

Saifur Does it Again

As it has happened a few times in recent past, Finance Minister Saifur Rahman is only partly right in his latest statement, this time in issuing a set of warnings to bank managements whom he has held responsible for the dismal situation now existing in the country's banking structure. While inaugurating a conference of senior personnel of Bangladesh Krishi Bank on Sunday, Rahman blamed the officials in financial institutions for making loans to potential defaulters — he attributed their action to "dishonesty" — and then went on to make what we must regard as a case of sweeping generalisation. "In at least 75 per cent cases," he said, "bank officials who cleared those default credit could be put on trial."

This bombshell of a statement from none other than the Finance Minister raises one straightforward question. Why hasn't the administration put these alleged offenders in banks on trial? What has stopped Rahman or his ministry from taking this step? Could we suspect that, for reasons best known to the administration, these "dishonest" bank officials are being protected?

Assuming the answer to our question from the Finance Minister is that these officers are still being investigated, then why alert them with a public warning? Again, if the Minister suggests that he was only speaking metaphorically, with the use of his usual colourful language, then we would earnestly request Rahman to avoid making this kind of sweeping generalisation that gives a bad name to the whole banking institution at a time when it is certain to play a pivotal role in the country's privatisation programme. In this context, the statement by the Finance Minister is irresponsible, to put it mildly.

In fact, the ball is very much in the court of the Finance Minister. Months ago, newspapers published several lists of persons who had defaulted on their loans. The publication of these lists was followed by assurances from the administration that criminal actions were in the offing to bring the wilful defaulters to books. It is possible that some banks have made their moves against a few individuals or their companies. However, no clear picture is yet to emerge on the steps taken to correct the situation, leaving many people with the uncomfortable feeling that the matter is no longer one of priority of the government. If some bank officials are dragging their feet in going after the so-called big defaulters, one reason for their hesitation could well be pressure from politicians. On this issue, too, Rahman has blamed bank officials for making politicians scapegoats of their own "failure and incompetence." Here, again, the minister is only partly right. True, many bank officials have not done enough to stand up to politicians, ministers and even MPs. Many of them have been unwilling to risk their jobs, by disregarding political signals behind loans advanced to "nominees" of interested quarters. This has happened during successive regimes, through a process of erosion of values that we wrote about in these columns on Monday. We sincerely hope that Saifur Rahman sees the overall picture and suggests remedies next time he likes to capture the headlines in the press with another bombshell.

Israeli Priority in ME Peace

An Israeli move to legalise contacts with the Palestinian Liberation Organisation (PLO) by bringing an amendment to a 1986 law banning any such direct negotiation is a welcome development. The move, so far, quite conforms to the election pledges of Yitzhak Rabin's new government. No wonder, that PLO Chairman Yasser Arafat has also welcomed, although cautiously, the Israeli plan. Cautiously, because the relations between the PLO and Israel suffer from mistrust and a great deal of hostility. Many times did the PLO undergo excruciating pains of broken promises and betrayal of hopes. Nobody can guarantee if things will be any different this time.

What is, however, important is the fact that the move has come from the Israeli government unsolicited. The Labour win in the last Israeli election, on a platform of changing national priorities after 15 years of Likud rule, has provided Rabin with the necessary mandate for direct deal with the PLO across the table. If Rabin fails to capitalise in on the opportunity, the prospect of a peaceful Middle East settlement will disappear for another 50 to 100 years. For this will be a setback to the very Labour policy that could very well mark a turning point in the Arab-Israeli relations.

On the question of the construction of new settlements in the occupied West Bank and Gaza strip, the Labour stand is quite encouraging. Not only has it stopped further construction, but also suspended contracts earlier signed but not implemented, and yet again halted housing already under construction but not completed beyond a certain stage. The key question, however, is if the 10,000 or so units under construction in the occupied territories will be allowed by the Israeli government to be finished. The Labour government will require enough courage to accomplish the task.

