

## For Sensible Trading

After the European Commission's (EC) decision to go ahead with a ban on import of sea foods from Bangladesh, the prime body of European nations now threatens to withdraw the Generalised System of Preference (GSP) facility enjoyed by garments, particularly knitwear, from the country. All because of the failure on the part of exporters to comply with the set standards and certain conditions of the GSP agreement. Knitwear items and frozen foods have fetched export earnings to the tune of about Tk 3,500 crore and Tk 1,600 crore respectively, according to the last fiscal year's statistics. Given the thriving growth of the frozen food sector, the projected income from it could reach up to Tk 4,000 crore within a couple of years or so.

Any such prospect now seems to have met with a setback. Why? The simple answer is that traders in this country are usually inclined to have the maximum return on minimum investment and that too in the shortest possible time. It was expected that by utilising the special trade facilities they would be able to strengthen their industrial infrastructure via infusions of more and more funds into it. Instead, the traders seem to have opted for the easy way out, neglecting the most necessary improvement, facility-wise, and cutting the corner whenever they could. Clearly, the traders have not come of age.

In a competitive world where others are just waiting in the wings to wrest initiatives, this shortcut to business may succeed in domestic market and for sometime but not for long and least of all in the international market-place. Already new trade arrangements under the World Trade Organisation have come into force presaging phased withdrawal of preferential quotas by the year 2005. The intervening period was supposed to be judiciously used by our manufacturing and trade sectors to put their acts together for bringing about a desired level of qualitative improvement in our products and services. Our exporters would have done well if they had gone for long-term gains; but all is not lost, they can still turn the tide in their favour. In this task, the government should play its role by extending all kinds of co-operation they require but at the same time strictly monitoring the sectors to ensure that they comply with the trade regulations.

## Housing Gaps

As far as the eye can see it is hectic building activity all around that one invariably comes across daily. This is a good sign. For, a booming construction sector is regarded as a trigger-point for economic development where things are pretty much hide-bound otherwise.

This intimation of a good augury is, however, spiced by a certain lopsidedness that has come to characterise the growth pattern in the sector. The construction works by and large, is concentrated in the posh and high return areas like Gulshan, Baridhara, Banani, Uttara, Dhanmondi, and certain other newer locations whose exclusivity is daily sung through laminated ads and jingles. Housing needs of middle and upper middle classes are largely ignored, to say nothing of the moans and sighs of low income groups that rend the air, unnoticed.

The government has to come in aid of the developers, builders and buyers of houses under a clear-cut policy framework that favours the middle and low income groups. Let an investigation be ordered into the HBFC debacle to devise ways and means for streamlining its administration. Why sanction of loans took such a long time and why it was hardly ever given without palm-greasing in the HBFC? Little wonder, the loan recovery position is in such a dismal state.

Alternative financing institutions in the private sector hold an answer to the lackadaisical performance of the HBFC and some NCBs in catering to the house building requirements of the urban majority. The Delta BRAC Housing Finance Company Limited (DBHFC) with a paltry paid up capital of Tk 5 crore is already a modest beginner in the field. But the proposal for a National Housing Finance Company (NHFC) aiming to garner a huge capital resource base through a consortium of multinationals, banks, insurance companies and overseas Bangladeshi, hangs fire at the finance ministry. This has to be immediately looked into for urgently licensing the company to operate so as to give the housing sector the missed boost.

It is expected that any major new venture in the private sector housing must necessarily be responsive to the requirements of people in the lower-income brackets.

## Massive Eve-teasing

The teenage Eritrean long distance runner Habtemariam Nebiat was a picture of rabbit-eyed simplicity totally bewildered at the unanticipatedly brimming attention she was receiving on her last few laps to the finishing line long three minutes behind the winner.

