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**A NEW TRANSPORT POLICY IN ASIA FOR
POVERTY ALLEVIATION AND PAKISTAN'S
ROLE IN ITS IMPLEMENTATION**

**BY
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A NEW TRANSPORT POLICY IN ASIA FOR POVERTY ALLEVIATION AND PAKISTAN'S ROLE IN ITS IMPLEMENTATION

BY

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1. ABSTRACT

In Pakistan the cheapest mode of water transport was completely ignored though we have very large canals, which are bigger than some rivers in Europe where navigation is practiced. The cost of water transportation is one tenth of road transport and one fourth of railway transport. President of Pakistan issued a directive as far back as 1959 to develop Indus and other rivers for navigation. The undersigned contributed a paper on inland navigation in 1963 for the Engineering Congress. Since then a large number of studies and papers were prepared by various authors and Consultants. The Study by Luis Berger in 1992 is the last one which indicated that Indus from Kalabagh to Port Qasim could be made navigable.

Proposals were examined for a connection from Indus Water-Way to Lahore and Central Punjab but these were not found feasible. A new proposal is now being suggested by the undersigned to make use of Chashma-Jhelum link and the Jhelum River from the Tail of the link to Rasul. Canalization of river Jhelum in some reaches and supplementing the water from the future Rohtas and Bunha Dams could be examined. Rasul-Qadirabad and Qadirabad-Balloki links have already been examined for navigation and their remodelling is feasible.

Pakistan is improving its railway lines to Iran. The proposed railway from Turkmenistan along the Oil and Gas Pipe Line would be an additional link. Thus Pakistan would be connected to Europe through these two routes. Improvement of some railway lines in Bangla-Desh, Malaysia and Thailand to broad gauge would make through access from Singapore to Europe a possibility. This will be a great step in improving trade and commerce in these countries as the time taken is half that by Sea besides benefiting all the countries on the way.

The demand for Oil and Gas all over the World is increasing day by day. South Asian and East Asian Countries demand can only be met from alternative sources in addition to the supply from Persian Gulf. Central Asia is a source. The shortest route to these countries is through Pakistan. A beginning has been made by Pakistan by signing a contract for Oil and Gas Pipe Line from Turkmenistan. There are proposals to extend the Gas Pipe Line to India. Gas lines from Kazakhstan and Uzbekistan could follow the same route as this is the shortest. Iran and Qatar also want to export gas to India and easiest route is through Pakistan.

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India has the World's largest poor population. The present projection is that if the population goes unabated Pakistan would be no better than India in the next Century. It is essential to undertake the works discussed above to overcome unemployment and for income generation.

2. INTRODUCTION

Pakistan has overlooked the cheapest mode of inland water transport though it has large rivers and largest irrigation system in the World. Navigation is practiced on rivers in Europe, which are as large as our canals. This neglect seems to be due to the lack of understanding of its benefits. The British Government neglected water transport after the introduction of railways to benefit the railways though Indus and some of the canals had considerable water transport. The last nail in the coffin was the non-construction of a navigation lock in Sukkur Barrage which blocked through water transport on Indus. Though the central Engineering authority of the Federal Government was responsible for inland water transport for East and West Pakistan, nothing was done in West Pakistan. President of Pakistan issued a directive in 1959 to study inland navigation. The first Feasibility study for water transport was prepared by Tipton Kalmbach in 1962 for Rasul Qadirabad and Qadirabad-Balloki Link Canals but was not considered due to extra financing requirement beyond the scope of the Indus Basin fund. A paper was presented by the undersigned for inland navigation from Katabagh to Sea in 1963 Engineering Congress session. A large number of studies and papers were prepared by various authors and Consultants but nothing materialised.

The Muslim League Government got a feasibility study in 1992-93 through Luis Berger International Inc. which clearly indicated that Indus from Kalabagh to Port Qasim could be made navigable. This was a first concrete step towards inland water transport but the Consultants suggested that as there is not enough load the project should be taken up after AD 2000. The undersigned suggested that the Central Asian loads would justify taking up this project immediately. When those proposals were still under consideration the Government was dismissed. The undersigned wrote in 1993 to the Minister of Communications in the Caretaker Government to at least make a start by construction of a navigation lock at Sukkur so that through navigation on the Indus river would be possible at least in high flow periods. It was also suggested that Chashma Lake should be developed as an inland port for China and Central Asian Countries as it would save 900 miles of haulage by road and rail to the Arabian Sea. Pakistan signed a transport agreement with China, Kazakstan and Kirgizia to transport goods through Karakoram Highway to Pakistan. This further enhanced the possibility of using Chashma as inland port and Indus waterway for outlet to the area. In September the undersigned sent a note to the Prime Minister of Pakistan stating that the road from China border to Chashma should be considered as a transport corridor and Chashma port and Indus waterway should be developed as a joint project on the same lines as the transport corridor from Kunming in Western China to Dhomo on the Irrawaddy in Burma. A copy of the note sent to the Prime Minister and his

reply is enclosed as Appendix-I.

