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Anarchic Eruption

Kamalganj thana in Moulvi Bazar is better known for its pocket of Manipuri settlement in Bhanugachh. Which means there is an island of art and culture there which again should mean an enclave of humanity. Exactly the opposite overtook the Patrokhola tea estate in that thana. It began on May 4 afternoon - a regular pogrom. Hundreds from village Sripur attacked the labour colony of the tea estate. Shacks and huts were set to fire and tea workers and their families attacked with lethal weapons.

A case of unpredictable eruption? It was far from that. Thousands more from the village joined the attack the next day. About a hundred houses were methodically sprinkled with petrol and set ablaze, five to six hundred heads of cattle were driven away and people were beaten up so badly that two older ones died. And the carnage continued for the third day on May 6 rendering about 3000 members of the labour colony destitute having nothing in the world to sustain them. About 200 workers were missing till yesterday.

No, we don't blame the government for this harrowing mini holocaust. We want the government and all other kinds of leadership to realise the state of our social reality and search their hearts as to how we could come to this pass as well how to get out of it. At what level of social degeneration can ten thousand people - so very diverse and different within their village shell involve themselves with such abandon in a violent crime of such scale against fellowmen?

Although belated, governmental and social mechanisms have got into gear to bring the situation to normal and recoup whatever is as yet recoverable. This is good performance but not at all good enough. The real thing lies elsewhere, on some other scale. Small incidents and expressions of intolerance and inaccommodation, small recourses to irresponsible mastani language accumulate to erode social equilibrium and other sustaining agents in vast chunks. Zealotry and militancy or expression of toughness in any manner pushes the society to the precipice.

Our politics of the recent past has been replete with the above excesses. As the senior partner in the national political arena, the government is more accountable than anybody else for the present anarchic situation. Unless our politics reforms and soon, anarchic eruptions will spread. That will be to nobody's good.

Chirac Victory

The French have voted for change. They have opted out of the 14-year-long socialist presidency in the person of Francois Mitterrand to greet conservative Jacques Chirac in the chief executive's office. His socialist rival Lionel Jospin was in a striking distance of success after the first round, but the conservative mayor of Paris, Chirac, in a dramatic turn of fortunes, has ultimately clinched the historic victory. The turnout in the second round of voting went up by a neat three per cent to make for 67 per cent in place of 64 per cent in the first round proving the pundits right that undecided voters held the key to turning the table on Jospin.

The narrow margin of votes with which Chirac has come to power makes it imperative for him though to keep all his electoral promises; and since he will be leading France right upto 2000 AD he has a plateful of obligations to fulfil.

The policy plank that won him support and confidence of the majority is made up of two basic elements: ridding the country of a severe unemployment problem by a very broad-based and rapid creation of new jobs, and bridging the very wide disparities that now exist between the rich and the poor.

France's choice of a conservative president to lead her through the remainder of the current century is a significant development. As a country it is the largest in western Europe and has had a background of self-assertion in European and international affairs. A conservative in Elysee Palace will be more closely watched than his predecessor for the style and tenor he sets during the first few months of his incumbency. We wish him well.

World War Memories

The resurgence of war and peace memories occasioned by the commemoration in London of the 50th anniversary of the end of World War II in Europe has, in a manner of speaking, stirred the placid waters of these parts of the world — so far away from the shores of Europe. And why not? Not only are we now observant of the still-elusive peace but many of us do also bear the memory of the early forties when we were caught in the vortex of the war that spilled in this direction.

The association factor put Bangladesh on the guest list with President Abdur Rahman Biswas and Begum Hosne Ara Rahman attending the celebrations in London in the company of other distinguished heads of government and state and their spouses from across the globe. Grandeur and regalia are hardly the words with which we would like to describe the significance of the commemorative event. There has been so much more to it. The war veterans' get-together, the prayer at the St Paul's Cathedral, which had seen two bombs dropped in its premises having miraculously failed to burst, during the London blitz, and the jamboree in the Hyde Park, must have deepened the sense of history of the participants and observers alike. The generation gaps were bridged.