There she emerged in the full view of spectators at the Athens Olympic Stadium, herself totally oblivious of the physical connotations of having put on an oversized vest without a bra as all the rest broke into a crescendo of revelry at the sight of her topless plight. Those wool whistles and the mischievous cheers that, in a manner of speaking, greeted her totally unintended bodily exposure were libidinous at the expense of someone else's daughter or sister — largely a male sexist malfunction of the mind.

What, however, seemed downright pathetic about that public hilarity as the girl painted in the terminal rigours of a long run and amidst frustrations of just trailing behind the winner, was the mockery unwittingly made of her poverty situation. She came from Eritrea, a very poor country, and had no sponsor which go to explain why she had to borrow that oversized uniform for the race she ran.

Here is a genuine cheer for her valour and a profound appreciation for her service to poverty sensitisation.

# Turmoil in the Banking Sector

What has motivated the Finance Minister to go for recovery of the bank loans rather than selling the State-Owned Enterprises (SOEs) in the present state of the financial sector of the economy?

OVER the last one month or so, Bangladesh banking sector has experienced some excitements and confusions with the publication of a list of major defaulters, court case by a private bank against one group of defaulters, threatening gestures to the Governor of Bangladesh Bank (BB) by some defaulters and protests and rallies by BB's officials in his defence, a lot of behind-the-scene activities between the officials of BB and the government, and finally with a legal attempt to rescue the defaulters by redefining the term "defaulter". All of these have hit the headlines in the news media regularly. These events seem to indicate that the banking sector is not only in a state of a turmoil now but also the traditional "invisible hand" of the free market is becoming visible almost to the naked eyes of the people. Hopefully, ordinary citizens will express their outrage against such distributions of favours to the privileged few by those in power. Let the people demand justice at every level of administration and in every public institution for which they pay.

However, the most interesting question that comes to mind is: what has motivated the Finance Minister to go for recovery of the bank loans rather than selling the State-Owned Enterprises (SOEs) in the present state of the financial sector of the economy? Before taking up this question, it would be appropriate to briefly draw attention to the confusions and excitements of the last month that have some consequences on the economy.

### Excitements and Confusions

A few weeks ago, when the Finance Minister came out with the statement that the government was making an all out effort to recover about Tk 3,500 crores of outstanding debt from the defaulters and, accordingly, the BB was issuing instructions to the commercial banks to realise the debts, there were some

excitements as well as nervousness in the market about their possible outcomes. The publications of the list of major defaulters strengthened the seriousness of purpose of this drive. This came at a time when the banks were having liquidity crisis and the prevailing rate of interest was somewhere around 25 per cent if one took all bribes and side payments into account.

The Finance Minister deserved congratulations for being so dedicated in his efforts to recover such a vast amount of outstanding loans which was crippling the entire banking system. He also has been advocating a 50:50 debt:equity ratio for new industrial loans to the banks, which was, no doubt, harsh for the new entrepreneurs. But when last week, he came out with a statement saying that there was no more liquidity crisis in the country's commercial banks, and gave some data on excess liquidity in a number of nationalised and private commercial banks, people have been somewhat confused. Have the banks really overcome the year-old liquidity crisis so quickly? The answer is that banks have some excess liquidity to cover their normal day-to-day commercial lending for trade but not for term-lending. However, people also have been confused when he has introduced the idea of building an Industrial Development Fund with Tk 2000 crore by issuing bonds for non-bank public savers.

### Bonds for Industrial Development Fund

There are three issues here that one has to focus attention on. First of all, the Finance Minister perhaps thought that since these bonds will be purchased by individuals only, it will have no effect on the financial

state of the banks. This cannot be true because the individual buyers will draw down their current balances from the savings accounts in the commercial banks since the industrial bonds are offering more attractive rates of about 12 per cent per annum compared to 7.5 per cent in the banks' savings accounts.

