

Dhaka Friday, May 24, 1991

Chasing Defaulters—the Wrong Way

A major election pledge made by the Bangladesh Nationalist Party (BNP) involved its commitment to enforce the strictest possible discipline on the country's financial institutions, especially banks, and to ensure that, in future, these institutions would function in accordance with the highest professional standards. However, in terms of priorities, the immediate task of the government would be to clean up the mess, as the saying goes, in many of our banks, both private and nationalised, created by the accumulations of bad debts, increase in the number of defaulters and other alleged irregularities.

It was undoubtedly a popular election pledge. For one thing, it was obvious to the business community, not to mention the media and other vehicles of public opinion, that our industries, especially the sick ones, would get legitimate assistance from banks only if (and when) the later had sorted out their difficulties in areas mentioned earlier. Meanwhile, the mounting pressure from the World Bank and several donor nations went a long way in making the authorities realise the urgency of the matter as well as of the need for immediate action.

Now, what has so far been a situation that reflected a large measure of national consensus has been turned by the authorities into a confused one, marked by divisiveness, unwarranted controversies and a decline in the confidence of the business community in both the Ministry of Finance and the Bangladesh Bank. Whatever might have been the strategy of the government in a first step in introducing discipline in the country's financial sector, the exercise has got off to a bad, a very bad, start.

The controversy, in main, has been triggered off by the publication of long lists of alleged defaulters by the Bangladesh Bank in a section of the local press last Sunday and Monday. For being included in this list, a somewhat dubious distinction, an alleged defaulter had to owe his bank Tk 2.5 crore and above on December 31, 1990.

It took only a day or two for experts, including some distinguished members of the business community, to react to the move by the Bangladesh Bank in a predictable way, in a mixture of anger, resentment and bewilderment. There was little doubt that in the preparation of the list, the central bank had apparently made little distinction between legitimate borrowers with long-standing loans which were either being serviced or rescheduled and defaulters who may also include some who have failed to meet their commitment due to circumstances beyond their control. As a reader suggests elsewhere on this page, while such defaulters need rehabilitation, any action against a large number of borrowers at one time gives the impression of a 'collective penal action' which is likely to create doubts about the propriety and efficacy of such action.

Unfortunately, we have reached a stage when the business community is no longer talking in terms of "doubts" but is now assessing the damage caused to various sectors of the economy by the government action, damage by bringing a number of business operations to a halt and damage by creating a credibility gap between foreign entrepreneurs and their local partners. When we add up all this visible and invisible damage, it is hard to accept the assurance offered on Wednesday by the Finance Minister Saifur Rahman that it was not the "intention" of the government to "malign" anybody by the publication of the so-called list of defaulters. Whatever might have been the intention of the Ministry and the Bangladesh Bank, it is not too late yet to review the situation carefully and take measures which may provide some remedies to the situation before it goes completely out of control.

Death and the Meandering Highway

A truck does it again — could be the beginning of this horror story. But that would be resorting to cliché. Trucks have been at it for so long and so frequently that very few readers would feel attracted to read on. It could have as well started in this fashion: Night coach rammed, 12 killed. And night coaches are also the butt of regular alarm stories. Although it was a truck-bus collision that killed 12 on the spot Tuesday night the story should have been headlined to involve that which has for decades evaded exposure as most frequent point of accidental deaths. We have all counsels every now and then on how to cut down on road transport deaths. It is our foolishness that we haven't so far — from the inauguration of the Dhaka-Aricha road in 1956 detected a kind of relation between frequency of road traffic accidents and consequent deaths and the places where these occur. The prize for most road deaths in the nation should go to Manikganj — without even a thought of a competition over it.

Why is Manikganj so persistent in becoming the spot of heartbreaking tragedies all round the year — a respite it hasn't possibly known in the last 35 years. Thousands upon thousands must have perished on the Manikganj part of the national highway. But why is this dubious distinction? Is Manikganj jinxed or accursed?

The nation must acknowledge its gratitude to the builders of Dhaka-Aricha Road — a 55-mile stretch on an incredibly difficult terrain that has served so wonderfully for three decades and more. Without it the whole of the Rajshahi and Khulna Divisions would be distant climes from the national capital. On hind sight it must be said that it were they who built death-traps into the Manikganj roads. A national highway should not meander in the way it does in Manikganj. And because of ferries that have long intervals between them — and also because traffic rush is so heavy all the time of the day all the year round — the thousand buses and trucks that ply over the Dhaka-Aricha road — dense as it is with numerous rickety bridges and unmarked culverts — are on a perpetual race against one another.

