Dhaka, Monday, July 8, 1991

A Banking Disaster

Whether Bangladesh Bank acted on its own or carried out the advice of the USA head office of the Bank of Credit and Commerce International (BCCI), the decision to suspend the operation of the Arab-backed institution on Saturday should have been preceded or immediately followed by a public statement to allay the misgiving among depositors about the bank's future. Without such an announcement, the suspension was regarded by many panicky clients as a prelude to liquidation of BCCI. We trust, this is not what Bangladesh Bank has in mind. There are many ways of dealing with the situation facing BCCI, ways through which the institution can be saved. Here, we should not follow the steps taken by Bank of England or the monetary authorities in developed countries. We must choose our own methods for tackling the situation.

The move made by the Bangladesh Bank on Sunday placing one of its senior officers in BCCI to oversee its operation would suggest that suspension order may be lifted soon or some other steps taken to contain the situation. It is doubtful if, at this stage, BCCI operation can assume a look of normalcy. However, in order to restore confidence among its clients, its branches should start paying up to Taka 60,000 for each deposit. Such a move would fit in with an informal arrangement that exists between Bangladesh Bank and other banks, with the latter paying a premium to the triviral bank which, in turn, is required to bail desired the positions of an ailing bank in a distress situation. At the same time, if requested by clients, all deposits in foreign currencies should be paid in full to ensure that the government's efforts to attract funds in hard currencies and investments do not suffer setbacks. In this context, it is important that whatever Letters of Credit have been opened against which bills have been negotiated should be honoured to avoid any damage to the country's monetary situation. If these steps are taken, BCCI should have no difficulty in releasing imported merchandise, stored in warehouses, on payment, to avoid any disruption in our economic activities or, for that matter, in the implementation of projects.

These immediate steps, when implemented without delay, would go a long way in restoring public confidence in BCCI and in the country's banking system. They would also prepare the ground for adoption of medium-term and longterm measures. We believe, through such measures which we will discuss later, Bangladesh Bank can not only salvage the BCCI operation but also strengthen the country's monetary system as a whole.

In a wider context, we see the crisis faced by BCCI, almost bordering on its near collapse in the West, as a tragedy for banking in the Third World. The Bank has already paid a price for its alleged laundering of drug money through its branches in Latin America, a crime that has tarnished the reputation of a number of western banks. BCCI should be ready to face further punishment if it is found guilty of additional wrongdoing. However, in the present crisis, the Bank of England has taken extraordinarily harsh measures, like seizing the assets of BCCI, on the basis of "prima facie evidence", not on the order of a court of law. We fear, the move will cause serious concern among banking circles of developing countries which maintain such good working relations with Bank of England. Let us hope that BCCI, in Bangladesh and elsewhere, will come out of the present ordeal with better understanding of what good banking is all about as well as with a stronger commitment to serve the Third World to the best of its ability.

Better Late than Never

Dhaka University is back in action. Mercifully, the action so far has been of a peaceful nature. The question before us now is, how to maintain and strengthen this calm after the storm and prevent it from being just, another lull before another eruption.

Saturday's meeting between Acting President Shahabuddin Ahmed and a delegation of Dhaka University Syndicate members led by Vice-Chancellor Maniruzzaman Miah is an indication that some serious thought is being given to get the peace-making process moving in the right direction. It is quite late in the day, but as always, it is better to be late than never.

Shahabuddin Ahmed has rightly pointed out to the Syndicate delegation that the police need allout cooperation from the university authority to act firmly and effectively. However, it is also true that the police often remain as mere spectators while acts of violence and vandalism are carried out by armed young men out in the open. For their part, policemen at the scene have often complained that they cannot take the necessary steps - which may well mean getting tough with activities of various political groups, - because of threats of "retribution from above." Furthermore. Shahabuddin, a fundamentally honest man, has frankly expressed his doubts as to whether the

police will get the cooperation necessary at all. What we now have is a situation where the Acting President and the Syndicate are not seeing things quite eye-to-eye, with the police claiming innocence as well as helplessness.

Law and order is a Home Ministry business, and it is this ministry which ultimately has to instill the police with the confidence that they can carry out their duty without fear of "retribution from above." As Acting President — until the constitution is amended — Shahabuddin Ahmed has a duty to make the Home-Ministry aware of the urgency of the situation.

