

GULF WAR: ECONOMIC FALL OUT

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PROF. KHURSHID AHMAD



Gulf war: economic fall-out

With the horrifying outbreak of war in the Persian Gulf, an ominous silence, appears to have overtaken the federal capital. For many, Pakistan's winter of discontent might well have begun. Against a forbidding murky economic backdrop, marked by Prime Minister Nawaz Sharif's belated political response to the Gulf war, the only forum to take up the disconcerting impact of the war on Pakistan, was the Senate. Hardly three days after the start of the war, 2 Senators Javed Jabbar (People's Party) and Professor Khurshid Ahmed (Jamaat-e-Islami) moved that all business of the Senate be suspended, and the war be discussed.

A persuasive parliamentarian, his hair dishevelled with concern, Javed remarked in the side lobby of the State: "The critical mistake of the IJI government was, that it became a willing and unquestioning pawn, in an international power game, of misleading Muslims. The government supported a coalition, which in fact was being used against Muslims. The Nawaz government should have

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reviewed its foreign policy immediately on the Gulf, instead of continuing the policy of the previous caretaker government."

In August 1990 when Foreign Minister Sahibzada Yaqub Khan had addressed the Senate and informed the members that the Islami Jamhoori Ittehad government had decided to send troops to assist Saudi Arabia, Jabbar was the first to criticise what he called "the Nawaz government's hasty and ill-considered decision."

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cism floating in the lobbies, that instead of running politics through remote control and instead of resorting to Radio and Television, Nawaz Sharif should have enunciated his Gulf policy on the floor of the Senate or requisitioned a special session of Parliament. One Senator

remarked later: "After all Mohammed Khan Junejo took parliament" and politicians into confidence on the Geneva Accord and the Afghan war.

On Benazir Bhutto's Television interview in the United States recently, Senator Javed Jabbar had reason to look exasperated. Said Jabbar in the lobby: "I have not resigned from the PPP, but I have disassociated myself from the comments, made by the Co-Chairperson. I had independent confirmation from various sources, that the main substance of her comments, on US Television, had been correctly reported. Both the com-



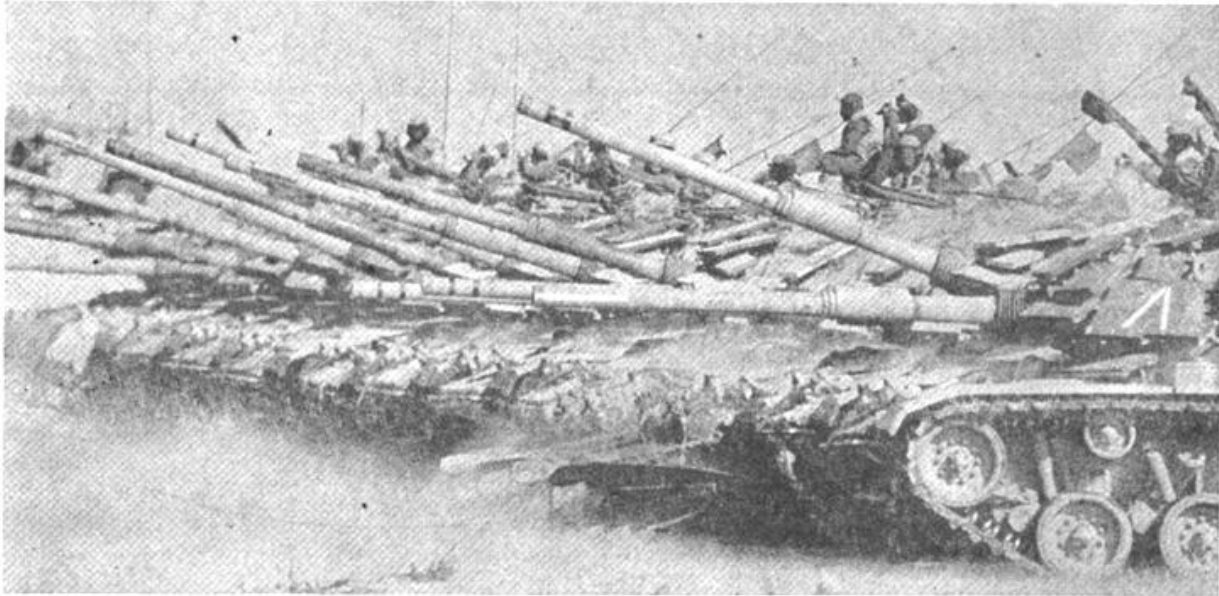
Javed Jabbar

ments and the timing reflect a lack of information and recognition of the real factors facing the Gulf crisis. It was almost a disregard of the views and sentiments of the overwhelming majority of the people of Pakistan."

Very articulate on the economic impact of the Gulf war on Pakistan and the world in general was Senator Professor Khurshid Ahmed.

