

Truce Under Discussion Between Bhutto And Opposition

PAKISTAN

The detained leaders of the Pakistan National Alliance (PNA), a seven-party opposition coalition, have begun final deliberations of a new set of proposals submitted to them by Prime Minister Zulfikar Ali Bhutto to arrive at a political truce to end the mass civil disobedience, bloody confrontations between demonstrators and police, and general chaos that has plagued the country since the March 7 national assembly elections. While neither party has disclosed the actual contents of the new proposals, it is believed that discussions between Bhutto and the PNA center on two critical issues: one, whether the PNA will withdraw its demand that Prime Minister Bhutto resign from office to take responsibility for electoral irregularities conducted by his victorious Peoples' Party and if it withdraws such a demand what its conditions will be; and two, the time schedule for new provincial and national assembly elections, which the PNA is believed to want sooner than Bhutto himself.

Should the deliberations by civilians fail, a de facto military rule will be effective, with the very real possibility that the partial martial law now imposed over many Pakistani cities be extended over the entire country. The joint chiefs of staff released a statement today indicating commitment "to discharge its constitutional obligations to the legally constituted government." Significantly, however, this statement came *after* Gen. Tikka Khan, the commander of the Pakistani forces which fought in the 1971 Bangladesh war, was appointed Minister of State for Defense and National Security Affairs, a portfolio relinquished by Bhutto himself.

The stability of the entire Indian subcontinent-Persian Gulf region is at stake in the precarious Pakistani political power struggle. The Pakistani military ruled the country for over a decade prior to Bhutto's coming to power in 1971, at which time it defined policies in tight military and political coordination with the U.S. Cold War toward the Soviets — including involvement in such pacts as the Central Treaty Organization (CENTO). Bhutto has tried to break this environment with a policy of détente toward India and is hence seen with great uneasiness by the ravanichist tendencies in the military. His own distrust towards current U.S. policymaking has been heightened by a concerted black propaganda campaign launched against him by the Carter Administration-linked *New York Times*, culminating in a column by C.L. Sulzberger published April 27 on the

editorial feature pages. Sulzberger dismissed Pakistan as nothing but an amalgam of provinces, not a country or even an important strategic element in the region. Sulzberger then cites the Shah of Iran's fears that Pakistan could become another Vietnam if secessionist movements have their way!

The U.S. Side

Bhutto himself has expressed significant misgivings over what is generally perceived as a concerted effort by the Carter Administration to undercut his political position and is said to be reconsidering U.S.-Pakistan relations. In the past six months, the U.S. has threatened to cut off aid should Pakistan go ahead and acquire French nuclear technology. One top policymaker who visited Pakistan on this issue indicated that a package of arms sales of A-7 jet fighters was tied to the Pakistani withdrawal of its deal with France. "But after we agreed on this, the U.S. side went ahead and blocked the arms package and the French-Pakistan deal. This certainly did not help Bhutto much at home." In mid-April the State Department blocked a commercial shipment of tear gas to the Punjab state government citing the "sensitive" political situation in that country.

The contradictions in U.S. policy are best seen in the press, as exemplified by the *Washington Post*. On April 22, in an editorial, the paper blasted the Carter Administration for "self-indulgent pseudo-idealism" on the tear gas issue. "This is absurd. Pakistan has been a good friend. Mr. Bhutto has been credited with genuine achievements, and yes, with even enhancing human rights. This move is designed to not give pro-Bhutto signs, but it in fact looks like an anti-Bhutto move." On April 25, *Post* columnist Lewis Simons carried out a character assassination of Bhutto, painting the opposition PNA as a victim of Bhutto's oppression, along the lines of the Carter human rights crusade. He depicted Bhutto as having had a "near nervous breakdown and under sedation for several weeks." Simons then took the "Watergate" approach to the Bhutto cabinet charging it with receiving financial and sexual favors from lobbying industrialist groups, a totally unsubstantiated slander. Small wonder that the Peoples Party demonstrations in Pakistan this week carried slogans such as "Down with Jimmy Carter" in a mass defense of the Prime Minister. The PPP has also charged the CIA with funding the PNA.