The Dhaka-Mawa road, if properly connected with the national highway at Bhangra, could ease off much of the load of Dhaka-Aricha. Things could start looking up then in Manikganj. But that one improvement would hardly have made the drivers do their job with a dash of sanity or the highway any less tortuous. There is no substitute for improving roads and improving policing on vehicle behaviour in lessening road deaths.

France Tries to Heal South Pacific Rift

David Robie writes from Auckland

FRANCE has gone some distance towards improving its tarnished image in the South Pacific with a recent historic visit to New Zealand by the French Prime Minister, Michel Rocard.

The visit quietly laid to rest the ghost of the Rainbow Warrior affair, but it was not wholly successful in other respects. At a time when the New Zealand government is reassessing its foreign policy and even questioning its nuclear-free stance, the tour has failed to allay suspicions about French intentions in the region.

While Pacific nations have generally welcomed the Matignon Accords in New Caledonia, under which the territory is in transition to possible independence with a referendum in 1998, they have remained concerned over other issues.

New Zealand in particular has been worried that the process of decolonisation has been replaced by increasing attempts to buy influence in Pacific capitals through aid and military assistance, especially in Fiji. In addition the problem of nuclear testing in French Polynesia remains just as strong today as it did when France began atmospheric blasts above Moruroa Atoll 25 years ago.

Although both the French and New Zealand governments tried to create a positive public image for the tour, protesters wearing radiation suits waved anti-nuclear banners and chanted "France out of the Pacific." There was an incident in which a French embassy official allegedly tried to rip down posters condemning nuclear tests.

This reflected the continuing strong opposition among most New Zealanders to nuclear testing in the Pacific. Irritated in a television in-

terview by persistent questioning over nuclear testing and New Caledonia, Rocard denied having described New Zealand's nuclear-free policy as "weird." The prime minister was asked why, if the tests were as safe as claimed, France should trigger its nuclear devices 20,000 km away from Paris. Rocard failed to answer the question and he turned down any other individual news media interview.

Ironically, among Rocard's entourage was Brice Lalonde, a one-time opponent of the nuclear-tests who was appointed Environment Minister in 1988. Lalonde is no stranger in the Pacific. After joining French and New Zealand anti-nuclear protesters on board the schooner Fri in 1973, he again sailed to Moruroa on board the Greenpeace boat Vega six years later.

He was a Greens candidate in the 1981 presidential election, and was easily defeated by Francois Mitterrand. He returned to Moruroa for a third time as a Greenpeace protester. Described by some commentators in mixed metaphors as a "political chameleon who changed his spots," Lalonde became a staunch defender of the tests when he took on the environmental portfolio.

Environmentalists in New Zealand met Prime Minister Rocard but left their private meeting with the issue of a Greenpeace scientific mission to Moruroa Atoll still unresolved. "It might have been a good public relations exercise with the New Zealand government, but most ordinary New Zealanders haven't been fooled," said Greenpeace nuclear campaigner Stephanie Mills. "We made it quite plain that the people of the South Pacific are still just as opposed to nuclear testing."

Mills was one of two Greenpeace campaigners who had a private meeting with Rocard when he announced that the International Atomic Energy Agency (IAEA) would undertake a mission to Moruroa to collect scientific data about damage there. No details were given — other than to reveal that two "independent" laboratories in Monaco and the United States had been commissioned to take samples — and Mills said the prime minister implied that some data had already been gathered. "The IAEA is a pro-nuclear body which has covered up the real consequences of Chernobyl," she said. "It has lost any credibility as an unbiased and independent source of research and information on nuclear issues."

Greenpeace also challenged French authorities to release further information to assess the validity and consequences of a study which showed that leakage from Moruroa could contaminate wide areas of the Pacific Ocean.

A recent study based on a computer model by scientists at Sydney University shows "worst case scenario" leakage from Moruroa could significantly affect much of the West Pacific and result in a highly contaminated water mass in French Polynesia for a long period. Last December, a scientific team on board the new Rainbow Warrior — including American Norm Busk who claimed in a recent controversial report that radioactive waste leaking from each test

could reach the sea in six years — found traces of radioactive caesium-134 and cobalt-60 outside the 12-mile zone. During his New Zealand visit, Prime Minister Rocard apologised for the "wrong" done to New Zealand by the bombing of the Rainbow Warrior by French secret agents on 10 July 1985 while ruling out any quick end to his country's nuclear testing programme.

The French government has paid compensation to both the New Zealand government and Greenpeace International. Now, New Zealand's former foreign affairs secretary Melwyn Norrish and French oceanographer Jacques Cousteau are to co-chair a \$1 million "friendship fund" to promote contacts between the two countries.