A hardworking assiduous parliamentarian Professor Khurshid Ahmed, Chairman of the Institute of Policy Studies, spoke for over 90 minutes in the Senate. Later, in his Islamabad office he dilated on the genesis and impact of the crisis. Professor Khurshid Ahmed reflected at the outset, that the political and economic ramifications of the war were intricately interlinked. Taking the genesis first the Professor said: "The United States has been planning for its supremacy in the Middle East through its surrogate Israel, since 1973. In his article in a US magazine called 'Commentary' Professor Tucker had suggested that the US intervene in Saudi Arabia and take over its oil fields for at least 5 years. Professor Tucker through his research and articles has influenced US policies over the years."

Professor Khurshid said that the tide of events in the Middle East, had not flowed according to the US calculators. The



Shahinshah of Iran who was also a party to the US plan, along with Israel, was overthrown and the Iraq-Iran war which the US supported, left the balance in favour of the Arabs, instead of their total annihilation. Khurshid clarified: "for the first time, Iraq had enough military power, to challenge Israel and the overall strength of Syria, Jordan, Egypt and Iraq had a superiority which could pose a challenge to Israel's military strength."

In 1988-89, Professor Khurshid Ahmed said, the US tried to reduce Iraq's military power. Later it prevailed on Saudi Arabia and Kuwait, to reduce its oil prices, so that Iraq could not refurbish its military machine through the oil revenue. They also demanded back the loans given for the Iran-Iraq war, and Kuwait began over-drawing oil from oil-fields common to both countries. Iraq started using pressure against this move and mobilised its army along the Kuwaiti border. Negotiations began and Kuwait promised to compensate Iraq to the tune of 1.5 billion dollars for drawing oil from common oil-fields. Iraq wanted 2.5 billion dollars and also put forward its claims on 2 islands, the Bubiyan and Romilla oil fields.

An angry expression crossed the face of the politician-cum-economist: "The war unleashed on the Muslim peoples in the Middle East by the United States is a plan to establish a colonial type hegemony and to control the supply of oil. It will be used as a leverage against Japan, South and South East Asia and Europe who use 80 per cent of ME oil. The United States imports only 10 to 15 per cent of Middle East oil. The US also has alternate sources of importing oil from Africa (Nigeria) South America and Europe."

It was both ironic and unfortunate Khurshid Ahmed said that Saudi Arabia

and Kuwait were footing the bill of this terrible conflict. He added: "So far the mobilization and preparation has alone cost humanity 40 billion dollars, 50 per cent of which has been paid by Saudi Arabia and Kuwait. Japan has been forced to pay 7 billion dollars and Germany 7 billion dollars. From the evening of January 16, the day of the attack, the daily cost of the Gulf war is 1 billion dollars. This only includes the war running expenses. It does not include the damage to Iraq's properties."

Professor Khurshid Ahmed turned to the emerging world economic scenario and said international markets were in total disarray and tended to be rather volatile. Oil prices, he said were oscillating from 20 dollars a barrel to 42 dollars a barrel. The world share market, gauged through Dow Jones in the US, the Financial Times Index in the UK and the Japanese Index were all showing instability. The burning of oil wells, the spiral in oil prices the fall of shares had created a recessionary situation. With the continuation of the war Khurshid saw a decline in growth rates, a rise in inflation and unemployment and a shortage of internationally traded goods and commodities. "The war started by the United States will cause immense hardships to our world. The US cannot escape it and I feel it is the beginning of its decline as a Super Power."

Professor Khurshid Ahmed expressed his shock over the complacency of the IJI government. He charged that only lip service was being paid, by floating terms such as self-reliance and self-sufficiency. The decision makers he said were keeping the nation in the dark.

Starting with the energy problem, Professor Khurshid said Pakistan's current oil consumption was 180,000 barrels per

day. It was producing 65,000 barrels per day which meant that the country imported two-thirds of its domestic needs. Pakistan, he said, was faced with a real and genuine constraint, regarding the refining of its oil. Calling Iran, the only reliable and dependable source of oil supply, Senator Khurshid Ahmed said due to the war, the oil imports from Saudi Arabia, Kuwait and Iraq had been affected.

Delineating a rather grim economic landscape Senator Khurshid Ahmed, said the country's style of living and spending was unrelated to the hard times ahead. Said Khurshid: "To the best of my knowledge our oil reserves have been moving from two to four weeks. The UK has reserves of 90 to 100 days, and the USA has 120 days reserves. Our exports to the Middle East will therefore be affected and also our balance of payments position. More than that our remittances from ME have in the last 3 months gone down by 8 per cent. Already 150,000 Pakistanis have come back and more are going to return. There is a continuous trickle, and this will affect our earnings and increase unemployment. Just when the government is opting for economic activity this war will fall like a wet blanket on industrialization."

Professor Khurshid Ahmed urged the IJI government to tighten its belt and help motivate people to make move towards austerity. The Jamaat member saw an economic respite if production was maximised through the association of industrialists and agriculturists. Ironically he did not mention more taxes on industrialists, feudal landlords and a cut down in defence expenditure. Said Khurshid: "Let the present leadership face the ME crisis on a war footing. The big question is will it prove upto the task?" ■