

CPD-FBCCI seminar on financial reform

A road-map charted for recovery of NCBs

THE discussion-meet held last Tuesday by the Centre for Policy Dialogue (CPD) and the Federation of Bangladesh Chamber of Commerce and Industries on financial sector reform threw up some excellent ideas. One might say that good brainwaves have hardly ever been in short supply amongst the intelligentsia in Bangladesh; yet the outcome of the CPD-FBCCI sponsored dialogue participated by top-notch planners and practitioners commends itself for a few cogent reasons. First, even experts while trying to find the crux of the problem in a huge financial sector, of which the nationalised commercial banks are themselves a large, rather unwieldy part, are likely to get diffused. But thankfully this has not happened in the present case nor was it supposed to, because of the collective insight brought into the exercise. Not surprisingly, the outcome in terms of suggestions emanating from the colloquium has been diagnostic of where the ailment lies without fudging issues.

The laudable problem-specific approach is amply illustrated by the pinpointing of NCBs as the area where the reform process must necessarily begin. And what is the common finding about that segment of the financial world? Lack of transparency and accountability is the big problem there.

Obviously, seeking a more effective supervisory role for the central bank in a purely professional capacity has been the traditional approach but often in the past this bumped into hurdles from political appointees on the management boards of NCBs. Also, the natural field of competence of the banking division of the finance ministry extended to the NCBs. So, the inter-relationship among the finance ministry, central bank and the NCBs has had a bearing on the overall quality of supervision over the public sector banking institutions.

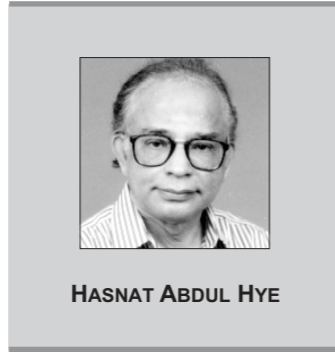
Besides, there has been one more formidable problem that has been volubly talked about rather than addressed seriously: trade unionism which literally ran a parallel administration in the NCBs. Not only has this been a big hindrance to any application of professional management principles to the banks, the self-aggrandising forays of more than one CBAs fostered poor work ethic and, consequently, indifference to customer services. That the banks, and by the same token, their employees live off the depositors' money is easily forgotten. A moratorium on or reform of trade unionism in the very least remains a pending agenda.

The NCBs are plagued by inherent financial and liquidity deficiencies. With Tk 14,000 crore in defaulted loans, the bank managements are bogged down in stupendously time-taking loan-reschedulment exercises. They hardly have time to spare for development banking or pulling up managers or employees who are earning a bad name for indifferent customer service that stands a little chance before the efficient variety of service given by the top-of-the-order private sector banks. Unless checked this trend could trigger an exodus into private banks of good standing.

One way of bolstering the finances of the NCBs will be to reduce the government's or for that matter, the public sector's borrowing from the banking system. Paying back of the loans at regular intervals will also be greatly helpful in easing up their constraints. The fund-management costs of the banks will have to be brought down to sustainable levels; it is essential to stem the runaway interest accruals. The upping of the down-payment slabs on first and second time reschedulment could pump some money into the NCBs' vaults.

The ideal recovery strategy should have three elements, at least one of which has already been adopted. First, internal resource mobilisation needs to be stepped up to a point where the government's necessity to borrow from the banking system declines; secondly, jettisoning of the loss-making banks, which is already underway, promises to be a good cost-cutting measure and, should therefore, be carried to completion; and finally, we endorse the recommendation for developing a strong bond market.

The selfish giant



HASNAT ABDUL HYE

IN Oscar Wilde's story the giant keeps the children away from his garden out of pure selfishness. At the end he relents and allows the children to play in the garden. Sweetness and light prevail as in a fairy story. In the aftermath of the raucous bilateral trade talks that have just concluded between Bangladesh and India one would like to wistfully recall the story. The rumpus left such an unpleasant impression that even to be wishful is likely to be seen as exaggerating.