Yet the government of Rabin will exactly need that courage if, in the first place, it intends to be convincing enough to the Arabs. PLO in particular. More convincing will be if the Israeli government can clear the way for PLO's participation in the ME peace talks — if not in the next sitting to be held in Washington on August 24, at least the one after that. Obviously, Rabin is moving in the right direction but the pace of the peace process demands that he moved even faster to involve the PLO in the peace negotiation. If, on the other hand, the present generosity of the Labour government were, in the slightest, an attempt to please the US for ensuring the 10 billion dollar loan for it and skirting around the real problem, things might get more complicated. US President Bush, let us hope, will correctly use the leverage to get the best possible result out of it.

Battle Against Corruption in India

Rao Faces Hard Task Separating Graft from Politics

HOWEVER loud Prime Minister Narasimha Rao's denial that no minister is involved in the stock and security scam, the general impression is to the contrary. Parliament is agog with rumours and even the ruling Congress Party members talk with relish, although in whispers, that such and such minister is involved.

My information is that K. Madhavan, the Jt. Director of the Central Bureau of Investigation (CBI), who has been crowded out of the inquiry into the scam, did name three ministers and five top officials. The Prime Minister's office, under which the CBI functions, reportedly wanted Madhavan to drop the names. When he did not do so, his charge of economic offence wing was fragmented and the cases of the Fairgrowth Financial Services Limited were transferred from him to another joint director, DN Srivastava. Madhavan had brought by then to light certain transactions in the Fairgrowth which had led to the quitting of Commerce Minister P. Chidambaram and Planning Commission Member Krishnamurti.

SK Dutta, the CBI director, also sent to Bombay another deputy director, Santanu Sen, to take charge of the investigation relating to the Power Finance Corporation, involved in the scam. At that time Madhavan was still in the city busy scrutinising the affairs of the corporation. Madhavan's long distance protest was to no avail.

Knowledgeable CBI officials say that Madhavan was deliberately cut to size. According to them, he was "breathing too close to the necks of some politicians and bureaucrats and the government had not liked

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It. Apparently, it was realised that he would not stop short of unearthing the scam in its entirety. During his talks with Dutta, Madhavan is understood to have got the impression that the government was not keen on retaining him. His arguments that his authority had been restricted and that he had been left with lesser part of the probe did not go home. Nor did his plea that the splitting would unnecessarily duplicate and delay the work.

The government took 10 days in reaching the decision to let him go. The prime minister was conscious of the uproar it would create in the country. But he obviously came to the conclusion that Madhavan's retirement would be comparatively less hazardous. He could not probably afford to allow Madhavan to collect all the material he was trying to do, particularly when the appointment of a Joint Parliamentary Committee had been conceded.

It was considered politic to downgrade the importance of the case and entrust it to Personnel Minister Margaret Alva. The prime minister absented himself from parliament. She tried to treat it a routine service matter as the government had done earlier when Madhavan was removed from the charge of the inquiry into the Bofors kickbacks. At that time her contention was that he could not have stayed at the job because he had been promoted. (When she said so his promotion was already three months old.) This time her argument was that Madhavan

wanted promotion but could not be accommodated because of the repercussions it would have had in the service. But everybody knows that it doesn't convey the full story.

I am told that Madhavan will tell the truth one day. Why not now when the information is needed to get at the facts? Since he has decided to retire, he has nothing to fear from the government. There are so many cases in foreign countries where the bureaucrats have followed the urge of their

Former foreign minister Madhav Solanki, while trying to stall further disclosures, had to resign.

In the scam, Chidambaram and Krishnamurti had to go. What are the people supposed to infer? Solanki did not explain and Chidambaram didn't say anything either. The explanation is obvious. Still the prime minister says at the top of his voice that no minister is involved.

The scam inquiry has also followed the Bofors scandal

with them have been transferred show that the rulers stop at nothing when their own interests are threatened. Corruption by itself is bad enough. But, when mixed with politics, it becomes worse. The mixture has been seldom so thick as it is today in the Congress Party at the Centre. Who decided at that level to denigrate both Defence Minister Sharad Pawar and Human Resources Minister Arjun Singh is difficult to pinpoint. But one could see the other day some prime minister's men pressurising the opposition MPs in the Central Hall of Parliament to demand the dismissal of Pawar following the Bombay High Court 'strictures' against him for 'irregular' allotments of government land when he was Maharashtra chief minister. Thirty six MPs from the Bharatiya Janata Party and the Janata Dal signed the petition. Certain Congressmen did a similar exercise separately. Apparently, the people behind the campaign against Pawar are powerful because Doodarshan featured the news prominently.