The economy by use of water-ways in terms of haulage per gallon of oil can be well appreciated from the following Table:

Mode	Ton K. m.s / Ltrs
Pipe Line	108
Waterways	90
Railways	72
Road (Truks)	21
Aircraft	1.3

Freight transportation costs per ton-Km handled by trucks in Pakistan range between 0.40 to 0.60 Rupees in areas where there are no back hauls. Rates can be as low as 0.20 Rupees per ton with a back haul load is more readily available. Average rail costs are estimated to 0.29 Rupees per ton-Km. However rail rates vary more significantly by length of haul with rates as low as 0.15 Rupees per ton-Km for unit trains handling long distance high volume commodities. Water can move bulk cargoes at costs that are only a fraction of high way or rail costs. It has been estimated that water transportation services could operate in Pakistan at about 0.04 Rupees per ton km (about 1/10 of high way cost and 1/4 of the lowest rail rates). In the light of the above we should develop not only the Indus but also other rivers and major canals for water transport.

3. NEW PROPOSAL FOR USING INTER-RIVER LINK CANAL AND POSITION OF OTHER RIVERS FOR WATER TRANSPORT

As indicted in Para 1, the Rasul- Qadirabad and Qadirabad-Balloki Link could be justified now due to the ever rising cost of oil particularly as a connection to Indus at Chashma is possible through the Chashma Jhelum Link Canal and the part of river Jhelum from tail Chashma Jhelum Link to Rasul. This reach of Jhelum has supplies in most months of the year say 8 months as this is the period that Indus navigation is to be considered. There are proposals for construction of dams on the tributaries of Jhelum such as Bunha and Rohtas, which will improve the supply position. These dams have to be taken up soon as Mangla Dam is losing capacity by silting and raising the darn is tiot only expensive but there is not enough water in all the years in Jhelurn to store upstream of Mangla. These proposals would bring Lahore and Central Punjab within the reach of Arabian Sea.

Another possibility is the future Shwan Barrage and Shwan Kotri Nara Link Canal. One of the largest coal fields in the world in Thar is located close to the tail of Nara Canal. Water transport of the coal and coal briquets to replace fuel-wood would be possible from this coal field Industries and steel mills could also be fed by coal transported by water cheaply. The import bill of Pakistan for forest products and fuel-wood is U.S. \$ 100 million per year. It is

well known that industries mostly develop along water-ways all over the world.

Indus water-way should be considered as an international waterway like the Suez canal and the Panama canal and thus be safe from any enemy action. Another redeeming feature of the Indus water-way is that it helps national integration of all the Provinces of Pakistan.

4. OIL AND GAS PIPELINES

Pakistan has recently signed an agreement with Turkmenistan for an Oil and Gas Pipe Line from Turkmenistan to Pakistan via Afghanistan, which can extend to India and beyond. The Oil and Gas from Kazakstan and Uzbekistan could also follow the same route as this is the shortest to South Asia and South East Asia - Iran and Qatar are also interested in supply of Gas to India through Pakistan as under-Sea pipeline is economically unfeasible. The demand for Oil and gas for all these countries cannot be met from Gulf alone and an alternative source is an urgent necessity.

5. TRANS ASIAN RAILWAY

Pakistan is improving its railway line to Iran. The proposed line from Turkmenistan to Pakistan, would be an additional link to Europe. A look at the railway map of the Sub-Continent would show that Pakistan is well connected to Bangla Desh through India. A railway link from Chittangong to Mandalay of 382 Km would connect it to Burma and another link of only 125 Km from Burma to Thailand and Malaysian railway could make available railway access to Singapore. Thus through access from Singapore to Europe is a possibility. This could be called the Trans Asian Railway. The time taken by this railway would be about half the time by sea. Besides it would encourage trade and commerce between all the countries through which it passes. Some of the Pakistan railway lines which have suffered heavily due to loss of traffic after the division of the sub-continent would be very much benefitted and the Railways which are running in loss would become a profitable organization with some modernization and improved efficiency.