The liquidity of commercial banks will certainly be affected to some extent. Secondly, these bonds will also affect the primary (IPO) and the secondary markets of the stock exchanges since the latter are not at present in a very healthy state. As a result, the cash that people

money. However, the second point is that once people realise that there is a legal channel of making the black money white without any penalty, then it creates incentives in the minds of all black marketeers, thieves, robbers, extortions, drug dealers and terrorists to carry on their business as usual. This amounts to a devastating blow to the ethical basis of all rational human activities in a society. Is that the type of industrialisation that Bangladesh wants? Whatever the policy makers may think, this writer would like to register a strong disapproval of such an

advice. Shilpa Rin Sangstha (BSRS) which succeeded more in resource wastage than in industrial promotion.

### Motivations for Recovering the Bank Loans

The Finance Minister is trapped in a difficult situation. The government has passed a budget with a high expenditure programme: increase in the revenue expenditure by 19.8 per cent and development expenditure by only 2.4 per cent over the previous year's revenue and development expenditures respectively (budget estimates). But the estimated revenue increase is only 14.6 per cent over the previous year's. Witness the gap between the rate of growth of revenue expenditure and that of the revenue collection. One should remember that most of the revenue expenditure is unproductive expenditure.

However, the recent revenue collection has fallen far short of the targeted amount. It has become difficult for the government to raise external resources for budgetary expenditures. Add to this, the current losses of the SOEs which the government has to bear. The privatisation programme is going slow, or should one say that, it may stall altogether because of workers' resistance.

Therefore, the only way, the government can maintain its expenditure programme is by borrowing. Its recent borrowing from the banking system has been heavy which has pushed up the interest rate. To ease the situation, it has floated some savings bonds paying at the rate of 8.5 per cent every half year. All in, expenditures are too high while revenue collections are too little and the heavy borrowing has driven the banking sector to a crisis situation. This seems to have pushed the FI

## INSIGHT

by  
Kabir U Ahmad

## Northern Ireland: Hope for Peace after Shadow of Darkness

by Dr Abul Kalam

A tripartite peace accord in Northern Ireland, should there be one in the foreseeable future, may serve as a model to replicate for similar intractable situations such as the Kashmir valley in the subcontinent or Cyprus involving the Turks and the Greeks.

ONE of the most intractable, manifestly vicious struggle of contemporary times has been the 28-year campaign by the Irish freedom fighters, the Irish Republican Army (IRA), against the British rule in Northern Ireland/Ulster. An offshoot of the old Irish struggle for independence, the IRA allegedly has divergent links with the nationalist sympathizers across the borders as well as overseas Irish-Americans and Libya's self-styled supranationalist Muammar Gaddafi.

Declared as an outlaw by the British government, the IRA is the military wing of the Sinn Fein, which has been seeking reunion with the Irish Republic. On 19 July 1997, it ordered its guerrillas to observe truce in battle against Britain. All its units were asked to implement "an unequivocal restoration" of an August 1994 ceasefire that lasted 18 months and ended in February 1996 after the IRA failed to earn a seat at peace negotiations. The ceasefire is seen as a prelude to "permanent peace," "to enhance the search for a democratic peace settlement" and "to ending British rule in Ireland."

Rhetoric aside, it was the first time that the IRA had the world's "unequivocal" meet British demands for an unconditional end to its war. The key to the IRA move was reassurance from Britain's new Labour government, which came to power in May, that the guerrillas would not have to hand over any of their estimated two tonnes of arms to earn the right to take part in the talks. Britain says the issue of "decommissioning," which has snared the peace talks since they began 13 months ago, can be handled in parallel negotiations. The British Premier also promised to review the issue of hundreds of IRA prisoners held in the British jails linked to the three decades old conflict that has so far killed 3,200 people. London will also put a time-frame on the talks between pro-British unionists and pro-Irish nationalists to the end of May next year so that they do not drag on endlessly.