A similar campaign was engineered against Arjun Singh on the Churhat lottery case, which hit the headlines when he was Madhya Pradesh chief minister. Again, the BJP, which now rules the state, obliged the anti-Arjun Singh Congressmen to revive the controversy. And then out of the blue came a statement by the prime minister that he would welcome a discussion on corruption in parliament. I hold no brief for either

Pawar or Arjun Singh. If they are guilty, they must face punishment. But in the case of Pawar, the judgment does not attribute any misconduct or motive to him. As regards Arjun Singh, the matter is pending in the Supreme Court. A discussion in parliament at this juncture is bound to embarrass them.

This may well be due to the lack of equation between the prime minister and his two colleagues, Pawar and Arjun Singh. After the Congress Party's annual session at Tirupattur earlier this year, their relationship is not the same. It is probably so because both got elected to the Congress Working Committee even when their names did not figure in the list circulated on behalf of the prime minister. The fact they were made to resign their seats confirmed the prime minister's unhappiness.

Those who live in glass houses should not throw stones at others. The prime minister should realise that the St Kitts account case, in which he is involved, is still pending with the CBI. The signature of Ajaye Singh, the son of former prime minister VP Singh, was said to be lifted from his passport application and used to open an account at St Kitts in the Caribbean island. It was Narasimha Rao, then foreign minister, who had authenticated the signature. Although he has said he did it at the bidding of the late prime minister, Rajiv Gandhi, his responsibility is no way diluted.

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BETWEEN THE LINES

Kuldip Nayar writes from New Delhi

conscience and have divulged everything, NK Singh in Madhavan's own department is an example. In his affidavit before the Central Administrative Tribunal, Singh told how Chandra Shekhar, then prime minister, had transferred him from the CBI to the Border Security Force to punish him for pursuing a case against godman Chandraswami, Chandra Shekhar's friend.

There is the same pattern of claim and concealment in the scam as it was in the Bofors scandal. VIP beneficiaries, ministerial inference and the CBI's helplessness — all this is familiar. The late prime minister, Rajiv Gandhi, also said that neither he nor his family members were involved in the Bofors kickbacks. But there has been a disclosure since that Bofors paid money to Rajiv Gandhi to clinch the gun deal.

The Narasimha Rao government transferred Madhavan from the Bofors inquiry and now he has been made to quit the scam probe. The amount involved in the scam has also been escalating as it happened in the case of Bofors. When I was in Bombay recently, the income tax authority said that amount involved in the scam was around Rs 8,000 crore; the figure of the government is still less than Rs 4,000 crore. The Bofors kickbacks reported to have already crossed the figure of Rs 2000 crore but the government is still stuck at Rs 64 crore.

What the scam and the Bofors episodes boil down to is that institutions are mutilated when political considerations come into play. The way the two probes have been conducted and the frequency with which the CBI officers dealing

US Senator Reveals Israel's Extreme Dependence on the US

by Donald Neff

Exactly how dependent is Israel on US generosity? A US Senator recently detailed the aid and special benefits his country gives to Israel. Which received \$53 billion in aid in 1949-91.

in the American Schools and Hospitals Grant Programme, \$2.7m for 1991; \$7m for Arab-Israeli cooperative programmes, of which approximately half is spent in Israel; \$60m for joint research and development on the Arrow missile follow-on programme; authority to use up to \$475m of its military aid in Israel instead of spending it in the US; Israel is the only country that receives specific legislative authority and a designated dollar amount for military procurement outside the US.

Further, Israel has priority over every other country, except Turkey, to receive excess defence articles. Additionally, a major new petroleum reserve of 4.5m barrels, worth \$180m, is available for Israel's use in the case of an emergency; further Israel got \$15m to improve military facilities at the port of Haifa in 1991 and another \$2m in 1992 to study the costs of further improving the facilities to allow for full-scale maintenance and support of an aircraft carrier battle group; in addition thereto, specific inclusion in the Overseas Workload Programme, allowing Israel to bid on contracts for the repair, maintenance or overhaul of US equipment abroad; and additionally \$1m in investment insurance in Israel, provided by the Overseas Private Investment Corporation.

