

Credit squeeze on private sector?

Economy will be the loser for it

THE first-ever mid-year Monetary Policy Statement (MPS) of the Bangladesh Bank has hinted at going for a tighter monetary policy. Stakeholders in the private sector have not been consulted, although they will have to bear a sizable brunt of the credit contraction that a stringent monetary policy would entail.

Bangladesh Bank aims at cutting back on inflation through the credit squeeze policy. The public sector, and by implication, the government, is by far the bigger borrower of the banks' money. It is widely believed that improved efficiency, waste control and belt tightening by them would have been a better option than limiting the public sector's credit access. Hard-headed economists might say, well, it is nothing but wishful thinking to expect of the losing public sector concerns to change their ways overnight. But, of course, the government needs to exercise expenditure control, especially in an election year, when the pressure grows for overspending.

The central bank intends to curb 'the excess demand arising from inflationary expectations' through credit shrinkage. We wonder though, why the government is not taking recourse to the standard method of checkmating inflationary pressures which is to strengthen the supply side through steadied and rent-free distribution of commodities to the marketplace.

This is also a plausible route to take against inflation because of the good agricultural output recovery we have made since the floods, food basket being key to price stability.

Furthermore, another spate of rise in the fuel prices is round the corner with its portents for increasing inflation. Production will cost more, so will the transportation of goods with the end-price of industrial and agricultural goods rising.

At a time like this, therefore, nothing could be more unwise than squeezing credit flow to the private sector which will have a multiplier negative effect with the fuel price rise.

Industrialisation which has picked up pace will lose some of the momentum through lack of working capital and higher cost of funds. With the production costs going up, competitiveness will dwindle. In all, it is a lose-lose situation that lies ahead of us if there were to be a credit crisis in the private sector.

We urge the government to sit down with the stakeholding private sector leaders and operators in a bid to jointly evolve a stratagem for keeping inflation in check without affecting the levels of productivity and growth.

Hamas victory

An opportunity, not a crisis

THE militant Hamas has pulled off an impressive triumph in the general election following its good showing in the municipal polls earlier on. Its support base among the Palestinians has decidedly emerged stronger than that of secularist and moderate Fatah. The significance of Hamas' success must not be measured in terms of the parliamentary seats it has bagged, but in a perspective where it has so far refused to recognise the very existence of Israel. That's why the West and Israel have reacted bitterly against Hamas' appearance on the scene with the power of popular vote.

Tel Aviv's frustration is understandable, but Bush's position on Hamas' victory sounds mindlessly rigid at this point, not quite befitting the role of a peace broker that the US has prided itself on assuming from time to time. Bush wants Hamas to declare its recognition of Israel along with a renunciation of violence. It has been called upon to disarm too. Hamas' position on violence has been that being under the occupation of Israel they needed to fight in self-defence. What is there to disarm, they argue, against the bulldozers and F16s of the Israelis.

We believe rhetoric must take a back seat now before the election results. These have given Hamas a democratic and legitimate right to speak for the Palestinian people. There are two important points to note: first, the election has been free and fair by international standards which makes it imperative for the West and Israel to accept the results and make full use of it by taking the wider Palestinian public opinion on board for a renewed peace overture. Secondly, the very fact that Hamas participated in the election should be taken as a proof of its peaceable, positive intentions.

After the victory, Hamas has offered to work with Fatah in a coalition, even though it has a majority to form government by itself. Content with popular support behind it, Hamas is expected to behave responsibly tuning into the international sensibilities.

The malaise of militancy, graft and misgovernance



MUHAMMAD ZAMIR

THE PRSP meeting in Dhaka last November discussed about corruption, rise of militancy, implementation of procurement law, better coordination in use of aid and governance -- all against the background of desired poverty reduction in Bangladesh. Further areas of deliberation included the improvement in the quality of education, developing more effective social safety net programmes, minimising the gender gap and reducing the cost of doing business. The last factor was specifically emphasised for achieving rapid economic growth.