Meanwhile, the Syndicate's suggestion of a grand meeting of all political parties to discuss the issue is a most welcome one. We do not need reminding that student groups are largely controlled by political parties, and the latter could, if they so wished, instruct their respective student fronts to disarm and discontinue the use of terror

as a political weapon. Such a grand meeting with that goal in mind is in our national interest. If there is a problem with any particular party taking the initiative, then Shahabuddin, as the neutral man respected by all and as the Chancellor of the University, should convene and preside over the meeting himself. But try we must. The future of our educational system, and with it the future of the nation itself, is at stake here. Success is vital.

Revival of Sick Industries: Is It necessary?

ries was quoted by Daily Star in it's issue of April 11 as saying that a quasijudicial authority to revive sick industries was under active consideration. He even went so far as to sweepingly comment that "all industries in Bangladesh were sick." From the statements made by the Industries Minister it appears that the recommendations made by such a quasi-judicial body would be binding on all banks and financial institutions. We can only thank our lucky stars that our Finance Minister and our Central Bank have had the good sense not to come out in enthusiastic support for such moves. If there is a certain lack of enthusiasm discernible in the response of the Finance Ministry and the Central Bank it is probably because they would like to place their bets on the side of prudence and pragmatism rather than play to the gallery and succumb to pressure tactics of

various lobbics. The past government behaved as if the exclusive purpose of it's existence was to discriminate in favour of particular private individuals and institutions. Licences and contracts were awarded to preferred parties, taxes and duties were manipulated, sometimes to enrich a single or a few business concerns. It is this milieu of venality with respect to which the Bangladesh electorate passed its judgement in

the last elections. Obviously there is an urgent need to find a workable solution and compromise in which the interests of all parties are protected. Giving mandatory status to a quasi-judicial organ's recommendations may at first seem attractive. But it suffers from one vital flaw. namely, that these recommendations may force the banks into a credit decision which they would not take on their

N the face of it, South

violent picture. Scenes

Korean politics present a

of students hurling Molotov

cocktails at riot police, who

then respond with volleys of

tear gas, make dramatic

viewing on TV screens around

political instability, but they

can mislead. Such demonstra-

tions are routine around South

Korea's many campuses. (The

country has about a million

alised. Many riot police are

themselves students doing na-

tional service. Some sing along

with the radical songs. Like a

medieval joust, there are tacit

rules. And remarkably, hardly

On April 26, five riot police

savagely beat a student, Kang

Kyong Dae, to death with iron

pipes, setting off a wave of

came off the campuses and

moved into the city centres,

including the capital, Seoul.

Angry commuters coughed

their way through tear gas at

the main railway station. Some

cursed the government, some

repercussions. Although

sponded quickly, dismissing

his home affairs minister and

pledging a full inquiry and

prosecution, the main opposi-

tion party called on the gov-

ernment to resign. Further

protests brought the resigna-

tion of the prime minister, and

President Roh Tae Woo re-

There have been wider

This time the protests

Recently, it was different.

anyone usually gets hurt.

Usually, they are quite ritu-

The images suggest chronic

the world.

students.)

protests.

the students.

The Board of the BIFR consists of a Chairman and Five

own. Since there must be excellent reasons as to why they would not lend further to a sick unit, it is hardly fair to impose on them a lending obligation where none may be justified at least from the banks' point of view. There is a kind of cruel irony in the Industries Minister's unequivocal assertion to get banks to throw good money after bad even in those cases where the latter feel that the unit sought to be assisted is beyond redemption. If carried too far. this could lead to an odd situation wherein the action of one arm of the Government vested with the responsibility of tackling industrial sickness, could well enough render another arm of the economy, namely

other members who are High Court Judges or persons of integrity and experience of not less than 15 years in the fields of science, technology, banking, law, labour matters, industrial, finance, industrial reconstruction, accountancy. marketing, etc. The BIFR may recommend amalgamation, merger, management change;

sale or lease of assets of a sick

company, sanction waivers,

write-offs and other conces-

The main merit in setting up the BIFR has been that being a quasi-judicial authority. it's decisions can be challenged by none other than the Supreme Court. Secondly, by

by 'Kismat'

Bangladesh. (4) Most sick units would require huge infusion of funds. Who will provide these funds at a time when banks and financial institutions are constrained from lending to good viable, new projects simply because of lack of funds. BIFR is least concerned about this.

(5) The profitability of most banks, especially in the nationalised sector in Bangladesh is sinking every year. They, therefore, will not be able to bear the burden of recommendations of such a body.