Byrd went on: "Other earlier legislative initiatives that provide continuing benefits to Israel include the immediate transfer each year of the \$1.2bn Economic Support Fund grant and the \$1.89bn military assistance grant. Thus, our grants are turned into interest-bearing assets for Israel while our own budget deficit is increased, resulting in higher interest charges for us. This

immediate transfer created approximately \$86m in interest income for Israel in fiscal year 1991.

Such an arrangement has been in place for the Economic Support Fund since 1982 and was extended to military aid in fiscal year 1991 and applies to no other country; moreover, debt restructuring that took place in the late 1980s allowed Israel to lower interest payments by an estimated \$415m annually; additionally, the fair pricing initiative within the Foreign Military Sales Programme allows Israel to avoid certain administrative fees normally charged on foreign military sales. This benefit saved Israel an estimated \$60m in 1991....

Since 1984, Israel has been allowed to use a portion of its foreign military financing credits for procurement of Israeli-made military items. Unlike other countries that receive US military assistance, Israel does not have to spend all of those funds to purchase American equipment. In 1991, of a \$1.8bn military assistance grant, we allowed Israel to use \$475m to buy the output of its own defence industry instead of American products. Moreover, Israel was allowed to spend an additional \$150m of the 1991 grant for its own research and development in the United States. We also have provided \$126m in funding for the development of the Arrow missile in Israel, with another \$60m appropriated for the Arrow follow-on in fiscal year 1992, and the prospect of several hundred million more dollars in the future.

Technology Transfer

We have poured foreign aid into Israel for decades at rates and terms given to no other

nation. And we are the only nation to have done so. Our European allies provided, by comparison, nearly nothing. Beyond the massive economic and military aid, however, in our so-called strategic relations with Israel, we have served as a protector almost in the same sense as the government of the United States would protect one of our 50 states.

Now, we hear the disturbing allegations that Israel has made a market of weapons around the world with the aid of components provided by the US, violating bilateral export control agreements under which the technology was provided....

Israel is accused of taking US components and including them in its own products and then selling those products to third countries. The kinds of products we are talking about are such things as the Israeli versions of the AIM-9L sidewinder air-borne missile and TOW-2 anti-tank missile. Obviously, we want to maintain strict control of this kind of sophisticated technology and, if the reports are true, Israel certainly has violated the spirit, if not the letter, of agreements....

To whatever extent these charges have merit, I consider them to be symptomatic of the problems caused by the attitude that Israel is somehow exempt from the regulations that apply to other countries. Those who hold this view seem to think that we are still immersed in the Cold War, when Israel was a bulwark against Soviet expansionism in the region, when Israel's strategic importance in the East-West conflict may have outweighed the necessity to focus on a solution to the region's own problems.

We should wake up to the reality... that the Cold War is over and the real threat to stability in the Middle East lies in the tension between Israel and its Arab neighbours. And that tension only increases as a result of the continued expansion by Israel of settlements in the occupied territories.

Israeli Settlements

Every president since Lyndon Johnson has called for Israel to withdraw from the occupied territories.... Congress has always supported this policy, and, in 1990, when the US provided \$400m in housing loan guarantees, it was explicitly linked to the settlements so that none of the money could be spent in the occupied territories. Unfortunately, this linkage was not enough to influence Israel policy. The GAO (Government Accounting Office) report issued in February found that the guarantee programme, as restricted, "did not influence the Israeli government's decisions on where to build new housing or on how much settlement activity to undertake in the occupied territories". Indeed, the number of settlers in the occupied territories has risen from 75,000 in 1989 to 104,000 in 1991.

I would like to point out that the Israeli government's policies and practices regard-

ing the settling of the West Bank, East Jerusalem, Golan Heights and Gaza Strip is very clear: settlement has greatly accelerated during the last two years. There is no restraint, as one might reasonably expect with the development of the peace process and the rising US concerns of over the settlement policy — no restraint whatsoever. There is clearly a clash of policy goals....