The service for reconciliation at St Paul's Cathedral reverberated most appropriately with the right message for the present-day leaders. It linked us to the past when enemies became friends and made it a common cause to fight Nazism and fascism. Then a process of reconciliation followed the end of the Great War with divisions and animosities giving way to coexistence and understanding between once-inimical nations such as the USA and Japan and the USA and the USSR, to say nothing of the fall of Berlin wall it-

self. While the process of healing the past wounds goes still on, we are having fresh eruptions of ethnic violence, acts of terrorism and trampling down of human rights, both political and economic. The deepening trouble in the Balkans, the intra- and inter-regional arms races, the multipolarity of the world power structure, and above all, the proliferation of nuclear weapons raise the spectre of human civilisation being reduced to the stone age.

The wartime memories should now inspire us to quickly build a new world order.

ARIO Puzo s "Godfa-Delinking Politics from Violence ther" was enacted live

↓ ▼ **↓** in the small town of Narsingdi. In a burst of frenzy rival parties - involving honourable members of parliament - exacted revenge as part of a bloody saga the kind of which marks relations between feuding mafia families. A young member, married only for six months, of one of the families was beaten to death and in retaliation the resi dence of the other with seven inmates locked inside was set on fire. If emergency help did not arrive to get them out of the inferno, those seven would

who do not have a "party but

of his statement, one comes

across quite a number of dis-

Reading between the lines

T a recently held MCCI

seminar in Dhaka, the

▲ Governor of Bangladesh

Bank, Mr Khorshed Alam, is

reported to have said that

more drastic measures will

have to be taken" to cure the

ills of the banking system (The

Daily Star. April 27th). The

Governor deserves congratula-

tions for being so candid and

bold. In spite of implementing

most of the suggested financial

reforms over the last three

years or so, the banking sector

is still awash with liquidity,

stuck with a huge unrealised

debt, and unable to promote

investment lending which is so

badly needed in the present

state of the economy, No one

can also forget brow many

times and in how many ways

the finance minister. Mr Saifur

Rahman, has urged the

bankers to relax their rules for

greater investment lending to

stimulate the economy. I

didn't seem to have much ef

that with the building up of a

large foreign reserve, the ex-

change rate has been tending

to appreciate slowly. If the re-

serve keeps accumulating, the

danger is that the exchange

rate is likely to appreciate at a

faster rate. If this happens,

then it will hurt the country's

export competitiveness in the

outside world and thereby

jeopardise the export-led

strategy of development which

is so critical for pulling the

economy out of its present

state. No person of any conse-

quence, can sit idle while such

a danger looms in the horizon

The appropriate policy re-

sponse ought to be an increase

of productive investment in

the economy so that demand

for imports of capital goods.

industrial inputs and raw ma-

terials increases which will

raise the domestic rate of

growth, on the one hand, and

exercise a downward pressure

on the exchange rate, on the

other. The economy can then

keep growing without any fear

of a setback in the export

competitiveness through ex-

change rate appreciation. It is

in this context that the bank-

ing sector assumes a critical

role. But in its present state of

sickness, it looks like the

banking sector is incapable of

playing that role. There is a

However, the problem is

fect on the banking system.

believe in outright violence".

ruling party gives the impression that such developments are too natural to be taken seriously. Then there is the tactt have perished. reference as to who the boss is That the casualty figure kept to the minimum is more and who can pull the string from behind the scene to lead a stroke of luck than a mercy events to his liking. The third of the attackers. And there is implication - even more no guarantee that the town will trightening — is in fact an unnot witness fresh eruption of intended admission of the inviolence soon. In fact, the situduction of armed thugs into ation, according to reports, is politics. Whether these musextremely tense and the clemen are party cadres or town's haunted look betrays a as the minister would like us lull before the storm. To go by to believe - have no party. a follow-up report, a minister makes little difference. The - treated as a local godfather hard truth is that they are on - is not worried about "the the payroll on some political misunderstanding among my parties and are a force to partymen". He is however wor reckon with. ried about the "armed youths"

It is exactly at this point that the argument for likening the make-up of mafia gangs with party hierarchy seems to get credence. Unauthorised

turbing but unspoken truths.