The Ulster Unionists, the guardians of continued British rule which the 60 per cent Protestant majority wants, are deeply suspicious of the IRA move which was trailed in a statement by Sinn Fein President Gerry Adams. But both London and Dublin welcomed the IRA decision, so did Washington. The US hailed the IRA decision and stated that it would work to nurture this "moment of great possibility," hoping that it would pave the way for "a just and lasting settlement." More than any other American President Clinton has been directly involved in trying to end

the violence in Northern Ireland. Both publicly and privately, he has been pressing the IRA to reinstate the truce. Now he has urged all Irish political leaders "to shape their future...on the basis of the principles of fairness and compromise that underpin all democratic systems."

This is not Clinton's first effort or his first expression of hope about Irish peace. He first visited Northern Ireland on 30 November 1995, drawing cheering crowds of Irish nationalists and unionists. It seemed then that war was over and peace through dialogue was their goal.

### Intractable Positions

What went wrong? To address the question, one has to look to the history of the conflict in Northern Ireland, "one of the longest and most intractable in Western Europe." Irish nationalists, who account for 40 per cent of Northern Ireland's mainly Catholic population, have always thought that the province was an artificial creation, "gerrymandered" in 1921 to give the mainly Protestant unionists a permanent majority. Having suffered nearly 50 years of discrimination under the unionist-dominated parliament at Belfast, they were opposed to any "internal settlement" i.e. one that excludes Ireland or places them permanently under the unionist thumb. IRA's "republicanism" is thus based on anti-British ideology for reunion with Ireland.

Contrarily, unionists refused to accept Ireland as a political unit just because it is a geographic one and argue in favour of remaining as part of the UK. Most unionists adamantly refuse to consider joining a united Ireland, in which they would be a permanent minority, and even see any moves to forge links with the Irish government as the beginning of a slide towards Irish unification.

These legacies of over 25 years of conflict have dogged the peace process in the past. Sinn Fein's problem has been that due to its commitment to violence its share of vote, about 10 per cent in Northern Ireland and a mere 2 per cent in the south, would not give it much

clout on its own. They wanted support of both the governments in London and Dublin to help accept a change. Clinton's support was also sought for a settlement.

Unionist leaders saw a "pan-nationalist" conspiracy to bully Britain into accepting a slow-motion unification of Ireland and bitterly resent the meddling of the Americans. They believe that the IRA ceasefire is only tactical, and insisted that the IRA cannot retain its weapons, and has to establish its democratic credentials before unionists would negotiate with it.

The trouble was that neither side saw the British as "honest brokers." Nationalists have long believed that when push comes to shove, the British would invariably side with the unionists. Contrarily, the unionists suspect that Britain would be just happy to settle for any resolution of the conflict, even a united Ireland. London's efforts over the past two decades to meet the nationalist demands by involving Dublin in a settlement have fuelled unionist fears that Britain wants to wash its hands of Ulster.

Britain's past effort to steer through the sea of suspicions across the Irish nationalist and unionist divide had so far proved unsuccessful. In February 1995, London together with Dublin, published a "framework" document sketching an outline political settlement. This involved a power-sharing assembly in Northern Ireland, which would remain UK's part but would be linked through cross-border government bodies with the Irish Republic. The formula was similar to an attempt, called the Sunningdale agreement of 1973, to end earlier round of fighting. Such a formula may well be the only way to reconcile the demands of both nationalists and unionists. Given the ferocity and lengths of the IRA's campaign, the unionists felt delighted, but the dismayed Sinn Fein saw it as a "last straw." Result was a return to the gloom of IRA bombing and the bloodshed. The peace process, so carefully constructed over a number of years, collapsed.

Following collapse of the peace process, there were renewals of bombing and violence. Since the February 1996 renewal of violence, pressure was mounting on the IRA to restore its ceasefire. A consensus was growing on all sides that the IRA ceasefire was not restored before the all-party negotiations begin. Sinn Fein will be excluded from the negotiations.

Clinton, who once publicly embraced Gerry Adams over British objections, had repeatedly called for restoration of ceasefire. Even Senator Edward Kennedy, the "uncrowned king" of Irish America, publicly condemned the IRA's "confidence building" measure as reasonable, given the ferocity and lengths of the IRA's campaign, the unionists felt delighted, but the dismayed Sinn Fein saw it as a "last straw." Result was a return to the gloom of IRA bombing and the bloodshed. The peace process, so carefully constructed over a number of years, collapsed.