6. POVERTY ALLEVIATION BY MAJOR TRANSPORT INFRASTRUCTURES

South Asia has one fifth of the world's population. India has the world's largest poor population. It was 50% of the total population in 1950 and at present it is one third but the number is much more than that in 1950 due to increase in population. Pakistan's population has increased four times since 1947. The present projection is that if the population growth goes on unabated by the middle of the next century Pakistan is projected to have even less arable land per person than China.

The major effect of increased population growth is that it acts as a major disincentive to development. Lack of constant development has led to increased unemployment. As jobs fail to keep up with population expansion

that in turn leads to breakdown of law and order. A telling statics is the increase of wheat production by 2.3 times since 1971 but imports have comparatively increased 6.3 times. Not a single major dam was constructed since last 20 years and Kalabagh darn has become a political issue between the provinces. There is urgent need not only to start major dams but the major works such as waterways, roadways, Oil and Gas Pipe Lines indicated in the previous paragraphs for poverty alleviation. Population control should be given the highest priority next to economy and Defence, Islamic Countries like Bangla Desh, Malaysia and Indonesia have achieved population control by sensible use of their islamic preachers and N.G.O's.

7. INSTITUTIONAL ARRANGEMENT TO TAKE-UP THE INLAND NAVIGATION PROJECTS

For preparation of detailed Feasibility Report WAPDA should be made responsible as inland water transport is mentioned in the charter of WAPDA. As the inland navigation Projects are closely interlinked with river and canal development works this can be handled more efficiently by WAPDA. With the reappointment of Engr. Shamsul Mulk as Chairman WAPDA lie can handle this Project efficiently. After completion of the Feasibility Reports Inland Water Transport Authority on the lines of former East Pakistan could be created under the Ministry of Communication. The Ministry of Communication could be kept in contact during the preparation of Feasibility Reports.

8. HOW TO GENERATE FUNDS FOR THE LARGE PROGRAMME

In an interesting article Mr. K.M. Azam former U.N. senior economic advisor has suggested six ways by which funds could be generated. A copy of his article dated 11~ March 1998 from daily 'Nation' is enclosed as Appendix-II. The first method suggested by him is the mobilization of hidden illicit resources accumulated over the years by our corrupt citizens. Government has just started for the first time in uncovering hidden illicit wealth. Under the crushing debt burden both external and internal the monetary policy simply fails to operate. The methods suggested by Mr. Azam how to deal with own public debt need to be studied.

After 1991 Gulf War all the external USA loans of Egypt and Isreal were written off. Though Pallistan also took part in this war it got nothing. Pakistan sacrificed a lot for the war in Afghanistan which broke the great Soviet Empire. Today we are going to an American court to recover hard earned money we paid for F-16 Planes. Pakistan has been unlucky in financial matters. A number of multi nationals are interested in the oil and gas pipe lines from Central Asia and Iran, there is lot of competition between them. A sensible handling by Pakistan of these multi-nationals could benefit our economy and also that of Asia in general. The royalties from these pipe lines could be of great help to Pakistan also the Indus waterway and the transport cooridor to China and central Asian Countries and China, It has to be clearly understood that water transport and ports are the most labour intensive

industries. Too much emphasis on motor-ways is misplaced when our main national roadway from Karachi to Peshawar is in shambles. In fact the first stage should be to connect Central Asia to Chashma inland port to Central Asia saving a distance of 900 miles to the Sea and the heavy cost of motor-way to Sea. A more sensible planning would be to connect Gwader to Central Asia by railway before taking up the motor-way to Gwader. The experience gained by the Lahore-Islamabad motor-way should open one eyes to realities.

9. CONCLUSION

As discussed in the reference to the Prime Minister of Pakistan in Appendix-I the Gujrat doctrine hollowness has been proved not only due to the omission of Kashmir working groups but Gujral's game of Keeping Pakistan out of the Indian Ocean rim economic grouping. The present BJP Government is even worse with it', "Hindutwa slogan ambitions of becoming a nuclear power and grabbing Azad Kashmir by force but this does not mean that India cannot change for the better the following news item January 26th Republic day proves the point.