(6) In India prior to the setting up of the BIFR, the rehabilitation package normally provided for a rehabilitation

decades has witnessed a pattern that has gone on repeat ing itself. A new regime is ushered in with tremendous hope, unending popular goodwill, but soon the regime degenerates into unabashed bouts of nepotism and corruption. Disillusion spreads, the opposition forces gradually come together, the students march, the workers march, one thing leads to another, suddenly there is success and another dictatorial regime has fallen. What keeps recurring, however, is not revolution. The social base of those who come to power remains unchanged. The narrow stratum of the upper middle class Bangladesh, product of the past two generations, never

if the public sector financial institutions have to bear the resultant losses. The fact that this country has to go in for humiliating loans from the IMF is also entirely the doing of this upper crust. For their own edification, they chose to go on an import binge in the eighties. Imports rose and rose but exports went up only marginally. The catechism of imported growth was an epicurean's delight, the upper classes lived-it up and the country's debt burden mounted in the course of a bare half-a-dozen years. Nemesis arrives once every year in the shape of the Fund conditionalities. The upper classes will not be affected by these conditionalities, only the nation's poor will be.

It is against such a back-

ground that we remind our present set of leader that their decisions should be based with the larger interests of the people at heart. The government should not give into the machinations of a powerful lobby working through the various Chambers and keep perpetuating the upkeep of sick and non-viable units. There should now be clear-cut exit mechanism. Insolvency and liquidation Laws should now come to the forefront. Industries that cannot survive profitably should be allowed to die a natural death. Very stiff laws and regulations need to be enforced regarding the "bouncing" or dishonouring of cheques. As in other countries, such a person should be subject to the harshest and swiftest punishment possible. The government should elicit the views of the various chambers to the above two measures. I am sure if the Chambers have the genuine economic development of the country at heart. They will provide wholehearted support to this policy.

What keeps recurring, however, is not revolution. The social base of those who come to power remains unchanged..... The bulk of the population, poor beyond description, do not experience any change in their material ill-being.

the banking sector, sick. It would then be unfair to get the banks to do as desired by such a quasi-judicial body and at the same time expect them to make a profit. It is gratifying to note, however, from the lack of enthusiasm of the Bangladesh Bank and the Finance Minister that good sense does probably prevail in some quarters. The point is that banks should be free to decide whether or not they want to participate in a rehabilitation programme.

Perhaps the need to set up such a body has sprung up from our desire to emulate the setting up of the Board for Industrial and Financial Reconstruction (BIFR) set up in India in May, 1987. The BIFR is mainly a recommendatory body which holds discussions with the financial institutions as well as the borrowers and prepares a rehabilitation package.

getting a decision from the BIFR, the sick companies do not have to approach several authorities.

As against this the demerits of the BIFR of any other such body to be set up in Bangladesh are or would be as under:

(1) Sponsors and management of projects will make their projects deliberately sick so as to be able to approach BIFR for granting various concessions and reliefs. In fact, the may begin planning on this right from day one the project goes into operation.

(2) BIFR does not have to bear the costs of it's recommendations, the financial institutions do. This would lead to the mis-use of resources of the

(3) BIFR recommendations in India have not been always accepted by the banks when they are sometimes not convinced about the merits of the rehabilitation. Such a clash would most likely also occur in

period of 2/3 years. Under BIFR it has extended upto 10

(7) With the setting up of such a body in Bangladesh along the lines of the lines of the BIFR in India, sickness will become a privilege.

Judging from the above it becomes quite clear that restructuring/rehabilitating of sick units is a painful process and any attempt to short-circuit this process will only breed social tensions, frustrating any durable solutions. The Industries Minister must realise that it is counter-productive to hurry through this process. Shock therapy is no method. As the economy moves towards greater liberalisation in the days to come we should try to tackle the process of industrial reconstruction without sacrificing the imperatives of industrial efficiency, productivity and tech-

Bangladesh in the past two

fazed, they always manage to come out on top, perhaps one family goes under, another then gets the chance to make some quick money. The bulk of the population, poor beyond description, do

has it so good; despite the pe-

riodic topplings, they are un-

not experience any change in their material ill-being. They were always sat upon, they continue to be sat upon. Each time therefore that a dictator goes to his beheading, he populace at large experiences a catharsis of pent-up emotions. Even so, despite one set of rogues being replaced by another, there is not even a scratch on the class base, under no circumstances do the nation's poor receive any part of the spoils. Bangladesh thus keeps exemplifying the somewhat outlandish case of social convulsion SANS social revolu-

The thin upper crust are not really affected if factories close down one after another,

thoritarian president Syngman

Rhee. In 1987, student

demonstrations forced Chun

Doo Hwan to concede demo-

the students received wide

public sympathy and support,

giving them a heady sense of

turning point? Probably not.

