for the government in controlling external accounts.

In rupee terms, the trade deficit was posted at 33.8pc on a year-on-year basis.

The monthly deficit reached $3.333bn in June 2021 from $2.120bn a year ago, reflecting an increase of 57.2pc. In rupee terms, the trade deficit was posted at 50.5pc on a year-on-year basis. In FY20, the country's trade deficit had narrowed to $23.099bn from $31.820bn in the previous year.

Trade gap has been widening since December 2020, mainly led by exponential growth in imports and comparatively slow growth in exports. The annual import bill went up by 25.8pc, or $11.517bn, to $56.091bn in FY21 from $44.574bn over the corresponding months of last year. In June 2021, the import bill reached an all-time high of $6.052bn against $3.719bn over the last year month, indicating growth of 62.7pc. On a month-on-month basis, the import bill increased by 14pc.

Adviser on Commerce Razak Dawood told a news conference on Thursday that the import bill increased mainly due to wheat and sugar imports. He said the import value of wheat and sugar stood at $1.2bn in outgoing fiscal year.

Commerce adviser says annual goods export of $25.3bn is highest in country's history

Similarly, he said the import value for cotton stood at $1.2bn due to shortage in domestic production while machinery imports stood at over $8bn — an indication of expansion in industrial base.

The import bill is also rising mainly due to the increased imports of petroleum, soybean, machinery, raw material and chemicals, mobile phones, fertilisers, tyres and antibiotics and vaccines. The growth in remittances at the moment will be sufficient to finance the import bill.

Exports posted a growth year-on-year 18.2pc or $3.9bn to $25.294bn in FY21 from $21.394bn over the last year. In June, export proceeds reached $2.718bn from $1.599bn over the corresponding month of last year, indicating a growth of 70pc

On a month-on-month basis, exports surged by 62.65pc.

The commerce adviser said the value of annul export proceeds is the highest-ever in the history of Pakistan. The exports in June 2021 were also the highest for any month, he further claimed.

The export of services for FY21 is projected to be $5.9bn while the cumulative exports of goods and services during FY21 will cross $31bn.

"This is a remarkable achievement by our exporters considering the difficulties created by the Covid-19 pandemic at home and resultant contractions in our major markets," Mr Dawood said.

"It was not an easy task as many countries went into lockdown which severely affected the business," he said.

"Not only did our exports survive the crisis but also we have enhanced it in many sectors. I salute our exporters on achieving the milestone," the adviser added.

Talking about sectoral performance, he said textile exports increased 18.85pc, pharmaceutical 27pc and copper and copper derivatives 44pc, respectively. Meanwhile, he said, rice exports declined 8pc, cotton yarn 2pc, raw leather 16pc and plastic 6pc, respectively.

"With the current measures, exports are expected to grow by 5pc in next two years," he added.

When asked about the stagnated exports at $25bn for last one decade, the adviser replied that it will take time to boost exports. He started giving reasons of decline in exports since 2013. "We have reversed the trend," Mr Dawood claimed.

On the issue of non-implementation of The Strategic Trade Policy Framework and Textile Policy, Commerce Secretary Sualeh Faroqui said both policies were under the consultation process with the ECC.

To another question on the EU GSP Plus scheme status, the adviser said he did not expect any change in the policy.

"The government is fully engaged with Brussels on the issue of implementation of 27 conventions. There is an issue of five conventions. We are regularly interacting with EU on these issues," he said.

The adviser further said that preferential trade agreements, along with a transit trade agreement, would be signed with Uzbekistan this month. The Silk road route project needs to be discussed.

He further said transit trade and preferential trade agreements will also be signed with Afghanistan.

Since 2018-19, tariff on more than 4,000 inputs — raw materials, intermediate and capital goods — have been rationalised. As a result, almost 40pc of total inputs in terms of number of tariff lines, as well as value of imports, are at zero per cent duty. This has improved competitiveness of the industry witnessed in 13pc growth in LSM and 17pc increase in exports despite the pandemic.

The adviser said that next year, tariffs on agriculture, iron ore and warehousing will be reduced. Tariffs for pharmaceuticals, footwear, tourism, food processing, and fiber optics have already been reduced in the budget.

He said tariff rationalisation efforts in last two-and-a-half years have brought trade weighted average tariff of Pakistan down from 9.07pc in 2018-19 to 7.07pc in 2021-22. This had brought tariff at par with regional competitors, reduced the cost of manufacturing, generated employment, attracted new investment and enhanced consumer welfare.

THE NEWS, ISLAMABAD 2-7-2021

Pakistan's economy in growth mode: SBP's Baqir

ISLAMABAD: State Bank of Pakistan Governor Dr Reza Baqir said that Pakistan was achieving positive signs of economic recovery, and hoped that the country would not go back into the International Monetary Fund (IMF) programme for any bailout package.

"Pakistan economy has turned around, and we are in growth mode," this was stated by SBP Governor Dr Reza Baqir, in an exclusive talk at the Islamabad Policy Research Institute (IPRI) on Thursday.