It is ironic that January 26, on India's Republic Day, while the traditional parade in the capital New Delhi and the illuminations on public buildings in all major cities celebrated the occasion, India's first untouchable, President, K.R. Narayanan warned in his annual address on the eve of Republic Day that growing social and religious friction was threatening the country's 50-years old secular fabric. He went on to say that India was witnessing the uncontrolled growth of communalism casteism, snuffing out the lights of secularism in Indian society, and an increase in corruption, violence and criminalisation of politics and society. The President also criticized heavily successive governments' failure to eradicate poverty which afflicts 300 millions of India's 960 million souls, who survive on less than a dollar a day. The result, Mr. Narayanan said, was dangerous dichotomies and inequalities, uneven development, the existence of plenty and poverty, change and stagnation side by side.

The present elections in India, the largest democracy in the world have shown that the people have no interest in any political party. A day would come in the future when people like Dr. N.K. Narayanan could lead the Government in the interest of the betterment of poor masses by projecting the Allama Iqbal doctrine we can help them. The national anthem of Allama is sung in the schools in India even today. The prejudice spread by authors like Huntington in the book 'Clash of Civilizations' against Islam needs to be removed. Fortunately western authors like Murad Hoffman in the book Islam-2000 have shown how Islam can change the west against these prejudices. Anna Marrie Shemmel has done a great service to the appreciation of Allama Iqbal in the west.

The project of Indus Water-Way for navigation has been hanging fire since 1959 due to obstruction created by vested interests though this project would

have changed the economy of the Country if it had been constructed in time. Now there is a golden opportunity to take up this project as it can be an international water-way for transport of goods from China and Central Asian Countries. With an inland port of Chashma 900 miles of haulage by road and Rail could be saved. As relations between India and Pakistan improve after solution of Kashmir dispute the Trans Asian Railway from Singapore to Europe could be developed. India has been requesting Pakistan for supply of electric power. With the construction of Gas Pipe Lines from Central Asia Iran "and Qatar through Pakistan there should no shortage of energy in South Asia.

10. ACKNOWLEDGMENT

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بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

Prime Minister's Secretariat (Public) Islamabad.

نمبر ایف۔ ا۔ (۲) ۹/۹/۱۰۷۔ سی۔ او (پی ایم) / ۹۷
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محترم جناب محی الدین خان صاحب

السَّلَامُ عَلَیْكُمْ !

عزت مآب جناب وزیر اعظم صاحب کے نام آپ کا خط موصول ہوا۔ انہوں نے مجھے ہدایت کی ہے کہ اس کے لئے میں آپ کا تمہ دل کروں۔

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آپ کا مخلص
(خیام قیصر)
پرسنل اسٹاف برائے وزیر اعظم

جناب محی الدین خان
۱۶۔ اے۔ ای۔ آئی
گلبرگ۔ ۳ لاہور۔

VISION ASIA – TWENTY FIRST CENTURY

India has got away with the Gujral doctrine of better relations among the South Asian Countries to hoodwink the World opinion though they are not sincere about it as has been proved by their action in Kashmir. Pakistan has to evolve a doctrine which not only neutralizes the Gujral doctrine but can have wider scope for the development of not only South Asia but Central Asia, West Asia and South East Asia. Pakistan's geo-strategic position serves as a bridge between South Asia, Central Asia and West Asia and makes it eminently suitable for this role. As member of ECO and SAARC and its friendly relations with West Asia and China it can play a useful part in the development of the region.

According to the 1997 World Bank Report India has the World's largest poor population. It was 50% of the total population of that country in 1950 and now it is one third but the total number of people below poverty level are much larger due to the increase in population. By transport of Oil and Gas from Central and West Asia through our territory and allowing transport of goods for trade and commerce these infrastructure works could benefit South East Asian countries also. One major project which is under consideration is the oil and gas pipe line from Turkmenistan to Pakistan via Afghanistan. A railway line is also proposed on this route to connect it to Pakistan railways. There are very large resources of oil and gas in Uzbekistan and Kazakstan which could follow the same route as it is the shortest to Arabian Sea. Iran and Qatar have examined the feasibility of transport of their gas through under Sea pipe lines to India which have proved unfeasible. Pakistan could offer them transport of these pipe lines through its territory.

Pakistan is improving its railway line to Iran. The new line from Turkmenistan to Pakistan could be an additional link. Thus Pakistan would be connected to Europe through these two routes. A look at the railway maps of the sub-continent shows that Pakistan is well connected to the whole of India up to Bangladesh. A railway link from Burma to Thailand and Malaysian railway could make available railway access up to Singapore. Improvement of some railway line in Bangladesh to broad gauge is also necessary. Thus through access from Singapore to Europe is a possibility. ASEAN can easily construct the missing links with their resources. In fact the proposed construction of 54 Km bridge from Malaysia to Indonesia shows the seriousness of ASEAN for development of communication.