The fund is likely to be used for exchanges between young people, for research projects and fellowships, and young journalists.

Rocard and New Zealand Prime Minister Jim Bolger have agreed to differ on Wellington's consistent opposition to French nuclear testing. Opinion polls indicate that up to 80 per cent of New Zealanders still endorse the nuclear-free law and the ban on nuclear warships.

While New Zealand opposes the tests being conducted in the Pacific, Bolger added it could not prevent France having an independent nuclear deterrent.

France and the United States now share the role of triggering the most nuclear tests. Last year both countries conducted six tests each out of a world total of 15. — GEMINI NEWS

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Michel Rocard

Bush's Latin America Agenda

US President George Bush's 'Enterprise for the Americas Initiative' (EAI) is, in reality, a programme designed to open up the economies of Latin America to North American companies.

Stephen Hellinger, US development analyst, writes from Washington

They must have adopted or be making progress toward adopting an International Monetary Fund (IMF) or World Bank structural adjustment programme.

They must have put in place major investment reforms and be moving toward an open-investment regime.

They must have reached agreement with commercial lenders on a satisfactory financing programme for their commercial debt.

The debt-relief component is the only aspect of the EAI that has been approved by Congress. And, like virtually every other measure conditioned on the far-reaching economic policy reforms that have devastated the Third World, it breezed through a Congress seemingly determined to spend another decade with its head in the sand.

Congress has not been alone in ignoring the conditions tied to EAI debt relief. The mainstream media, for example, have continued their time-honoured practice of supporting US programmes overseas without bothering to investigate what their impact on the ground might be.

Worse, however, have been some of this country's most established environmental organisations, which have been easy pickings for an administration that has turned the serving of self-interest into an art.

Driven by their desire to secure environmental funds for their Latin American networks, they have chosen to ignore the ecologically destructive adjustment conditions that other US environmental organisations have been actively

challenging. One of those challenges has come from the US-based Friends of the Earth, which is leading a growing campaign to reform the IMF and to hold it accountable for the environmental and social impact of the adjustment measures it imposes on its borrowers.

It has written to the Fund's management, emphasising the environmental degradation caused by adjustment-induced cuts in the area of natural-resource management, austerity measures that further impoverish the poor, and an over-emphasis on the export of natural resources.

In November 1990 and with little debate, Congress gave the Bush administration the authority to forgive up to US\$1.7 billion in Food for Peace loans. Over the next two months, in the context of this year's foreign aid bill, it will take up the matter of some US\$5.3 billion owed to the US Agency for International De-

velopment (USAID). These seven billion dollars in concessional loans represents only about two per cent of the total foreign debt of the countries of Latin America and the Caribbean.

For most of the governments of South America, this proposal has little relevance. Few owe a significant portion of their foreign debt to the US government, even when the US\$4.7 billion in commercial obligations to the Export-Import Bank and the Commodity Credit Corporation are taken into account. Furthermore, there are few South American countries that have not already been forced to adopt structural

adjustment and related policies in order to avoid isolation in the international financial community. Nor is the US\$1.5 billion in open-investment-related grants a powerful attraction to these governments.

While Congress will likely balk at appropriating the proposed US contribution, these funds constitute only a small percentage of the continent's outstanding debt. For the large countries of Latin America, prospective free trade agreements are easily the most prominent feature of the EAI.

But for a number of countries, particularly those in the Caribbean and Central America (including, notably, El Salvador), concessional debt owed to the US government is significant.

Should they meet the conditions, they will be eligible to enter into environmental framework agreements with the United States, under the terms of which local environmental funds would be established with local-currency payments on the interest on the remaining official debt. These payments would otherwise have had to have been repaid to the United States in dollars.

Once the president and the beneficiary government have entered into an agreement, the local government is to establish a fund to receive the local-currency interest payments. The administering body is authorised to accept proposals from non-governmental organisations (NGOs), although proposals from local governments could be considered in exceptional circumstances. Grants are to be made for

projects that link environmental protection with local community development projects. Although the congressional drafters of this legislation were clearly well intentioned in their effort to give NGOs a major role in this programme, they just as clearly failed to see the whole picture. Had they taken the time to consult Latin American and Caribbean NGOs, they would have learned of the considerable opposition that exists to the economic policy conditions attached.

Indeed, all of the first responses to a letter since sent to many of the region's NGOs by 11 US environmental and development organisations have condemned the inclusion of those conditions in the EAI.