He also said that the decision to convert the exchange rate from fixed to market-based mechanism had resulted in dividends for the economy, as rupee strengthened and buoyed investors' confidence.

Understanding the indispensability of remittances, which have swollen to more than $2 billion per month, he said the Roshan Digital Accounts (RDA) initiative has generated 181,556 new accounts, pouring in a staggering $1.56 billion.

"Let us work to improve inflows as our economy is growing at 4 percent," he said. He was confident that with positive signs of recovery, Pakistan would not go back to the IMF in future for any new bailout package.

Spelling out the economic outlook from the central bank's perspective, the governor said that Pakistan remained successful in containing Covid-19 waves that had opened new vistas of prosperity.

He defended his policies and said the current account deficit that had ballooned to $19 billion at one point of time was now converted into surplus and the budget deficit was slashed down by 1 percent.

"Our foreign currency reserves stood at $16 billion now that had increased from $7 billion in 2019," he added.

Terming the stabilisation programme, a success story, he said steel and cement production had gone up, and the policy to finance housing and construction sectors led to a boom.

Baqir said SBP's policy support measures during Covid were "aggressive, protective, flexible and targeted." With falling domestic demand and inflation, the regulatory bank aggressively reduced interest rates, which worked very well.

"The SBP injected 5 percent of GDP liquidity to support jobs, public healthcare and investment in order to ward off bankruptcies during the pandemic."

The SBP brought schemes in collaboration with banks to extend principal and provide concession to lenders. It reduced the policy rate by 625 basic-points in a short span of time.

The governor foresaw industrialisation in the country, and hoped that the turf fund would enable businesses to import machineries, and broaden the mosaic of production.

He mentioned about the current account and fiscal deficit state when he was called upon to take over the affairs of the central bank. Despite pre-Covid straitened economic circumstances when the forex reserves had plummeted to

$7 billion with a current account deficit of $19 billion, the path to recovery was palpable when the pandemic struck and presented serious economic challenges in a depressed global and regional economic milieu.

SBP interventions like change from fixed to market-based exchange rate and discount rate interventions helped arrest the economic slide and improved the fundamentals of the economy. He explained economic recovery and relief measures like reduction in discount rates by 625 base points, which ensured that the liquidity losses did not become solvency issues.

He cited interventions like Temporary Economic Reform Facility (TERF) that had helped shore up industrial productivity in a demand depressed environment. The "Principal Loan Extension Programme" and "Rozgar Scheme to Prevent Layoffs," provided timely loan relief and working capital to entrepreneurs, as well as the worker class.

The cumulative relief granted was to the tune of five percent of GDP with 95 percent of the beneficiaries of loan extensions being small and medium entrepreneurs.

The above relief regime was supplemented with a munificent housing and construction finance package with an improvement from erstwhile Rs1.5 billion to Rs200 billion. The RDA was another achievement, encompassing 171 countries; 181,556 accounts and $1.5 billion worth of deposits.

The measure was an excellent vehicle to connect seven to nine million overseas Pakistanis with the national economy. Measures like Roshan Apna Ghar and Roshan Samajhi Khidmat are being introduced through digital means to enable non-resident Pakistanis settled abroad to be part of the national economy.

The biggest achievement, according to the governor, was provision of relief and promotion of growth without an adverse impact on the fundamentals of the economy.

DAWN, ISLAMABAD 2-7-2021

Circular debt soars to Rs2.327 trillion in 2020-21

Khaleeq Kiani

ISLAMABAD: With power sector circular debt touching Rs2.327 trillion as of June 30, 2021, the Cabinet Committee on Energy (CCoE) on Thursday ordered expeditious implementation on oil crisis report including transfer of additional powers to Oil & Gas Regulatory Authority (Ogra) to regulate oil marketing sector.

Presided over by Planning Minister Asad Umar, the CCoE also desired a final position of all the stakeholders on allocation of pipeline capacity and tie-in mechanism before the next meeting to secure final investment decisions (FIDs) from investors of two additional merchant LNG terminals. It was noted that discouraging signals were going out to the investors who had paid different fees and made other expenditures so far which was not a good omen.

The Power Division presented its monthly circular debt report that reported total power sector circular debt at Rs2.402tr at the end of May 2021, showing an increase of Rs251bn from Rs2.153tr carried forward on July 1, 2020.

The report provisionally projected circular debt at Rs2.327tr as of June 30, 2021 on the basis of Rs90bn payments to independent power producers (IPPs) a few days ago. As such, the power division reported an increase of Rs177bn in circular debt during the entire 2020-21 when compared with Rs541bn surge in fiscal 2019-20.

The report said a major chunk of increase in circular debt of Rs130bn because of unbudgeted subsidies out of Rs177bn total increase and about Rs70bn on account of interest on delayed payments to IPPs. "The committee noted that the circular debt build-up had substantially reduced in comparison to the previous years," said an official statement, adding the Power Division was directed to continue with its efforts for further reduction.

