

The US aid package

*Part-Eco.
Dawn
27.7.03*

By Sultan Ahmed

THE three-billion dollar assistance package offered by President Bush to Pakistan, as expected, has become a marginally contentious issue. President Musharraf, who negotiated the deal at Camp David, describes that as the largest single aid package ever offered to Pakistan, while some of the opposition groups dub it as "peanuts" based on the pre-Iraq war package offered by the US to Turkey to join in the war, but later rejected by Ankara.

The deal comes to 600 million dollars a year until 2009, which is equal to the average of the US aid offered annually for two years since 9/11 for Pakistan's active support against the Taliban and the Al Qaeda.

It was one thing to dismiss the initial aid of 200 million dollars offered by President Carter in the 1980s for active help in the US campaign against the Russians in Afghanistan, which we proclaimed as our ideological war as well. It is quite different to react to the 3 billion dollar package after the main Iraqi war is over in the same dismissive manner.

The fact is Pakistan's bargaining power with the US would have been far greater in

But as far as the donors are concerned we have a poor history of aid usage. That is why even after 60 billion dollars of aid, including the grants and aid repaid, received by Pakistan we are in a bad state economically. If we had used the aid, which is far more than the Marshall aid for Europe we would have been far better off now.

We got more aid for the Social Action Programme I and II, and that too was partially misused. We produced too many ghost schools and ghost hospitals, and ghosts doctors and teachers on government pay rolls.

The World Bank sees most of the large public sector utilities as corrupt, including Wapda, KESC and PIA. And now the Bank president James Wolfensohn says 90 per cent of the Pakistanis see government departments as corrupt. In such a context

As regards industrial technology that comes with large scale industrial investment through joint enterprises. Advance technology is not given to other countries as packaged gifts, but comes in the shape of their industries established here using their advanced technology.

In the West and Japan they guard their industrial secrets zealously and take measures to protect against industrial spying by rivals. Hence if we want their latest technology we have to get their industries set up in Pakistan on a large scale and our people can then come to know of their technology gradually.

These are areas in which the private sector has to play a large role. The private sector enterprises which can face the challenges of 21st century and the aggressive WTO world have to be far different from the conventional business deals and far more enterprising.

And the government officials down the line from the ministers have to be equally enterprising and helpful to the private sector which may not be the cleanest in the world. But we have no option except to make best use of our available talent and work closer with India to benefit from its experience and regional cooperation with it.

In fact, the US is seeking a Free Trade Areas not only with Pakistan but also with many other countries, including those of the Middle East

During President Musharraf's visit to the United States the two countries signed a Trade and Investment Framework Agreement aimed at opening US markets to Pakistani goods. It would lead to a US-Pakistan Free Trade Area within two to three years if the agreement works well. The two governments also signed an agreement on science and technology to increase cooperation in these vital areas.

would have been far greater in financial terms and the volume of aid much larger, if Pakistan was not beseeching active US assistance in settling the 55-year-old Kashmir dispute, and we did not want to buy from the US sophisticated arms which the US is not too eager to sell against Indian opposition.

Stage two is the conditionalities for receiving the assistance during the next five years. President Musharraf said the aid was unconditional. But the usually well-informed "Washington Post" came up with three conditions quoted by White House officials. They included an annual review of Pakistan's cooperation in the war against terrorism (2) control of spread of nuclear weapons, and (3) steps towards democracy.

The package has to be approved by Congress which has a strong Israeli lobby. And the Congressional committees will come up with conditionalities, particularly in respect of spread of nuclear weapons and promotion of democracy without the army chief of staff being the President as well calling most of the political shots.

These are not conditionalities which Pakistan can object to. The US administration has always told army rulers to speed up the return of democracy and make the democratic process effective which had seldom been welcomed by them. But the US presidents have always quoted the demand in Congress for a return to the democratic process as the reason why they have to remind the Pakistani presidents of that need.

The US has not called for a rollback of the Pakistan's nuclear programme nor its freezing as once the process starts it has to continue, as India has been doing since 1974 when it exploded a nuclear device.

The package is to be divided equally between the defence and security needs of Pakistan and the economic needs. As Pakistan has been talking of balance in conventional weapons between it and India, the US has to sell some of the sophisticated weapons whether they include F-16s or not which are not desperately needed by Pakistan after it acquired nuclear capability.

President Musharraf has said he did not want Congress to "micro-manage" the package.

He has also said he wants to use the bulk of the aid for education and public health.

the donors are bound to come up with conditionalities before giving the aid and rigid oversight of its usage in actual practice.

There is no dearth of large aid for Pakistan, Wolfensohn says that since 2001 Pakistan had received Bank aid of 1.1 billion dollars. And more such assistance will be available from the Bank and the Asian Development Bank at the current low global interest rates.

The issue is how well we use the aid, how effective and economic we make it and achieve the desired results? The officials of the donors resident in Pakistan are bound to watch that diligently.

During the president's visit to the US the two countries also signed a Trade and Investment Framework Agreement aimed at opening US markets for Pakistani goods. It would lead to a US Pakistan Free Trade Area within two to three years if the agreement works well. They also signed an agreement on science and technology to increase the cooperation between them in these vital areas.

An agreement was reached between the two governments shortly after 9/11 following President Musharraf's visit to the US to increase access for Pakistani goods to US markets. But little results could be achieved because of the resistance of the US textile interests. But now the quota system for textile exports to the US is to come to an end by the end of next year and there will be a free for all in textile exports in the world. How can the US render special assistance to Pakistan in respect of market access to Pakistani textiles in the US remains to be seen. We are really moving into the outer space of textile trade and how it all works has to be seen.

And when the US-Pakistan Free Trade Area is established three years from now will more US goods come into Pakistan or more Pakistani goods flow into the US? In such areas there are more questions now than answers and more speculation than predictable courses.

What form the cooperation in science and technology will take remains to be seen. Will that be cooperation in the area of information technology or higher education in scientific and technological institutions.

ing those of the Middle East and the Gulf. At the recent

World Economic Forum conference in Amman, Singapore offered to have a Free Trade area with Jordan. What all that means is the more and more countries are entering into free trade agreements and are trying to export more aggressively while accommodating the imports from others. To be part of such a world Pakistan needs a more aggressive industrial sector, and sustain and increase its current growth rate.

There are people here who do not like Pakistan seeking aid. And when it does they want large aid, but are not ready to pay the price of larger aid as nothing comes for free, and the price of far larger aid may be further erosion of the sovereignty of the country.

Wolfensohn estimates the country's reform programme will add 2 to 3 per cent of the GDP increase in budgetary resources in the next three to five years, creating the sort of fiscal space that would make greater spending on poverty reduction programme possible. The new budget, he says, has added 13 per cent in development spending in the new fiscal year, which is below the 20 per cent increase claimed by the government.

He says while the reform process has resulted in marked success, there remained "an unfinished agenda" in key structural areas like education, power sector reforms, privatization, and civil service reforms.

Meanwhile the country director of the World Bank John Wall says the new model of developed authority may take 15 years to replace the 150 year old colonial system and not 15 months as the government have hoped. Haste in this area can result in many blunders and a great deal of confusion.

Meanwhile we live from slogan to slogan as they sound good. We are now told we are in the take-off stage economically. How do you convince a man living in the dark day and night for hours and even his UPS runs out after some hours and he remains without water for long or drinks impure water that his country is about to enter the Take-off stage?

A young Sindh minister tells me "we don't need aid; we have more than what we need." Then why don't you use some of the excess aid for producing more power and water in the city?" I asked. "Also to have more basic education"? He had no replay.