Bangladesh, being reliant on donors and aid, has to be prepared to take cognisance of their suggestions, interventions and recommendations -- mostly polite but firm. This is so, despite the fact that the importance of foreign aid has declined for Bangladesh over the years. Currently, it accounts for no more than 2 percent of our GDP. Nevertheless, we listen to the donors because they reflect institutional world opinion.

Nearly two months have passed since the PRSP dialogue. The question that troubles all of us is whether there has been any movement forward since then.

Unfortunately, the refrain and perception appears to be almost the same.

Let us take the rise of militancy first. In November, talking to two

visiting Editors from Bangladesh, in his US State Department Office in Washington, John A Gastright Jr., Deputy Assistant Secretary of State, Bureau of South Asian Affairs, expressed concern about the role of militants in Bangladesh and the factor of religious extremism. He was also critical of extra-judicial killings and observed that these were examples of gross human rights violation. It was also termed that anyone killed by an executive

steps in the closing of institutions, organisations and facilities linked with Islamic extremists and 'capture and prosecute Bangla Bhai and Abdur Rahman'. In addition to this, there was also another important message for the government -- something that the Opposition has been mentioning for some time now. The US official has cautioned against too much euphoria over the recent success of the Security Forces in capturing

taken over the government's attempts to stem terrorism. Frustration over the Awami League's refusal to sit down with the Alliance Administration to discuss militant activism has now led to a whisper campaign and even postering that the Awami League is encouraging these militants. What rubbish! Till now, none of the apprehended JMB activists have claimed that the Awami League trained them or that they

free and fair and its outcome eventually acceptable to all parties.

The activities of the chief election commissioner and that of the Election Commission have already become controversial. The manner in which the voters list is being prepared has only added to the lack of credibility in the process. Assuring the independence of the Election Commission and reforms within the Election Commission Secretariat are desperately needed.

correct. However, even if there might have been some parallels in the past, two wrongs do not make a right. As an ordinary citizen, I feel aggrieved that national interest is being overtaken by party interest. Such a step is bound to create complications in the long run.

I now turn to the relentless rise in the price of essentials -- rice, lentil, edible oil, salt, sugar and milk powder. All staple items for each family. All becoming dearer every day. The government's reaction to this issue has been superficial to say the least. The major reason for this tardy reaction appears to be the close linkage between the government politicians and those who are in the business of importing and storing such items. The government has to understand that there is runaway inflation which always has a contributory effect with regard to corruption.

Ineffective governance only creates instability. It also provides extremists with grounds for militancy. We have to be more careful than ever before. We require institutional reforms -- and these must be put in place.

We must remember that Bangladesh by now could have qualified for the US Millennium Challenge Account but has been unable to do so because of the corruption perception index.

We can move forward and overcome this malaise only through a functioning democracy where democratic norms and values will have to be practiced inside the Parliament as well as in the functioning of the Executive and the Judiciary. Constructive criticism is good and should be welcomed. It is self-defeating to try to stop comments through threats.

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POST BREAKFAST
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agency reflected failure on the part of the government. He also referred to the lack of security for journalists and the ineffectiveness of the Anti Corruption Commission.

What do we see now? Weeks later, the US States Department's indictment has not become any better. The same senior official, participating in an online discussion on the current state of US-Bangladesh relations against expressed 'concern' about Bangladesh's future and spelt out several measures that were not being effectively adopted by the government.

I will ask the readers to remember that this was not Awami League or other members of the Opposition being critical of the government's handling of the militant situation within the country. The important point was that the remarks of the US official were surprisingly similar in content and connotation.