The casual way of his dismissal

of the prolonged bloody feud

between the two MPs of the

dealing in deadly drugs, arms and money laundering are the source of strength and influence of mafia barons. Politics here is not likely to be as vicious all the time but there is no denying the fact that money and muscle power combine together to largely determine the fate of politicians and by extension the course of poli-

tics of the country.

How else do we explain the Narsingdi incident? No political party claiming to have some respect for democracy can tolerate such lawless, lewd and outrageous behaviour of party MPs who hold responsible positions in national politics and society; and are supposed to command respect. But after more than a week the ruling party has neither come hard upon them nor seemed to be inclined to take them to task. The personal animosity and hatred between the two MPs as distinguished from internecine feud between

party factions expose the weakness of our politics. The MPs have acted against party discipline and that is enough reason for the party concerned to censor them and take disciplinary measures against them.

By default of such measures

the detractors in a party get encouraged to further breach party orders and rules Allowing concessions such as this is sure to erode people's confidence in the party concerned and politics in general. In effect it sets a precedent of disrespect for law. If the MPs set such deplorable examples. lesser mortals are likely to be prone to give in to the temptation more easily. So involved here are not only the inter party relations and practices but also the future of politics in the country.

The question that naturally comes to mind is: if inter-party politics can be so savage and vengeful, how the intra-party politics is going to shape up?

That politics draws its strength from money within an allowable limit is acceptable but when the money is used for purchasing unlawful muscle power, it ceases to be a civilised way of dispensation. The trend is towards violence. No doubt the legacy of political violence is inherited from our colonial and autocratic past But that is hardly an excuse for continuing the awful practice. let alone taking it to further

extreme. It is time that the realisation dawned on the politicians that the rising mastan culture is an offshoot of licentious politics. It has eaten into the very vital of our society. To restore political integrity we must delink musclemanry from politics once for all. It does not always call for a developed society to practice sane politics. Some Western countries have long been practising violencefree politics. This is despite the fact that some of those

democracies have the most hated record of crime. New York's unmatched crime record — only Moscow seems poised to overtake it - has not stood in the way of conducting domestic politics in a most democratic way. Politics there is fiercely competitive but the Americans have been successful to separate politics from gangsterism. Why cannot we separate

politics from our social turbulence? Admittedly it is politics that has actually exported mastanism and much of the corruption to society. This baneful and corrupting influence is growing to be a Frankenstein of gigantic proportion, which seems to be all set to devour and destroy its creator. No wonder, politics of attrition has been set into motion and the future looks very uncertain and all the more dangerous. Our politicians are managing to rope-walking but no nation can afford it for long.

Let us make it a point that politics is a highly sophisticated and civilised subject that must be practised with utmost care, devotion and patience. There is no short-cut in it. Resorting to violence and undesirable influences is a shortcut no doubt. It does not justify end. Decidedly, we need to begin anew if we want to reap benefits of a democratic polity.

'Drastic Measures' to Cure the Banking System

by Nilratan Halder

Politics here is not likely to be as vicious all the time but there is no denying the fact that money and

muscle power combine together to largely determine the fate of politicians and by extension the

course of politics of the country.

by Kabir U Ahmed

It looks like the real interest rate is now much higher than what prevailed in the profligate period of 1980s. No wonder, people were than borrowing while they are now reluctant to borrow since they feel the pinch when they think of borrowing at such high real rates.

systemic insensitivity of the banks, it seems, to the needs of the economy. That's why the Governor is right in talking about the need for introducing some "drastic measures.

The purpose of this short article, however, is to explore the implications of some of the issues that the Governor has focused his attention on. In the first place, he thought that the current commercial lending rates are rather high and 'shouldn't have been more than 9 or 10 per cent in view of the cost of fund at around 6 to 6.5 per cent". In the second place, according to him, "the new banks are permitted to bring about more competition in the banking sector. They are starting with a clean slate, we will urge them to lower their interest rates and respond to the market."