Pakistan is thinking of motor-way connection to Central Asia. Now the Karakoram highway is being used by Kazakstan, Kerghizia and China for transport of goods up to Karachi and Port Qasim. It is possible to cut short this distance by 900 miles of Kalahagh-Chashma if Indus is developed as a navigable channel. The Indus Water-way has already been studied in 1992 and is feasible but its development has been postponed as there was not enough load. With the extra load from central Asia China this would be fully justified. Recently China has reached an agreement with the Burmese Government on the joint development of Irrawady river G-4er to open up a transport corridor to the Bay of Bengal. Under this agreement the road corridor will start from Kunming Yunan's capital in China and extend Westward to Dhomo in Burma on the Irrawady, Irrawady river will be improved and so will the inland facilities. A similar arrangement could be considered for an inland port down stream of Kalabagh and development of Indus water ways up to Port Qasim.

This shows the immense potential of Pakistan for helping development of central Asia, South Asia and South east Asia. To enable this to materialize good relations between Pakistan and India is a must.

The relation between Pakistan and India can not improve before the settlement of the core issue of Kashmir. This means that the solution of Kashmir is the key to the development of Asia. Central Asian countries, West Asian countries, ASEAN countries and China should exert pressure on India to settle this dispute in accordance with UN and Security Council resolutions.

In conclusion it may be stated that a new doctrine for development of Asia has to be evolved. We may call it the doctrine of Allama Iqbal, the great poet philosopher of the East. He did not believe in nationalism and condemned the distinction of colour and race. The following quotation from his poetry would amply make this point clear.

یہ نکتہ سر گذشت بیضا سے ہے پیدا
کہ اقام زمین ایشیا کا پاسبان تو ہے
سبق پھر پڑھ صداقت کا عدالت کا شجاعت کا
لیا جائیگا تجھ سے کام دُنیا کی امامت کا

Thou art the guardian of the nations of Asia so vast.
Learn again the lesson of Truth, Justice and Chivalry
Thou wilt be required perforce to guide the world.

HOW TO DEAL WITH OUR PUBLIC DEBT
TWO WAYS TO ELIMINATE PUBLIC DEBT ARE: FORCEFUL REPOSSESSION
OF AMWAL-E-FADILAH, OR DECLARING IT AN ODIOS DEBT UNDER
INTERNATIONAL LAW, WRITES K.M. AZARN

Recently, a distinguished man of affairs has forcefully advocated a default or a moratorium on our external debt of about US 532 billion. In fact, what is needed is not a mere moratorium but a complete elimination of our public debt, including the domestic debt, which currency stands at about Rs 120 billion. A large domestic debt is equally harmful to the economy in that it cripples its growth by reducing national savings and capital formation. At the extreme, under a crushing debt burden, the monetary policy simply fails to operate.

Our current public debt, both external and internal, at about Rs 2500 billion is just about equal to our annual national income. Moreover, our domestic debt is not being repaid and is rolled over each year. What is disturbing is that due to increasing costs of borrowing, the burden of annual debt-servicing is increasing rapidly. The annual servicing of domestic debt was Rs 98 billion in 1995-96, Rs 116 billion in 1996-97 and Rs 154 billion in 1997-98 i.e. an increase of 57 per cent in over three years. The annual servicing and repayment of external debt was Rs 67 billion in 1995-96, Rs 83 billion in 1996-97 and Rs 94 billion in 1997-98, i.e., an increase of 40 per cent over three years.

Thus, the total annual debt-servicing has increased from Rs 165 billion in 1995-96 to Rs 199 billion in 1996-97 and Rs 248 billion in 1997-98, i.e. accounting for 37 percent of the annual Federal budget in 1995-96, 41 percent in 1996-97 and 45 percent in 1997-98. The expenditure on defence during 1997-98 is Rs 134 billion, i.e. only 54 percent of the expenditure on debt-servicing.

If we can eliminate our annual public debt-servicing of Rs 248 billion then we can right away become a revenue surplus country as in that event, our 1997-98 Federal budget would dramatically come down from our unprofitable public assets. Out of total Rs 552 billion to Rs 304 billion, as against net Federal revenue receipts of Rs 326 billion generating a revenue surplus of Rs 22 billion.