The problem is that the recent policy of the Israeli government is to aggressively promote settlement in the disputed territories. There is the appearance of pre-emption here — fill the territories with Israeli settlers and thus exert maximum leverage to keep the lands and have de facto sovereignty over them.... The Israeli government will not publish statistics on its plans, but enough information is available to raise the alarm over the accelerated pace of settlement taking place at the same time that a historic negotiation is under way with the Palestinians over the future of those lands. Public information and reports put the Israeli investment in settlement activity in the occupied territories at more than \$3bn in 1991.

The Israeli government's key policy priority seems to be that settling the occupied territories at the fastest possible pace, a policy priority that seems to be ahead of absorbing Soviet immigrants per se. It seems fair to conclude that the loan guarantee money may well be used to further that key Israeli policy, rather than primarily for immigrant housing.... The Administration's policy, as I understand it, is that any loan guarantees must be accompanied with a complete and permanent freeze in Israeli civilian construction and related expenditures in the occupied territories.

A Dependent Economy

It is clear that despite this massive infusion foreign aid, Israel is no closer to economic sufficiency than it ever was. The US must take steps to wean Israel from the pipeline of US foreign aid, and to discourage it from relying on arms exports to help shore up a flagging economy.... Provision of yet more financial transfers, via a loan guarantee programme, perpetuates Israeli dependency on non-market factors to prop up its economy.

Israel's dependency on the United States is too deep, and such an overly dependent situation inevitably breeds resentment on the part of the dependent entity. Everyone agrees that market-oriented reforms in Israel are desperately needed to infuse real economic growth from within and attract foreign investment from abroad. Only economic reforms, not continued transfers of money, will put Israel on the road to true independence and economic stability.... Third World Network Features/Middle East International

Donald Neff is a correspondent for the London-based Middle East International magazine, from which this article is reproduced with permission.

To the Editor...

Stop the gun-running

Sir, Gun-running has assumed alarming proportion in the country, creating a deep sense of insecurity in the society, with the daily activities of armed violence, killings, lootings, robberies, and cross-firing.

What is more alarming is that a section of the educated youth have started to believe in arms and violence and have created a region of terror in the university campus, which is now spreading elsewhere at different levels all over the country.

The highest priority should be given to stop gun-running. There is no news in the press how this menace is being tackled. The contact points and the gun-runners have to be identified, and eliminated ruthlessly, without caring for "popularity" and what happens to the party in power, and to the other political parties.

If the government is representing the people, then it will soon lose its popularity in the face of this rampant, indiscriminate, and consistent violence, and disregard for law and order.

The situation calls for immediate action on an emergency basis. The lukewarm attitude of the MPs is astonishing. If the Parliament and the politicians cannot tackle this problem, which is to a large extent political, and the government cannot control and contain it without any further delay, then it matters little to the society who are running the government, and who should.

The way the situation is being tackled is clear from the way the campus violence is being tackled, or, rather, not being tackled, as we see from the record of more than a year. The authorities have enough means at their disposal to con-

trol the situation, but they do not appear to be acting in a positive manner which is 'visible' to the public. What are they waiting for, and at what cost?

It appears the time may soon come when the 'other' students will have to start a new type of movement to save the country once again — for the right to live peacefully.

A Mawaz

Dhaka

Budget and planning

Sir, Budget is a yearly statement of income and expenditure. It is a short time forecasting of everything. But we put considerable emphasis on Budget. Since Budget is a yearly thing, we should put all thrust on long term forecasting and planning and yearly income and expenditure should be reflected for each year of plan period. The current five-year plan should be reviewed and its yearly achievement

should be made known to all. There should be master plan of development and progress and failure thereof should be made known to all from time to time. The yearly budget should be compiled keeping the five year or master plan in mind. We knew five-year or master plan is there, but we are not aware of its yearly achievement.

A poor national like ours should chalk out very pragmatic plan and adhere to all its norms strictly. Be now we have implemented or passed through 2/3 five-year plans, but result is not very encouraging. The growth rate of development, per capita income, rate of production have not improved substantially, because the term plan could not be implemented successfully.

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