Under the best of circumstances, trade talks are not love-fest. Self-interest and hard bargaining characterise the discussions. At the end, there is give and take. More importantly, decency, decorum and mutual respect permeate negotiations, however hardheaded they may be. Trade talks are not as brazen and one-sided as peace talks arranged by the victorious side are. When such talks take place between a country economically more powerful than its counterpart, greater understanding and more concessions are expected of the former. If these countries are close neighbours, sharing many things in common, even symbolic gestures may promote good neighbourliness. It pays rich political dividends immediately. In the long run trade benefits from a steadily growing economy of the small neighbour also become evident. This is because trade is a function of the GNP in an open economy.

The rumpus arising out of the just concluded bilateral trade talks between Bangladesh and India has to be viewed in the backdrop of these norms, compulsions and benefits. By all accounts, the trade talks generated a lot of sound and

fury, and produced mountain of a molehill. One does not have to be a Bangladeshi to lay the blame at India's door for this lacklustre performance. It was India's cussedness and single-minded pursuit of self-interest that more or less scuppered the trade talks. What is more, by being both brash and brassy, the Indian delegation made no bones about their lack of decorum and respect for the Bangladeshi delegation. The attitude and conduct maintained

these factors in bilateral relations so fragrantly.

The bilateral trade talks hit snags right from the beginning and were postponed twice in the last four months. In December last year an Indian team came to Dhaka to finalise the agenda for the trade talks. No agreement was reached over India's insistence to include transshipment and border trade. When the trade talks started on April 8, it almost foundered on the issue of an agreed agenda.

duty-free access for 191 products in 25 categories. This is a matter which has been pursued by Bangladesh desperately for quite some time and over which assurance was given by the Indian prime minister when he visited Dhaka in 1999. In the same announcement he had mentioned about the need for the resolution of the transshipment and transit issue through a joint economic commission. The Indian prime minister clearly made no link between the

exchange deficit in the import-export transactions of Bangladesh with India. Moreover, Bangladesh by liberalising faster and earlier than India had already made her market open to Indian exports without reciprocity. For the few competitive items that are exported to India different tariff and non-tariff barriers have been raised by India. Luxury tax is being imposed by different Indian state governments on Bangladeshis soap, shirts, melamine cosmetic

free access to the Indian market to 40 items in 16 categories. But the business circle has promptly pointed out that out of 40 items not more than seven are relevant, as the rest are either not produced in Bangladesh or are not sufficiently available for export. Many of these items were not in the list proposed by Bangladesh. According to the Daily Sangbad, as a result of this concession, Bangladesh will at best earn US\$5 million additionally every year, which is a pittance given the trade deficit of US\$1.1 billion. In exchange of this so-called concession import of yarn and sugar overland is allowed, Bangladesh market will be flooded with smuggled goods in these categories. This will be the *coup de grace* to our textile industry and Tk 9 billion invested in this sector will go down the drain. Is it a deep-seated plan to make Bangladesh a captive market for Indian textile products? Many businessmen are asking. The press statement, therefore, is nothing more than a ruse or eyewash, as has been pointed out in the media. It betrays India's intractable stand on economic matters even at the cost of good neighbourly relations. The trade stalemate, like the border impasse, cannot but complicate the bilateral relations between the two countries.

The problem with India is that her domestic concerns far outweigh bilateral relations. In many respects Indian foreign policy has become a handmaiden of internal politics including economics. As long as this is the case, India will not be able to transcend narrow and short-run interests. But her small neighbours would go on wishing and hoping that one day India will realise the folly of selfishness and allow goods from neighbouring countries to enter her market in a spirit of accommodation, friendship and enlightened self-interest. The selfish giant in the story did just that in a different context.

Hasnat Abdul Hye is a former secretary, novelist and economist.

IN MY VIEW

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by them all through the negotiation betrayed the worst case of misdemeanour in public by a high powered delegation. Stomping out of the conference room in a huff or lounging around the conference table like truant schoolboys can hardly qualify as consummate diplomacy or as bravura skills for negotiation. As host Bangladesh was left aghast and in a state of shock.