Kang Kyong Dae's murder

made people sad and angry -

but both the sadness and the

unloved, so also is the opposi-

tion - and indeed the stu-

dents, whose strident leftism

sticks in the throat of a nation

deeply schooled in anti-com-

munism and still curiously

fearful of the decrepit Stalinist

certainly survive, and so will

South Korea's incomplete yet

real democratisation. But with

both parliamentary and presi-

dential elections due next

year, there is a yawning politi-

cal vacuum in terms of popu-

larity. Many yearn for a new

generation of younger political

Roh Tae Woo will almost

regime to the North.

If the government is

their own importance.

anger are diffuse.

On both historic occasions

So is 1991 another such

cratic reforms.

leaders, to replace the tired or tarnished faces of the past. Little new talent is yet visible. With a still vigorous econ-

omy - likely to grow by nine per cent this year - South Koreans might do well to count their blessings, and redouble their efforts to attain a political development that matches their astonishing economic record.

Kang Kyong Dae's death highlights a residue of authoritarianism and brutality which the government must attend to. Political prisoners remain, even after the recent amnesty.

Opposition forces, too. could be more constructive. Simply calling for the government's resignation at every opportunity is unlikely to succeed. The students need to reconsider both their ideology

and their tactics. Abstract leftist sloganising alienates them from other social forces - including labour, who are singularly unrepresented in mainstream politics. And the endless pitched battles with riot police do nothing to establish an atmosphere of political dialogue

and compromise. All in all: if any good were to come from a young man's death, then it would be a recognition, from all parts of the political spectrum, that the jousting has to stop. -**GEMINI NEWS**

AIDAN FOSTER-CARTER is a senior lecturer in Sociology at the University of Leeds, Britain and director of the Leeds University, Korea pro-

When the Jousting has to Stop

by Aidan Foster-Carter

The death of a student at police hands in South Korea created a new dimension in street protests there. Normally, such events are ritualised student demonstrations, a form of jousting in which some police, themselves students, have been known to join. A nation has tied itself into a knot as it grapples with democratic reforms.

the release of 200 jailed dissi-

There have also been incidents of a sad and macabre manifestation of Korean culture - political suicide or selfinjury. Several students and one detained trade unionist have set themselves on fire. Some have died.

The background to all this is one of distinctly ambiguous events and trends. On the one hand, Roh is certainly not

Despite his record since 1987 as harbinger of South Korea's transition towards democracy, incidents like this recall a more brutal and authoritarian past. Roh, an exgeneral, helped his predecessor, the dictator Chun Doo Hwan, mount à military coup a

decade ago. He won a free election in late 1987, and for two years tolerated an opposition-dominated parliament. Last year he persuaded two opposition parties to cross the floor and join the government.

This working majority was achieved at the expense of public popularity. Opinion polls



ROH TAE WOO

have given the merged ruling party much less support than its former component parts

More recently, two scandals have further tarnished the government. One involved water pollution by a major company in Roh's own home town of Taegu. The other was a case of corruption over green belt land illicitly zoned for housing,

sonal staff. Despite all this, South Korca's first local election in

involving the mayor of Seoul

and a member of Roh's per-

30 years, held recently, although nominally non-political, gave pro-government candidates a comfortable majority.

Results of further local elections will indicate whether the present unrest translates into votes for the opposition. One reason why Roh Tae

Woo's government will in all probability ride out this storm is that the opposition is no more popular than the government. The main opposition party,

led by the longtime activist for democracy Kim Dae Jung draws little support outside Kim's home province of Cholla, plus Cholla migrants in Seoul. It recent merger with a tiny

dissident group is unlikely to bring it the nationwide support Kim needs to fulfil his oftthwarted presidential ambitions in next year's elections.

In 1961, student demonstrations brought down the au-

Sir, We appreciate your sincere concern over the prevailing situation in the universities. We also appreciate the strong determination of our Prime Minister to take necessary steps to weed out armed hoodlums from the campuses

and bring back sanity thereon. But how can we bring back normalcy on campus unless we firmly tackle the root causes of the malady. You have of course pinpointed certain problems, but please excuse me if I say. that, those are general problems only.

The truth is: only flushing out the violent armed goons masquerading as student leaders will not solve the problem. What we need is radical change at the highest level of university administration. If persons who were alleged to be collaborators of the fallen autocratic Ershad regime continue to be the decision-makers and if they reportedly continue to give shelter to any group of armed goons hoping that these elements would help keep them firmly saddled in the positions of power then we just cannot expect sanity to return in the universities.