High Interest Rates

The current lending rates of the commercial banks are somewhere between 12 per cent and 16 per cent or even higher depending on the purpose of the loan, riskiness and bank-client relationship. With the prevailing inflation rate of about 2 per cent, as is claimed by the government, the real interest rate comes to between 10 per cent and 14 per cent which is very high indeed Compare these with the real rates of about 6 per cent to 7 per cent when the nominal rates were somewhere between 18 per cent and 20 per cent with an average inflation rate of about 12 per cent to 13 per cent in the 1980s. It looks like the real interest rate is now much higher than what prevailed in the profligate period of 1980s. No wonder, people were than borrowing while they are now reluctant to borrow since they feel the pinch when they think of borrowing at such high real rates. But this real interest rate was not what the Governor had in mind when he was saying that the interest rate should have been some

where between 9 per cent or 10 per cent. He was talking of nominal rate and was drawing attention to the influence of past debts on current interest rates. In his own words, "the commercial lending rates of the banks should have been much lower if it was not for the large debt overhand."

Justice in Fixing Interest Rate

The most important question that it raises is the following: why should the past bad debts of the entire banking sector be a major determinant of the current rate of interest? The answer is that the banks would like to recover their losses by raising current interest rates. Three points need to be made against such a position of the banks.

First of all, the arbitrary shifting of burdens from the previous defaulting generation to the new generation of borrowers is both economically and socially unjust. Of course, if these two generations consist of exactly the same set of people or even their children and grandchildren who benefitted from what their parents or grandparents did, then such shifting is permissible (although there are some ethical questions about it). In such a rare case, society should approve of this kind of intergenerational shifting of burdens. But if the new generation of borrowers is a different set of people, then why should they pay for the mistakes, misuse and even abuse of the society's scarce capital resource by others for which they were not responsible? This is an injustice on the new generation of borrowers.

Further, a high interest rate discourages investment and thereby slows down the potential rate of growth of the economy. As a result, hundreds of thousands of people are deprived of their potential employment and income. Therefore, by raising interest rate above what is supposed to be the normal rate, the entire economy is held hostage. Why should so many people, or rather the entire society, pay so dearly for the mistakes or misdeeds of a group of individuals of the past generation?

If one compares such escalation of interest rate with the increase in the price of an industrial product, one can appreciate better what has been said above. Suppose the jute industry tries to recover its past unrealised debts by raising the price of its product. What will happen to the sale of jute products in the market and to the jute industry as whole? The sale of jute products both at home and abroad will decline and the foreign suppliers of jute products will capture the market. The domestic jute industry will have to close down its factories today or tomorrow. Therefore, it is not possible for the jute industry, or for that matter any industry, to shift the burden of its past debts to the future buvers by way of escalating the price of its products it competitive suppliers exist in the market. If this is right, then how can the banking industry manage to do that and get away with it? The answer is that (a) the entry into the banking industry is difficult due to heavy capital requirement, and that (b) the law of the land governing the financial market gives protection to the banking system to a substantial extent. In other words, a combination of both the natural monopoly and the legal monopoly operate in the financial market. In spite of these entry barriers, the fact remains that if the banks pursue wrong interest rate policies for long, they will lose business, income and control over the market since legal or illegal competitors will come

Secondly, the banking laws in Bangladesh may be lenient and their implementation may

up in the market. The older

banks may eventually go

be too costly, time-consuming and ineffective. The borrowers of the past decade might have been fully aware, and took advantage, of these weaknesses, If this is right, then why should others be made to pay for the the sins of the original

borrowers? Finally, there may be deeper issues that need to be uncovered than what a conventional approach to the debt problem may reveal. The problem could be systemic rather than borrower-specific, which means that the borrow ers might have acted in collusion with people in the high offices of the administration and the banks. Whether this proposition is valid or invalid should be investigated by the government and the findings should be made public so that no one can have any misperception about the problem.