There are two ways of eliminating our public debt. First, by mobilization of hidden illicit resources accumulated over the years by our corrupt citizens. The Shariah permits forceful repossession of these Amwali-e fadilah. Since 1996, I have been drawing the attention of incumbent governments both through personal communications and the Press to my six-point plan, which would turn our country's large deficit into a massive surplus in a matter of months. Secondly, we could refuse to repay our external debt, claiming it to be an odious debt under international law. Of course, the first approach to this problem would be clearly preferable as under it not only would we be able to repay all of our public debt but also become a revenue surplus country for years to come.

A. The Six-Point Plan:

- (i) By somehow recovering US \$86 billion of corruption proceeds lying in foreign banks, we can retire both our internal and external public debt of Rs 2500 billion (\$62 billion) in one stroke, while simultaneously creating a surplus of Rs 1000 billion (US\$24 billion).
- (ii) Another Rs 1500 billion could be mobilized by nationalizing all illicit benami properties, held in the form of agricultural lands, industrial units and urban real estate.
- (iii) By adopting a judicious and transparent sales strategy we can dispose of some of Rs 500 to Rs 600 billion, keeping the remaining assets for profitable operation under an honest and competent management. The unscrupulous privatization deals made so far must be canceled. Just to quote one example, the privatization of Kot Adu Power Plant is estimated to cause a direct annual loss to WAPDA of about Rs 17 billion. The indirect losses to the economy due to higher prices of energy would be staggering. Needless to say, selling valuable public assets at throwaway prices would eventually

bankrupt the economy, he ding to the erosion of our military potential and sovereignty.

- (iv) We must also recover all banking debts whether outstanding or written-off, amounting to about Rs 140 billion.
- (v) It has been reported that due to a Faulty accounting convention, a sum of Rs. 100 billion is lying hidden in the ledgers of nationalized banks and financial institutions. This amount should also be paid into a reserve fund.
- (vi) For the next couple of years, we should limit our development expenditure to only those essential and viable Projects which can be executed honestly and efficiently, thus saving about Rs 50 billion annually (it should be noted that now only less than five per cent of this project and non-project aid provided as grants). This step would save about [Rs 250 billion over the next five years.

The above six steps would generate a budgetary reserve fund of about Rs 3500 billion, which at the current rate represents the value of 11 Federal budgets. While the above programme of six identified steps would turn us into a financially robust and economically independent nation, we should nevertheless affect drastic cuts in [the current wasteful public expenditures and adopt severe austerity measures in order to augment our public savings and investments with a view to move our country quickly into an era self-perpetuating growth, expanding technology and sustained prosperity.

- B. Odious Debt:** This concept of odious (let) first emerged at the end of 19th century in (Cuba when it formed a part of the waning Spanish empire. The Cubans had resorted to guerrilla warfare against the Spanish in which they were supported by the United States. In the beginning of 1898, which an explosion sank an

American warship in Havana harbour, the United States jumped into the fray against the Spaniards. After losing this war, the Spanish authorities argued that the United States which now held Cuba's sovereignty should also assume its debts. They based their argument on the principle of international law which debts of a state belong to a land and its people and not to a regime. The Americans challenged the application of this principle, arguing that the debt-burden was imposed upon the Cuban people without their consent and by force of arms. In fact, this was one of the principal wrongs for the termination of which the struggle for the Cuban independence was undertaken.

The two sides stuck to their respective positions but the US never acknowledged any liability for Cuban debt. This became one of the most contentious issues in international law, and was given shape some years after the Spanish American war by Alexander Nahum

Sack, a former Minister of the Czarist Russia who became a professor of law in Paris after the Bolshevik Revolution. Professor Sack differentiated between the public debt and the odious debt. The first, he argued, should remain with those who represent the obligations of the state, the state being the territory rather than a specific government, structure. While the other, the odious debt, was a debt not created in the interest of the State and its citizens and should not be bound to the general rule. This law was upheld in a 1923 US Supreme Court ruling by Chief Justice Taft in the case of Great Britain vs Costa Rica. The case involved the Costa Rican Government's refusal to honour the debts incurred by the Costa Rican dictator, Tinoco, from a British oil company. Under the deal, Tinoco granted a concession to the oil company, approved only by the Congress, whereas the Constitution required the approval of both the Houses.

After Tinoco's overthrow, the Costa Rican government repudiated the deal as ultra vires. The US Supreme Court gave its verdict in favour of the new Costa Rican Government. The principle of odious debt can be employed by the people of the Third World including Pakistan, for not accepting debts incurred by dictators or corrupt lenders to accumulate their personal wealth and suppress the human rights of the people.