Legislation related to Food for Peace loans and the pending aid-related bill leave a great deal of discretion regarding NGO involvement and benefits in the hands of governments that have often been hostile to independent NGOs.

It is not unlikely that some of the US environmental organisations that backed the Bush administration's proposal

will see their partners iced out of the action. The handwriting is already on the wall. Some of these same US environmental groups have been told informally by the administration that, despite their support for the EAI, their opposition to other administration policies makes them unacceptable candidates for seats on the Environment for the Americas board which will manage the programme.

This game will doubtless be played again in different forms as the administration seeks support for the other components of the EAI. If environmental supporters of the EAI's debt-for-nature enticement still harboured illusions that the Bush administration was motivated by ecological concerns, they received a rude awakening at a meeting at US Environmental Protection Agency (EPA) in February.

A few of their representatives were told by a top EPA official that they should understand that programme is geared foremost to leveraging changes in macro-economic management rather than to environmental protection.

Such candour, if not contained, could have far-reaching effects: one day we might actually have a substantive and informed debate in Washington on the purpose and consequences of the administration's Third World economic policy agenda. — IPS

Stephen Hellinger is co-founder and executive director of the Washington-based Development Group for Alternative Policies.

To the Editor...

The campus

Sir, Your second editorial captioned 'The Campus, Again' of May 20 is highly informative as well as timely. You have correctly shown the path to congenial atmosphere on campus. Those who have lived on campus for many years probably know the real story behind the campus violence.

You have clearly hinted that the arms-wielding goons masquerading as student leaders are carrying on violent activities under the protection of vested quarters. We have seen that despite objections and loud protest from the general teacher and student community, outsiders, non-students and even expelled students have been admitted into departments as regular students. You will be surprised, if not shocked, to know that these violent elements not only enjoy

Diarrhoea

Sir, Nearly one lakh people is reported to have been attacked by diarrhoeal diseases in the cyclone-hit areas. In most of the affected areas, diarrhoea has broken out in an epidemic form.

I think, necessary hygienic precautions should be taken while storing and transporting food items specially bakery loaves and hand-made breads. Only fresh and hygienically clean foods should be sent to

An appreciation

Sir, Since the start of publication of 'The Daily Star' I have been a reader of the English daily. I like to thank the management and the Editor as well as the newsmen and others for bringing out such a fine English daily. In my opinion, publication of the 'The Daily Star' has brought a new dimension in English journalism of the country. It's unique news style, attractive get up and excellent printing are all appreciable. Reports published on national and international, political, economic and scientific issues, prepared by your illustrious local and overseas correspondents are really interesting and thoughtful. There has been a breakthrough in the information technology of the country with the publication of your esteemed newspaper.

I am sure the intellectual class of the country will find a ray of a new hope in it. I wish it continued success.

M.N. Uddin
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Chittagong.

OPINION

Overdue Bank Loans

Bangladesh Bank has recently published a statement of defaulters where the amount of the default from any individual bank is Tk 2.5 crore and above as on 31-12-1990. As stated in the Notice, Bangladesh Bank has done this in exercise of powers conferred on it under Section 37 of the Bank Company Act, 1991. This is a very extraordinary power which the central bank is expected to exercise with utmost restraint with due consideration about the need, legality and propriety of the action. Such action may seem to lead the central bank on the path of involvement in the administration of bank loans. Whether all the defaulters are wilful defaulters, in the opinion of Bangladesh Bank, is not clear from the statement. Some of them may be defaulters largely due to circumstances beyond their control. In such cases it is desirable that all efforts be made by the lending banks to salvage the situation through dialogue, negotiations and appropriate remedial measures wherever the position is retrievable. The central bank and the concerned banks may deal with defaulting borrowers not as a bunch but on a case by case basis on merit. The objective should be to rehabilitate the sick/defaulting projects/borrowers wherever fea-

sible and thereby to recover overdue loans. Any action against a large number of borrowers at one time gives the impression of a 'collective penal action' which is likely to create some doubt about the propriety and efficacy of such action. For a bank, legal action and foreclosure is considered a measure of last resort.

Banking Sector is a very sensitive area. While there is urgent need for establishing responsibility and accountability in this sector, nothing should be done which might have a long term adverse effect on the banker-customer relationship and would erode public confidence in the system. To get the economy moving, let us hope that the general approach would be positive and production oriented and not punitive only.

The Board of Directors of the nationalised banks and financial institutions may be reconstituted by the government in keeping with the charter of these institutions to give them a better sense of direction. The Board, among others, may include eminent persons with experience in the field of finance, banking, trade, commerce, industry and agriculture.

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