It would be the greatest tragedy of our country if we fail to achieve the goal as visualised by our Energy Minister. On the same day, The Daily Star flashed the observation of Mr Kihal Sung, the group chairman of Youngones who has sounded the alarm that such obstacles may jeopardise the progress of development even of all Export Processing Zones. Japanese and Koreans are well acquainted with the typical problems that are created by the so-called labour leaders. Such suicidal phenomenon does not exist in any of the South Asian countries, not even in India.

But at the same time, one has to worry about the "ifs" and "buts" that remain concealed. It is worrying more because of the fact that this is probably the last but golden opportunity which could pull out the country from the bracket of "poorest country". Devoid of natural resources and many other potentialities like Bangladesh, almost all the South East Asian countries have flourished economically and it was mainly possible because of the able leadership of some dedicated personalities who had vision and determination to push through, overcoming the obstacles and hindrances.

If we look back, we see that in spite of best quality of jute, we have lost the world market.

Our leather industries are tottering. Our nationalised jute and textile industries have met their natural death for the obvious reasons, garment industries have already suffered considerable losses and reputation abroad and we all know helplessly the reasons, but cannot stop them. One of the biggest foreign exchange earning source is through our manpower abroad but there also exists indiscipline and sad plight of our innocent people being

duped by cheats. It would be the greatest tragedy of our country if we fail to achieve the goal as visualised by our Energy Minister. On the same day, The Daily Star flashed the observation of Mr Kihal Sung, the group chairman of Youngones who has sounded the alarm that such obstacles may jeopardise the progress of development even of all Export Processing Zones. Japanese and Koreans are well acquainted with the typical problems that are created by the so-called labour leaders. Such suicidal phenomenon does not exist in any of the South Asian countries, not even in India.

Of many other factors, in my humble view, we have at least to comply four vital prerequisites to achieve our object. These are: 1) Ban by ordinance on patronisation of labour forces by any political party. 2) Ban on patronisation of student community by political parties (our President has so urged at least on four occasions in his public addresses). 3) We should not be reluctant to punish criminals, hijackers, extortions and toll collectors. Public participation should be ensured to help the government identify the culprits openly or secretly. 4) Hartals and strikes should be banned at the working sites of these oil or gas installations. The business houses in western countries are not familiar with these phenomena. It may be disastrous, if such foreign investors find a negative situation. In the interest of the country of 12 crore people we should be well equipped to safeguard before we open the doors of our hidden treasures.

## To the Editor...

### "Rains and Floods"

Sir, I find the article "Rains and Floods" by Mr Shahid Latif, published in your esteemed daily on 16 July 1997, very interesting. Mr Latif has highlighted the glories of the rainy season. He has, however, confined the glorification of the rainy season to its contribution to the enrichment of soil fertility and the resultant moisture-rich agriculture.

I would like to add here that the rainy season has another glory. This is in the form of multiplication and expansion of the populations of large

number of fishes and prawns. Breeding activities of almost all varieties of our wild fishes and prawns are triggered by the rains. It is during the rainy season that almost all species of fishes and prawns breed in the open waters of Bangladesh.

Amongst the fish species, small fishes such as mola, dhaela, chela, chanda, punti, kechki and darkina, all very rich in protein, vitamin, calcium, iron etc, breed and populate the streams, canals, beels and rain inundated floodplains with the commencement of the rains.

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### "Justice Thwarted"

Sir, I must thank you from the core of my heart for the editorial "Justice Thwarted". I agree with all you said except the statement that the women-folk of the country would be enraged! It is a matter of grave concern that the whole nation's conscience has been shaken so badly and would enrage any decent human being — man or woman — anywhere in the world only if he or she is aware of the whole story.

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