It was underlined that the government should take more effective

alleged JMB figures. He reiterated that the US welcomed the arrests of the JMB activists and the seizure of the arms and explosive caches. However, this was not sufficient as most of the JMB's senior leadership remained at large and 'the actual impact' of such seizures 'on the JMB's operational capabilities was unclear.' Mr Gastright also reflected existing opinion within Bangladesh when he said that 'investigations of incidents' should 'run their full course, including the investigation of government officials, if applicable, and not just end with prosecution of low level figures.'

Such an approach is vital. The government must understand that there is no easy way to succeed in their fight against militancy. It will require not only urgent implementation of anti-money laundering legislation but also support of the Comprehensive Convention against International Terrorism.

We have watched with growing anxiety the way politicisation has

received weapons or explosives from Awami League sources. There has still not been any evidence that there exists any nexus between these militants and any Opposition party.

The government needs to listen to what others are saying -- not just the sycophants that have surrounded the BNP leadership. The fate of the dialogue, initiated by the prime minister on November 30 has been less than successful. No one seems to be able to say when this dialogue will be completed. There is also widespread confusion about the fate of the many suggestions that have been already received from the different political parties and professional groups. This has prompted civil society members to question the effectiveness of the dialogue.

We have to understand that there are only eight months left in this government's tenure. There are many unresolved problems still left. Time is of the essence if the next election is to be considered as

The government has to focus on the existing areas of debate and try to find effective solutions.

Our government leaders continue to upbraid the Opposition and allege that they are responsible for tarnishing the image of the country abroad. However, this government should objectively look at their own performance and ascertain whether their own actions or lack of proper governance is creating this effect.

I am referring in this context to the deliberate policy of politicisation of the judiciary and the executive. It is particularly distressing that in some cases normal criteria for granting promotions are being set aside. Merit and seniority are quite often being ignored. This is leading to frustration. Such measures are being defended on the plea that politicisation in promotions, retirement and granting of contractual appointments originated during the previous administration. I am not sure that it is entirely

A king-size problem



KULDEEP NAYAR
writes from New Delhi

Iwish I could make out our policy on neighbours. At best, it is a reaction to what they do or do not do. We should cultivate them. But there is nothing called generosity when we come to deal with them. Whether it is Islamabad or Dhaka, New Delhi is against showing any gesture. It awaits the problem to solve itself like the dust which eventually settles down. Even when we should take a stand, we prefer to keep quiet. The argument which I have heard from topmost government quarters is that India does not want to get involved in the affairs of its neighbours. This is what we tell Colombo which needs our assistance to check the LTTE's terrorism.

But where we have exposed ourselves the most is in Nepal. It is the worst case of our prevarication. Do we want the king or not? We cannot make up our mind. We want monarchy but no kingship. It

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But where we have exposed ourselves the most is in Nepal. It is the worst case of our prevarication. Do we want the king or not? We cannot make up our mind. We want monarchy but no kingship. It

to take popular leaders into confidence has not been heeded. Yes, we have our ambassador at Kathmandu, always going back and forth for consultations with New Delhi. But he must be exasperated, helpless and even embarrassed because he has made no progress with the king. We want the ambassador to ride two boats at the same time: put pressure on the king to restore democracy and convince the opposition that India will even-

is only playing with words. What it means is that we would like the king to be a constitutional head like our President. Thank God, our constitution does not provide for President's rule at the centre. Jawaharlal Nehru once explained that he did not want a dictator in India. Therefore, the writ of our Presidents -- we had a couple of ambitious ones -- does not run beyond the precincts of Rashtrapati Bhavan. In Nepal, the king has himself become the constitution. We are unhappy because he does not listen to us. Some of our best supporters in that country -- for example, the opposition leader and former Prime Minister G.P. Koirala -- have been restricted to their home. Our request to the king