PNA Strategy

The PNA has shrewdly capitalized on Bhutto's troubles. Being a party of no coherent ideology, sociologically composed of a conglomeration of retired

generals, leftists and Islamic parties, its strength in actual fact is quite accidental. In preparations for the March 7 elections, Peoples Party election organizers disregarded predictions that the party would be voted back to office handily for its record of restoring civilian rule and stable economic and political conditions after the devastating 1971 war. The PNA, despite the large crowds it drew in campaigns, had a program to decentralize and feudalize the country, and return to Islamic social practices. All predictions were that the PPP would win at least 125 out of the 200 seats contested for the national assembly and fare perhaps not as well in provincial assembly elections, mainly because of sectarian tendencies in each region. In final count, the PPP won all seats except 30, with reports circulating that several cabinet ministers had shown up at polling stations brandishing pistols and intimidating voters.

The PNA subsequently refused to take up the seats it did win, calling for a new election and taking to the streets in protest. Bhutto initially miscalculated, perceiving the PNA demands as unworthy of response. The deployment of federal police to put down demonstrators, particularly in the Karachi industrial region, has resulted up to now in over 200 deaths. With this death toll, every concession Bhutto has made has backfired. His reshuffling of the cabinet, removing all those involved in election irregularities, produced little except an outburst of infighting in his own party that gave the military

leverage to dictate its terms for backing Bhutto. His offer to formulate an Islamic legal code and to ban whisky, and even his previous offer to hold provincial elections as a test for possible new elections at national assembly level was met with scorn with one PNA source saying it was "a little too little, too late."

Failing up to now to reach a political agreement with the PNA, Bhutto has moved strongly for administrative order. Major opposition leaders have been detained, martial law enforced in five major cities and press censorship imposed. Bhutto's own ability to break the deadlock and maintain his own political strength has been significantly undermined. His reliance on Gen. Tikka Khan to keep troops faithful to the government is great, but this loyalty remains to be tested in the event of any big confrontation in the Punjab region, the largest source of military recruitment. Significant confrontations here between PNA supporters and Punjabi soldiers have yet to occur. This could well take place if the PNA carries out its plans for a national march on Bhutto's residence April 30 to obtain his resignation, breaking both the martial law and the ban on demonstrations ordered by the government. However, the *London Times* April 28 reports that significant sections of the PNA, particularly its leftist component, would much prefer a political agreement with Bhutto to military law and order. The opposing faction of the PNA is led by right-wing retired air marshall Asghar Khan, who up to now has adhered to a position of non-negotiation.

Indonesia Aid Cut By \$1 Billion; New York Banks Overexposed

INDONESIA

The April 5-7 meeting of the Inter-Governmental Group on Indonesia — the World Bank-sponsored aid consortium comprising the governments of North America, Western Europe and Japan — approved loans and aid nearly \$1 billion less than last year's \$3 billion. Of this amount, \$600 million will be in hard export and commercial credits and the remainder in bilateral development assistance (see chart).

The dramatic downturn in aid commitments signals a realization that Indonesia lacks the ability to absorb additional substantial credits for expanded production and at the same time continue its heavy debt service payments.

For fiscal year 1976-77 Bank Indonesia, the central bank, made official debt service payments of \$727 million and projected payments for fiscal year 1977-78 of approximately \$1.1 billion. Although Indonesia's financial advisors from the investment house of Kuhn Loeb and Co. project this \$1.1 billion in debt service as only 16.3 percent of combined net oil and non-oil exports, they

apparently fail to take into account the severe financial crisis lying below the positive-looking balance of payments figures and outside of the official government debt figures.

The April 9 issue of the *New York Times* revealed that the financial collapse of the Indonesia state oil company, Pertamina, has shattered a large portion of the country's business community, particularly the state banking sector. As a result of the Pertamina collapse, as much as \$1 billion in bad debts has been left standing over and above official government debt. The Times reports that the top New York banks — including Citicorp, Chase Manhattan and American Express International Banking Corporation — as well as the Hong Kong-based Overseas Union Bank and Hong Kong and Shanghai Bank, hold most of this credit.

According to the Times as well as other sources, the Indonesian state banking sector, which accounts for 90 percent of the internal credit, is in serious trouble because of several hundred millions in bad loans. Bank Indonesia sources indicate that over 150 companies have gone bankrupt. Bank Bumi Daya, a state commercial bank, has over \$400 million in bad loans, nearly a third of its loan portfolio. The bank's board of directors has recently been purged by the Bank Indonesia. Bank