Speaking at a function organised by a private bank soon after the trade talks ended the finance and planning minister said, "No major power in the world treats its neighbour as India has done with us." He echoed the sentiment and feelings of all patriotic Bangladeshis. Though the people in general have not been as vocal as the media and business community in their castigation of the Indian attitude, their sense of disbelief, shock and indignation is no less palpable. What with its policy regarding border disputes, sharing of Ganges water and trade relations India seems to be deliberately depleting the reserve of goodwill that Bangladesh has for her. One wonders what kind of diplomacy and foreign policy can discount

The Indian delegation insisted that they would accept the agenda if it included the subjects it had proposed earlier viz. transshipment, border trade and Dhaka's lifting of ban on sugar and yarn import overland. The talk on the first day careened through, teetering on the verge of collapse on the issue of agenda. Ultimately, the Indian delegation, after raving and ranting walked out an hour before the scheduled end. On the second day the negotiation started an hour behind schedule in a desultory manner. The meeting again broke down acrimoniously after half an hour. Some backstage manoeuvring saved the talks from ending in a fiasco. The talks stretched on to the unscheduled third day only to produce a joint press statement. Not to speak of a trade agreement, even a joint statement was not signed. This is unprecedented in bilateral trade negotiation between two countries, not to speak of two close neighbours.

Bangladesh ran up a deficit of US\$ 1.1 billion in fiscal 2000-2001. This is way above the deficit of US\$150 million in 1990-91. Bangladesh's main concern was to have agreement from India on

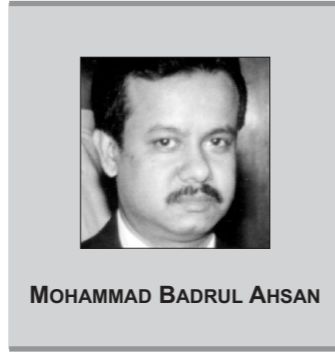
duty-free access issue proposed by Bangladesh and the transshipment issue desired to be resolved by India and the two subjects were to be dealt with in two different forums. By insisting on inclusion of the transshipment issue in the agenda for the trade talks, the Indian delegation not only went beyond previous understanding and assurances but also attempted to twist the arms of Bangladeshi negotiators though a *quid pro quo* conditionality. Bangladesh was subjected to tremendous pressure to yield to Indian demand which was irregular, unfair and immoral.

India should appreciate the fact that Bangladesh's trade gap with India is yawning further every year both under official and unofficial accounts, causing a severe drainage on her foreign exchange earnings. Trade Imbalance of US\$1.1 billion in the official account is compounded by US\$3 billion in informal trade, i.e. smuggling. If expenditures incurred by Bangladeshis for education of their children, medical treatment and shopping are added to this, there will be a whopping amount in foreign exchange going one way exacerbating the foreign

and other consumer products. On export of battery, anti-dumping tax has been imposed. The market share in India of these Bangladeshi export goods is minuscule. But the Indian businessman and producers are reluctant even to allow these few goods. By allowing goods in the categories proposed by Bangladesh, India would be merely redressing somewhat the imbalance caused by all these historical and economic factors. But India seems to be in no mood to take these objective conditions into account in trade negotiations. The Indian delegation explained telling such old wives' tale as the Indian government having no control over state governments and over courts that decide to impose taxes. When Bangladesh delegation wanted to discuss the modalities for removal of these barriers to the Indian market, the Indian delegation refused to discuss and staged a walk out. More than the intransigence shown by the Indian delegation it was their behaviour, which was most obnoxious and disgraceful.

According to the joint press statement, India will allow duty-

A pair of eyes



MOHAMMAD BADRUL AHSAN

THE lonely man had just got up to face another day, his eyelids still heavy with sleep but his eyes wide open. His sleep was interrupted by nightmares during the night, some of which he remembered and some of which he forgot. But the memory of the night disturbed him more than anything else, because he realised between his wakefulness and struggle to go back to sleep that his life was empty and barren.

The next thought that came to his mind since he opened his eyes this morning is the story of a man who was so madly in love with his wife that he even washed her clothes. But one day she left him for another man and his friends taunted that he was being punished for going against nature. Everything had a place in life, and deviations only brought sufferings and sorrows, they told him.

The lonely man tried to plan his day, but it seemed that the grim monotony of life was going to repeat itself all over again. He yawned and coughed in succes-

sion and then moaned in a mysterious way as if to release the bated agonies of his tormented soul. He was alone in a crowded world, and that realisation paralysed his body and soul.