India does not do something? This is the question that the Nepalese ask. One of the reasons harked about is that if we were to jettison the king, he would go to Pakistan to get arms. I wish he would do that. Let us see what happens when the two authoritarian powers meet. Whatever the General Pervez Musharraf government may have said in the past Islamabad cannot be so inept that it would give arms to Nepal. Presuming Pakistan

wants to embarrass India, it can ill-afford to take on the people with yet another unpopular step. Islamabad has also to ensure who is overlooking its shoulders. The ubiquitous Americans are always there to keep Islamabad in line. They have already said from the pulpit, the White House, that they do not approve the king for 'harassing peaceful democratic forces.' How can the Musharraf government do the opposite? Even China will think twice before displeasing India when the two are already joining hands in South Asia for peace and development. All these years, Beijing has kept away from Kathmandu knowing well that New Delhi is oversensitive to foreign interference in Nepal's

affairs. After all, India accepted the suzerainty of China over Tibet in no time. The problem is with New Delhi. It does not want to displease the king on the one hand and does not like his methods of dealing with political parties on the other. India would wish to devise a formula which could please the king and the opposition at the same time. In fact, it has been vainly trying for that. Initially, New Delhi was not unhappy over the king's takeover

because it saw in it a strong action against the Maoists who had links with the Naxalites in India. Washington was in tandem with New Delhi's approach. The assumption was that the king would come around soon. But it has been a futile exercise. In fact, the king has consolidated himself. Only a few days ago did he arrest hundreds of political leaders and civil liberty activists to prevent a protest rally. In a clash with the public, the Nepalese Army killed some 21 people. Because of strong indignation abroad, the king released some known political prisoners. But the curfew in Kathmandu continues and so does the suppression of the press and dissenters. Once again Indian news

channels have been stopped, along with cables. People feel increasingly insecure and abandoned. They are not to blame because they have looked towards New Delhi in the past and they still do. It is India which has been keeping its eyes shut to the developments.

The Nepalese generally do not like the Maoists who have introduced violence to their peaceful life. True, the Maoists are today on the side of the opposition but their methodology is considered undemocratic and their ways authoritarian. Not long ago, a UN report described how the Maoists' armed conflict turned from bad to worse from 1996 -- the year when they launched their armed rebellion.

People are disappointed with the king because he has suppressed their democratic functioning. But they are not pleased with the Maoists either. They want a bit of both -- the king providing an overall umbrella and the Maoists bringing in egalitarianism in the caste-ridden society, still poor. True, New Delhi cannot march its forces into Nepal. But it can at least criticise the king's rule and give some public evidence of support to the democratic forces. The king should get a message that India would prefer a republic to monarchy if he did not restore democracy. I think he has already forfeited the right to rule. If he were to realise that New Delhi could go to the extent of putting its weight behind the demand for his deposition, he might mend his ways.

Kuldeep Nayar is an eminent Indian columnist.

limits. It's time for a change. A Husain Dhaka

Management problems As usual The Daily Star has once again (Dec 26) painted out the weaknesses in some ministries and semi-autonomous public corporations. The Prime Minister is holding too many posts, and the deputies in the ministries concerned cannot perform efficiently. (Energy Home etc). The bureaucracy at the top has to be streamlined, and dual/triple responsibilities should not be encouraged. The other factor is undue interference from powerful unauthorised sources, or misuse of power. Neutral governance is not as easy as it looks from the outside. Abdali Dhaka

TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR

Letters will only be considered if they carry the writer's full name, address and telephone number (if any). The identity of the writers will be protected. Letters must be limited to 300 words. All letters will be subject to editing.

Our resources

Bangladesh has been blessed with abundant resources. Not only are they natural but they are human resources as well. The whole nation is sitting on treasure chest. It is a blessing few nations have and many dream of. The country is virtually floating on natural gas; there is coal and perhaps oil. Our labour gives us tremendous potential to make an industrial revolution. Our land is a platform for a green revolution. The beauty and history of places such as Cox's Bazaar, the hill tracts, Mainamati and Paharpur give us the potential to make our country a tourist hotspot. We should remember that this is a fast changing world. Bangladesh is between SAARC and ASEAN. The Asian Development Bank says that Bangladesh can become an Asian transport hub.