New banks and Competitive Banking

The Governor wants competition in the banking sector and hopes that the new banks, "starting with a clean slate". will be able to reduce interest rates. Banking sector in Bangladesh consists of both publicly-owned and privatelyowned banks, but they are few in number. This gives the sector an "oligopolistic" structure with the characteristic that some large banks dominate the field of operations while the smaller ones follow what the bigger ones do. The interest rates do not differ very much among the banks but the quality and range of their services do. By the very nature of the industry and the level of development of the economy, it is difficult to imagine that there can be very many banks to compete with each other at

the present time or in the near future. But some more efficiently-run private banks will reduce the dominance of a few large banks in the financial sector. Right now, the reality in Bangladesh economy is that by far the largest banks which set the market rate are also the most debt-ridden ones. Whatever these large banks decide shape the market policy. The newer banks are the followers and not the leaders in determining the market rate of intérest

The older private banks also seem to have their share of problems in that their large shareholders monopolise the banks' loanable funds for promoting their own businesses. The new private banks, on the other, hand, will initially have to cover their large fixed costs of establishment and may not be in a position to compete with the larger publicly-owned banks in reducing interest rates. If they could, that would be the most welcome development in the economy.

Concluding Observations: From the loregoing analysis and observations, some conclusions follow: (i) the present high real rate of interest acts as a disincentive to the investors and it should be brought down by cutting the nominal rates; (ii) the high nominal rate charged by the dominant banks is distorting the allocation of financial resources in the economy, shifting the burden of debt repayment from the original borrowers to the new generation of borrowers which is unjust and depriving the society from potential growth of output, employment and income. which is a loss to the society; (iii) newer banks should be allowed to enter and compete freely in the market so as to make the banking sector competitive, and finally (iv) the debts of the banks must be realised from the original borrowers and must not be passed on to any other group in the society in any form.

US trade embargo against Iran

Sir, We are surprised and shocked at US trade embargo against Iran. We wonder how far the US policy towards some Middle East countries - Iraq. Libya and now Iran — is reasonable and justified.

In 1823 the USA was secluded from the rest of the world because of dual principle of US foreign policy as enunciated in Monroe's doctrine. Is in 1995 President Bill Clinton going to pursue a peculiar doctrine of market economy on the one hand and economic sanction on the other to commit another folly?

From the beginning of the 19th century to the middle of the 20th century the French and the British dominated the world politics. The European Union in Brussels has expressed its unwillingness to join in President Bill Clinton's trade and investment embargo on Iran. We also do not support this policy of the US.

It is said that before 1914

the American people were abysmally ignorant concerning international relations. It was under President F D Roosevelt that the USA entered into the arena of international politics in the 1930's. Thereafter Secretaries of State George Marshall (1947-49) under President Truman. John Foster Dulles (1953-59) under President Eisenhower, Dean Rusk (1961-69) under Presi-I dent Kennedy and President

Johnson, Henry A Kissinger (1973-77) under President Nixon and President Ford and the celebrated President George Bush himself (1989-93) played very significant and monumental roles in building an image, reputation and goodwill of the USA world wide and fostering friendship and close relations with many countries in Asia, Europe and

Africa. Unfortunately it appears today that the USA is losing her international respect and goodwill gradually and her long championship for the cause of freedom, democracy, market economy and human rights is being relegated to the back-

May we request the USA for a change of heart, for a change of policy — not for the sake of change only but for the overall well-being of the entire mankind.