He turned on his side and reviewed his life. How did he end up being a loner? He has heard of a man who wanted to study his own sleeping habits and was unable to sleep night after night. People tell him that his loneliness

and now that dreary cycle of dullness no longer meant anything to him but the repetitive horror of an oppressive past.

Suddenly his loneliness came to him in a different perspective, and he realised that he was never loved by a woman. Women came into his life like seasonal birds; in hordes they came and in hordes they went. He never knew what was the meaning of love, what it meant to belong to a woman and

Was she in love with him, which his insensitive eyes failed to recognise? His heart filled with great deal of anger and sadness as he asked himself how could he let go of his only chance to capture the bliss of love, which propelled life at the heart of its mystery?

She once told him that he was different from other men. At that time he didn't think it meant much for him, that by being different she could mean to tell that in her heart

his drifting soul.

The lonely man made up his mind to find this woman, and started to dance on the floor in the excitement of his new-found resolve until his bones clattered in the grim noise of a crumbling house. His face crumpled in pain, which originated in the joint of his waist and then shot through his spinal chord as if it could have ejected his heart if not for the clenched teeth that guarded his

she like to see him now, an unfortunate insert in her long gone life who didn't even bother to pay any attention to the most earnest entreaty of her youth?

Would she like to talk to him after more than half a lifetime? How would she introduce him to her family- a friend, relative or acquaintance, who never came to visit her in all these years, and decided to pop up in her life one fine day just like that?

Then he realised that there was more to old age than the arrogance of death. He was determined to find her and no amount of embarrassment was going to stop him. Old age brings definitive courage when one has nothing to lose of what is already spent, he comforted himself.

He found out about her in bits and pieces through a string of people, which added up to a tragic story. The woman was married to an engineer and had died at childbirth within the first year of her marriage. The lonely man felt sad, his loneliness suddenly augmented by a pounding hollowness that threatened to explode his soul.

Why did her eyes flash in his mind after all these years? He remembered a man whose father had come to take him away in his dream several months before his death. Was it a call of death or was it a call of love? The lonely man realised that at his age, it really didn't matter.

Mohammad Badrul Ahsan is a banker.

CROSS TALK

Soon he is going to die and the certainty of that finality overshadows all eventualities of life. Yet it seems that for the remaining days of his life he is going to be haunted by the misfortunes of desolation, which echoes in his blood in the silence of night. He has got up, eaten, worked and gone to bed again and again for sixty years, and now that dreary cycle of dullness no longer meant anything to him but the repetitive horror of an oppressive past.

was of his own making, that he had brought it upon himself like a spider, which becomes trapped inside its own cobweb. God knows how he desperately sought a companion, and destiny would have it that he was going to have to regret its absence in old age when life had already wheezed him by.

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hold her in his arms in the complete abandon of love.

The lonely man felt miserable for his fate, the sadness of this one morning reckoning with the experiences of a lifetime. Then he remembered like a flash of light in impermeable darkness that there was a pair of eyes, which used to follow him with a special glint that he didn't find in the eyes of other women. This particular woman hovered around him in parties and get-togethers, always keen to get his views on every issue of the world, and always walking one step behind him as if to keep others in the blind spot between him and her.

she had a special place for him. How silly of him it was not to understand such a pronounced hint of courtship! The lonely man felt ashamed of himself, as he would be overcome by the impression that he could now glimpse something he had not understood before.

He thought to himself that he must have been the only sixty-year-old man in the world who was looking for a sign of love in his life. A man of his age ought to spend his time listening to the disorder of old age. But remembering this woman swayed his heart with an inexplicable desire as if it could have been the safest harbour for

mouth.

Where would he find this woman, who may have lived in the festering wound of her unrequited love? Did she get married, and does she have children? He could not remember her face very well, but before he could concentrate on whatever little he remembered, its features dissolved into those restless eyes, which used to follow him. Did she eventually find a man of her choice and settle down happily in life?

Does she still remember him? She must be living in the consort of her husband and children, a plump old woman fully contained within the bounds of her family. Would

OPINION

Beware of Lintners!