Thus such resources make it attractive to the rest of the world particularly the big economic powers.

God has given us so many gifts, but we have failed so far to utilise any one of them effectively. Natural gas alone can make us a fortune. Energy hungry India is our neighbour. China, probably the next superpower, is to our north. The pre-conceived notion of exporting gas will be a theft is ridiculous. If not export, we can use it to produce fertiliser and electricity, which can also be exported. Coal can be used to produce electricity and I am sure we are all aware of what oil can bring to us. But the current state of our society and of course our politics make it difficult to fulfil a dream of opening this treasure chest. Plus this gives the outsiders a chance to come in and take it all away. It is a great irony that the treasure is lost and Bangladesh is plagued with

poverty and corruption. Md. Umran Bin Kamran Chowdhury Gulshan 2, Dhaka

How can AL win majority seats again?

So many people like Dr. Abdullah Dewan wants to see AL in power again.

I just visited Bangladesh and I saw some real development such as telecommunication sector, with almost ten million mobile phone subscribers. Thousands of people got job in telephone companies, banks, NGO's and other business organisations.

And they are paid good salaries. Real estate developed and employees of such organisations are buying their flats in big numbers. I want to say the purchasing power of middle class people has gone up. I travelled

from Dhaka to Sylhet in four and half hour by bus, which was unthinkable few years back. Education sector, law and order situation are much better than before.

Foreign investment went up multiple times. Foreign reserve is steady at almost \$3 billion. But, beside all development still there is so much corruption among BNP leaders, workers and govt employees.

Yet is AL alternative of BNP? Was 1996-2001 corruption free period? Is there any guarantee that if next time AL comes power to will act like Mahathir Mohammed of Malaysia?

In next election the people of Bangladesh will compare 1996-2001 AL govt with 2001-2006 BNP govt and pick up one. S.A. Muntazim Atlanta, US.

Democratic right but undemocratic behaviour

It is a fundamental right of a democratic nation to be able to stage or bring out demonstrations or speak against government's policies. But, in Bangladesh, this right is not being practised in the way that is acceptable to all.

Bringing out or staging a demonstration whenever, wherever and however you like, causing disruption and giving inconvenience to others amid chaos cannot simply be tolerated anymore -- it is 21st Century. Other nations are building their economy and we are damaging ours.

In Britain, if an individual or a group wishes to bring out any demonstration, they have to forward their proposed time, route, place and the nature of their dem-

onstrations to that regional police station at least 72-hours prior to their demonstrations or risk being fined or arrested and summoned to the court to be convicted.

The reason for submitting a proposal for a demonstration to the police station is that the police will assess and evaluate every feature of the proposed demonstration carefully to ensure the rally does not cause any disruptions, inconveniences or bring any chaos to other residents of that area who have no interest in that particular rally.

However, if the police believes that the time, place and the route is not acceptable, they will offer alternative time, route etc, or tell the particular groups to stage their demonstration at a later date. If that is not acceptable, then sorry, ladies and gents you cannot bring out any rallies.

Finally, if India has succeeded in implementing similar rules to that

of Britain, then why can't we? Reader One-mail

Weekly holidays

The leaders in the regime lack moral guts. It is easy to be popular. It is the art of compromising too much (national interest). This is the time to switch over to Sunday as full-day weekly holiday to compete economically in the global open market (diversify export items and targets). We are too sentimental and impractical about religious practices. A holiday is not required for 24-hour ibadat (mostly internal, and involuntary).

Switch back to one and half weekly holidays. Do not make the nation indolent. Herd-instinct is not enough for survival (25 lakh people gathered in Dhaka on 21 Dec to display solidarity to nincompoop leaders). Flattery has

limits. It's time for a change. A Husain Dhaka

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Neutral governance is not as easy as it looks from the outside. Abdali Dhaka