We strongly believe that friendship and cooperation always lead one to success, peace and prosperity. Enmity and non-cooperation only bring failure and sufferings. O H Kabir

Dhaka-1203

Sir, Oklahoma tragedy appears to have terribly shaken the entire USA particularly its President and the Pentagon. The other day CNN flashed a sensational news for the world viewers - USA has imposed an economic sanction against Iran

for not discouraging terrorism

(by bowing down to the wishes of the USA). Economic sanction of 4000 billion dollars and oil embargo are meant to bring Iran on her knees and bow down to the wishes of USA. A car bomb explosion could

trigger so much havoe, so much catastrophe, so much loss of human lives and materials was perhaps unthinkable to the courageous Americans, its President and the most powerful Pentagon. Oklahoma explosion, painful though, has, however, proved that USA is no more a world power to order anything or everything she wishes. No doubt USSR is dead, split up into pieces and a wreck of the past. But a new power, perhaps, has emerged in the shape of Iran. So America and for that matter her President Bill Clinton is so much shaken. He, perhaps to save his position and power and his ebbing popularity to his people, has created the latest sensation by threat of economic sanction and oil embargo against Iran. But does Iran care a fig for it?

Flt Lt (Retd) Mohiuddin Dhaka

Cruelty of men

Str. On April 22, '95, in a local paper of Chittagong. there was a news about a baby girl being murdered by her father, simply because he was irritated by her crying. The

vexed father threw his two-

year-old daughter repeatedly

on the floor causing her in-

stantaneous death. It is not the first time that children had died in the hands of their fathers for the flimsiest reasons we hear about this sort of incidents frequently. It is a great pity that they have to lose their lives in the hands of some one

they look upon as a protector. These happenings has something to muse about. I have a feeling that if it had been the responsibility of fathers to care for the children in infancy, world population would have diminished on one hand and on the other, crippled persons would have been on the increase, as children would have been maimed in greater numbers.

It was reported in newspapers that a mother was hacked to death by her son at Singha village in Lahgi of Habiganj on April 28, '95. Again it is not the first time in which parents had been murdered by their sons. These appalling incidents too happen quite frequently. I am not implying that

mothers do not ever kill their offsprings but it is rather rare. Till now, I have no knowledge of incidents in which daughters are guilty of the un-

speakable crime of killing their parents. So, I think our world would have been a much better place to live in if men had the same

compassionate nature as

Nur Jahan East Nastrabad, Chittagong

OPINION

Natural Disasters: Field Exercises

A Husnain

April 29 was remembered this year, as in the other years, for the colossal devastation caused by the cyclone and tidal wave some years ago in which over a lakh people perished. Since then a vast emergency relief network is known to have been set up, including the construction of hundreds of cyclone shelters in the coastal belt and prone areas. There are food storage arrangements and emergency transport and communication facilities, which could be geared up for operation within hours of the weather warning.

The authorities concerned do not seem inclined to feed the press with enough information and data, and there appears to be no Awareness Campaign or Week about these relief arrangements. April 29 is the right date for carrying out a dress rehearsal and field operation to get the team operators in the field familiar with the exercise.

Now and then we read that Master Plan has been planned (updating, expansion. and modernisation of the old Plan) and is ready for implementation to cope with the food medical, shelter and other emergency supplies There is silence on the use of solar power supply during emergency for communication and relief work. Where are the hundreds of coastal rescue raft which would be needed Suddenly? Any prototype coastal vessel designed by our losing shipyards? Has the rural

wireless telephone reached

the shelter buildings? Guide books, handbooks field manuals, and the Blue Book are not publicised for public information, to stress home the point that the government is seriously ready to cope with future natural disasters. Many foreign donor agencies have come forward with assistance packages in cash, kind or expertise. The models of some of the proto-

type cyclone shelters are not displayed for public view There are very few seminars or discussion meetings at grassroots level at the local spots to cope with the emer gency. The operation scheduled in the blueprint has to interact with the local people of each area. The publicity campaign locally, and in the mass media must be adequate for the formation of the gorrect image. It is easy to produce video tape with computer simulation (we have the software experts) for training and familiarisation.

Prayers for the dear departed and the use of mikes in the cities are only a part of the exercise on this anniversary day. It is hoped that the next anniversary would be field-related and more visible, with demonstration exercises in the coastal belt, participated ac tively by the local people, on the pattern of military exer cises carried out during peace time. There is nothing like hands on training