The need of the hour, or should we say the hour's need, is persons like Sir Philip Hartog or Sir A F Rahman who could easily command respects of students in particular and citizens in general. We certainly need great persons with brilliant academic background

and sound vision for the future to conduct the affairs of the universities.

Faulty telephone

Syed Mahfuz Alam Sonargaon Road, Dhaka.

Sir, Our telephone (No: 250823) has been giving us lot of troubles. It remains dead very often. Even when there is a dial tone we cannot frequently establish contact with any other number. Our telephone is of much importance to us. We have to contact with different government and private offices, embassies, nongovernmental organisations over the phone.

I made complaints several times to get relief from this disturbance but did not get any remedy. I would, therefore, request the office of the General Manager, Dhaka Telephone Region to kindly arrange to change our telephone number from 25 group to 24 group at their earliest convenience, so that we may get rid of the trouble.

Mahbubuddin Chowdhury President, International Pen-Pals Club. 17, Hart Charan Roy Road,

Faridabad, Dhaka-1204. Wealth and welfare

Sir, Let me have this opportunity to congratulate Ms Laily Mawla, president, Zonta Club I, Dhaka and its members for their pragmatic decision to sacrifice in terms of "Welfare concept of sacrificing the

wealth".

Actually it is the women folk that can do a lot of good things for the society. We always forget that they constitute about 50% of our population and if we can bring them in the nation building activities it will change the fate of the whole nation.

Hats off the member of the Zonta Club who proposed and those who supported the "Welfare concept of sacrificing the wealth". It is the ultimate result of all our actions depend on what our intentions. I am sure this will serve the needy people in a better way and will help in their permanent rehabilitation.

M. Saleem Ullah Motijheel C/A, Dhaka.

Contrast indeed! Sir, An American author,

Kurt Vonnegut Jr. who was a prisoner in Germany in World War II. reportedly highlighted an aspect of intriguing contrast in the American scene while their government and media were glamourising returning troops from the Gulf. According to him, while his country may be No 1 as a military power as proved in the Gulf war, the lamentable contrast is that, among the western industrialised nations, "we are No 1 in children living below the poverty line, we are No 1 in teen-age pregnancies, we are No. 1 in murder of those under the age of 24."

A S M Nurunnabi, Dhanmandi R.A, Dhaka.

cation of some tools can be taught and so on and so forth.

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

Democracy and form of government

Sir, Recently much has been written and spoken on presidential and parliamentary forms of government in Bangladesh. Since our liberation in 1971 we have been experimenting on three issues viz, weekly holiday, office timing and form of government. We started with the parliamentary one then frequently kept changing forms in the tradition of 'bad workman quarreling with his tools'. So far we have not been able to settle these issues once for all.

Apart from dictatorship of the so called collective leadership of the proletariate most of the countries are governed either by a president or a prime minister (there may be different names in different countries). But we are presently confronted by another form in the style of 'institutionalised democracy'. I do not understand what this coinage actually means. It is obvious that unless a country has democratic institutions it can not function as a democracy either

in presidential or in parliamentary form. So what is the big deal in crying hoarse on a coinage which has very little bearing on the functions of democracy! It is really strange that such trifles always take precedence over more important state activities. What a waste of time and energy (and money) !

Bairam Khan Gulshan, Dhaka.

Drop-outs

Sir, I thank you for your leader "A Nation of Drop-outs" published on July 3. I also feel that something must be done to change the present circumstances.

I have my own view. I think one channel education and technical education can help a lot and may provide "intermediate level technical hands" to our need. Suppose, if in class one we

can introduce something of technical know-how i.e. if tools etc. are given to the class one student he or she would at least know what is called tools. Thereafter in class two appli-

At this level the drop-outs will at least be able to handle some tools and may with a little technical training do well. We all know the trainee boys known as "Pichis" in automobile garages or roadside cycle maker's shops. They also becomes 'technicians' (ustad) of some sort at a later stage.

In one channel education system a student will have to take decision at class eight level whether he wants to be a technical hand or physician or educationist etc. Suppose a student who wants to become engineer should be given a vocational training from class eight to ten and after successful completion of three years he should be awarded S.S.C. and should be allowed to take admission to a polytechnic institution and on his success there he should be allowed to take admission to Engineering College/University.

A drop-out at any stage of this one channel education will not just be useless; rather he will serve as an intermediate level technical hand. This may be applicable to other branches of our education sys-

repeat, we must do something to change the dropouts circumstances.

M. Saleem Ullah Advocate Motifheel C/A., Dhaka

Sanity on campus