Sources in the Petroleum Division said Secretary Petroleum Dr Arshad Mahmood submitted a progress report on implementation of decisions of the federal cabinet and the CCoE on 2020 petroleum shortage crisis. He reported that some of the policy, legal and administrative actions had been completed while remaining such steps will take some time to complete while physical implementation could take 3-5 years, for example in upgradation of refineries and storages etc.

Additional powers for Ogra

The report said the stakeholders had reached consensus that a lot of powers currently vested with the Director General of Oil have to be transferred to Ogra for which an agreed draft of revised rules — Pakistan Petroleum (Refining, Blending and Marketing) Rules 1971 — had been pending with Law Division for vetting and then clearance by Cabinet Committee on Legislative Cases (CCLC).

Under the said mutually agreed draft, powers under rules 7, 8, 9, 20, 30, 30B, 31, 39 and 43C would stand transferred to Ogra with the ratification of the cabinet.

Under rule 7, every refinery shall now submit its production programme for next half of fiscal year one month in advance to the regulator as required under the economic interests of the country and its own ability to meet the demands of the market as economically as possible.

Under rule 8, Ogra would now approve the said programme of production which such modifications, if any, as it may indicate in its order of approval keeping in mind the ability of the refinery to make adjustments.

Under rule 9, every refinery shall carry on its production in accordance with the programme of production approved under rule 8 without any change, departure or modification unless with prior approval of the regulator.

Likewise, the rule 20 would empower Ogra that every blending plant, grease plant, reclamation plant and white oils production plants shall submit their bi-annual production plans including any change or alteration in such plans. Under rule 30, no agreement relating to the supply, purchase, sale, storage or export of any imported petroleum products shall be entered into by any person without the prior approval of the regulator.

Under Rule 30B, where the production of petroleum products by the local refineries is found insufficient, the regulator would have powers to impose conditions from time-to-time for a marketing company to import such products. The regulator will have powers under rule 31 to prohibit the sale or disposal of any product in any area.

Under rules 39, every refinery, blending plant, (reclamation plant) and marketing company shall give to the regulator a 7-day prior notice for closure or stoppage of operations along with the reasons and the period for which it is likely to continue.

Under 43C, Ogra will have powers to direct any refinery, marketing company or its agent or dealer or a blending plant (or reclamation plant) to supply such quantity of any petroleum product to such person as may be specified in the order.

The committee directed speedy implementation on above steps and also directed Federal Investigation Agency (FIA) to update the CCoE in its next meeting on the progress of its investigations, assigned to it by the cabinet

<u>**THE NATION, ISLAMABAD 6-7-2021**</u>

Foreign investors contributed Rs1.4tr tax, invested $2.4b during 2020

Staff Report

ISLAMABAD - Foreign investors contributed Rs 1.4 trillion tax and invested $2.4 billion during 2020 despite Covid 19 challenge.

The Overseas Investors Chamber of Commerce and Industry (OICCI), the chamber of over 200 foreign investors in Pakistan belonging to 35 countries, has released the consolidated financial contribution of its members for the year 2020 based on feedback from 170 members, 50 of whom are subsidiaries of Fortunae 500 companies. The foreign investors have contributed significantly towards the GDP of the country and have maintained the OICCI position as the largest chamber of commerce in terms of economic contribution in the country. This comprehensive survey is being conducted annually since 2009.

Elaborating on the key features of the OICCI 2020 Economic Contribution survey, Irfan Siddiqui, President OICCI, highlighted: “We are proud that in the past twelve months, OICCI members, despite very challenging and uncertain business environment due to Covid-19 impact on the business and life of people globally and in Pakistan, contributed over Rs 1.4 trillion, or approximately Rs five billion each working day, towards the tax revenue of Pakistan, approximately one third of the total tax collection in the country. Two of the OICCI members paid taxes in excess of Rs 100 billion each.”

SK Hydropower builder witnesses joint Belt and Road construction

Commenting on the significant contribution of foreign investors in the economy of Pakistan, Irfan Siddiqui added: “OICCI members believe in Pakistan and going forward are keen for playing a more prominent role in a growing economy supported by a predictable, transparent and stable policy framework and a business friendly regulatory and operating environment”. OICCI members have in the past nine years invested over $ 18 billion, largely in the energy, telecom, chemicals, food /FMCG and banking sectors. “With an asset base of $137 billion,” Secretary General, OICCI, M Abdul Aleem added,” OICCI members’ maintained their position as the leading investors in Pakistan during 2020 with new investments of over $2.4 billion mainly in the energy, telecom and chemicals sectors.”

Besides the monetary contribution, OICCI members also play a leading role in the transfer of technology, digital transformation, introducing latest inventions and sharing of best practices in the field of manufacturing operation, supply chain and marketing of internationally renowned brands. Moreover, OICCI members, as a group, are the largest contributor towards the social sectors. In the last one-year OICCI members contributed Rs 8 billion to social initiatives, benefiting 62 million people throughout the country, and also contributed an additional Rs 8 billion for the various government and private sector Covid-19 containing activities.