HABIBUL ISLAM

ANY person with even the minimum amount of conscience cannot maintain a silence watching all the atrocities and injustices that are being perpetrated around the world at this very moment. It's a horrible commentary on the state of the world that in spite of the fact that all these are being shown on television all across the globe, yet those who have decided to take on the responsibilities of the leadership of the universe are not only able to let the atrocities continue but they are not even facing any serious resistance from the leaders of the rest of the countries of the world. It is a shame, no less.

shame that neither the OIC nor the Arab countries have been able to display the required degree of resoluteness to confront the murderous machinations of the war criminal Ariel Sharon as he brutally, and without even a modicum of resistance from the neighbours or any other nation kills, wounds and crushes the Palestinians. And what does the most powerful country on earth do in the midst of all this ruthlessness? Amazingly it first supports the Tel Aviv regime and then blames the emasculated Palestinian administration and finally, after many lives have been devastated, makes feeble efforts at, what it terms, halting Israeli invasion of Palestine.

With the world having become a

unipolar one after the destruction of the arrogant Soviet Union, clearly, the leadership as provided by the George W Bush government to the world is falling far short of what the world needs. Instead of helping shape a just and fair world order, the Bush administration is openly supporting the idea of an unjust and unfair world order where the weak are killed and the strong can be bullies without any fear of facing justice of any type.

Even if initially it appears incongruous the campaign against Bangladesh in a minuscule segment of the foreign press as well as in sections of the local media must be viewed with some concern, because the Bertil Lintners of this world are not as naive as we would

like to believe. Yes, I'm referring to the cover story recently printed in the *Far Eastern Economic Review* under the little "Beware of Bangladesh." The question that demands to be asked first is: Did the people of Bangladesh deserve this from a person who obviously pretends to be a journalist but is a willing tool of some agencies with malicious agenda?

Amazingly, if one reads the so-called report, it seems the reporter did not find it worth his while to talk with anyone who did not subscribe to his opinion of our country and its people. Naturally, the report, if it can at all be called that, is blatantly and comprehensively one-sided. But then credit must be given where it's due: This "journalist" (evidently, not a name to be reck-

oned with in the world of journalism) traipsed across Bangladesh surreptitiously and, as a result, was successful in writing a story that perfectly fitted with his preconceived notions which can be correctly described as viciously biased and tunnel visioned.

Not surprisingly, even when he quotes a foreign observer he cannot resist inserting his own interpretations by implying that they are not appropriately informed or they do not understand the virulence of the "fundamentalist threat" and therefore downplay it. Ultimately, defying all logic and rationality, Lintner wants all to believe that he comprehends the existing situation in this country (as he silently slithers through Bangla-

desh and fails to locate even one person who could be quoted for a differing point of view) better than all those other people, both foreigners and natives, who live here and who, in his extremely agitated mind, are ignorant of the reality. Extraordinary rationalization indeed! Having noted all this, there's one question that cannot be overlooked: What really was the objective of this story and for whose benefit was it concocted?

(As a footnote it might be said that this regional magazine has a very small number of readers and possibly would have suffocated to death if *Asiaweek* magazine was not pulled off the presses by its new owners who preferred to promote the regional edition of

their own magazine. At the time *Asiaweek* was killed it had overtaken the circulation of the *Review* by a very big margin even though the *Review* had been publishing in the area for many more years than *Asiaweek*.)

It certainly is a huge tragedy that a religion of universality, egalitarianism and peace has been utilized in such ways that some have had the great opportunity to malign it even though they know little or are almost completely ignorant of its history and ideology. It's equally tragic that some in this country of tolerant Muslims would for political and material gains malign the easygoing Muslims of Bangladesh as harbouring extremists who are becoming a threat to the region!

And certainly it's awfully tragic that neither Mr Bush nor Mr Blair can comprehend what forces and emotions can drive a young woman or man to sacrifice herself/himself by offering to become 'a suicide bomber' in Palestine. Equally offensive are those so-called intellectuals, politicians and cultural activists who think that only by denying your Muslimhood can you be a secular person.

The majority of Bangladeshis, who are the epitome of moderate and tolerant Muslims, can only hope and pray that they will be spared the poison that the Lintners are spreading not merely because it is wrong but also because a peaceable Bangladeshi deserves better.