

Justice for Rajon and Rakib

Let the trial process be a lesson

THE courts have awarded various degrees of punishment to most of the accused, including the maximum punishment to several of them, in the killing of two young boys in Sylhet and Khulna. The two were done to death by a bunch of heartless people whose acts of bestiality towards the two defy imagination.

We deem it necessary to restate that of late violence against children has been on the rise. And one of the reasons is that very few of the perpetrators have been made to face justice. On the other hand, the long drawn procedure in the legal system and loopholes therein allow many of the perpetrators to go free.

The two courts must be complimented for completing the trial in quick time. And the government deserves compliment also for the promptness in bringing back the main accused in Rajon murder from Saudi Arabia. In this regard we strongly urge the government to also take stern measures and make examples of those police personnel who had helped Quamrul Islam, the main accused in Rajon's murder, to initially escape. The government should also provide security to Rajon's family, who feel threatened.

Admittedly, the two cases had received the attention of everyone because of the furor created over it as well as the fact that Rajon's torture scenes were taped and put on the internet which went viral. We would like the government to treat all such cases with promptness and form special courts so that cases related to violence against children could be disposed off without inordinate delay.

A long-awaited election

Will it bring democracy in Myanmar?

THE November 8 election in Myanmar is a step forward and a significant improvement on the manifestly rigged affair in 2010. The elections were reportedly held peacefully and largely participated with an 80 percent turnout, according to the Union Election Commission. That notwithstanding, the election has to be seen as what it really is—a flawed, partial exercise in democracy that may not lead to real changes. For it will be conducted mostly on terms set by the quasi-military government, maintaining its lock on power while disenfranchising and persecuting hundreds of thousands of ethnic minorities, most notably the Rohingyas.

The military-designed constitution specifically prevents Aung San Suu Kyi from becoming president even though her National League for Democracy (NLD) might well win most seats. And a quarter of the members of the lower house of parliament are appointed directly by the head of the armed forces. That means, regardless of the outcome of the election, the constitution will likely remain in place for some time because the votes of more than three-quarters of legislators are needed to change it.

However, we have to wait and see how things in the political front unfold after the elections. But the fact that an openly contested election was held after 25 years, albeit without participation of a segment of its population, is a positive development. This, we hope, will lead to an environment of inclusive politics in Myanmar.

COMMENTS

"Blogger killers to be resisted thru' exemplary punishment: Minister"
 (November 7, 2015)

Eric Ch

We have heard enough talk; it's time for action.

"Hanif's insensate remarks"
 (November 3, 2015)

Abu Elias Sarker

Hanif is an example of Bangladeshi politicians in general and AL in particular.

"Shocked but not scared"
 (November 3, 2015)

Faisal Khan

I support free thinking but there should be a border between what can be called free thinking and what can't.

"A day he would try to forget"
 (November 2, 2015)

Hazm Mahegir

I am at a loss for words to denounce such heinous crime.

"True to his words"
 (November 2, 2015)

Mdr Amin

Professor Abul Quasem is absolutely right.

Rising Foreign Currency Loans

Any reason to worry?

SHARJIL HAQUE

THE rising trend of foreign currency loans availed by the private sector is a relatively new phenomenon in Bangladesh since access to international markets was liberalised in 2008. Since then, foreign loans taken by private sector have picked up significantly and currently stand at about USD 8 billion. Firms which have availed this new channel reduced their financial expense, since interest rates charged by foreign lenders is 6-7 percent lower than those of domestic lenders. Additionally, for projects which require capital in excess of what domestic banks can facilitate, this new channel is a promising option. Yet, these benefits come with several risks which need to be carefully evaluated so that appropriate mitigating strategies can be implemented in a timely manner.

WHILE EXPORTERS GAIN, NON-EXPORTERS FACE ELEVATED RISKS
 Exporters benefit immensely due to higher access to foreign loans. Their interest expenses fall and they face little exchange rate risk since they earn in foreign currency. However, firms which earn in Taka (non-exporters) risk currency mismatch if the Taka depreciates. Depreciation will create additional costs in local currency terms when repaying foreign-denominated loan.

How large is the presence of non-exporters in Bangladesh's foreign loan market? A study conducted by Bangladesh Bank (BB) in 2014 showed that the highest receiver of foreign currency loan was the telecommunication sector. Despite not being export-oriented, this sector faces low risk since most companies are part of international parent organisations. But the power sector, which is the second highest recipient (18 percent of total approved foreign loans), is mostly domestically owned and is not export-oriented either. This suggests there is definitely potential for currency mismatch. Moreover, as the preference towards foreign loan rises, it is unlikely that authorities will be able to keep out non-exporters from increasing their exposure. If BB allows depreciation in the near-term, exporters' profitability

will rise (when they convert Dollar earnings to Taka) while non-exporters' profitability will fall.

IMPLICATION OF TIGHTER GLOBAL FINANCIAL CONDITIONS

A large portion of existing foreign-denominated liability is based on six-month floating interest rates. This suggests that an increase in world interest rate will raise interest expense, imposing unprecedented pressure on firms' cash flows. Private sector firms should not feel that the 5 percent foreign borrowing rate is here to stay.

Given that the US Federal Reserve is soon likely to increase short-term interest rates for the first time in several years,

firms have to consider both lower interest rate advantage as well as exchange rate risks.

BANKING SECTOR FACING DIVERSE RISKS

As the private sector increasingly avails foreign loans, the domestic banking sector has come under tremendous pressure in maintaining business. Domestic lending rates have fallen to around 11.5 percent (August 2015; source: BB). But due to differences in liquidity positions, this reduction has not happened uniformly across the sector. Consequently, lending rates in some banks (which have substantially lowered rates) are now close to

national markets, local banks will tend to increase exposure to relatively smaller and less credit-worthy clients. This will, on average, increase credit risk and potentially exacerbate non-performing loan problem.

WHAT MITIGATING STRATEGIES CAN AUTHORITIES ADOPT?

With an emphasis on non-exporting firms, transacting in the forward exchange market needs to be mainstreamed. Only by strictly requiring non-exporting firms to utilise forward contracts can authorities protect private sector firms from currency mismatch.

To lock in low foreign borrowing rates, authorities need to aggressively promote interest rate swaps. Given the cost of using financial derivatives, authorities could consider creating a policy where only loans above a certain agreed threshold are required to be hedged by all corporations – large or small.

Authorities could consider creating an automated platform which monitors foreign loan portfolio of private sector firms and impose a limit on foreign borrowing upto a maximum allowable threshold. Maximum thresholds should be carefully linked with each company's financial indicators. Such automated platforms could also include a quantified outlook on risks of each company's overall industry.

The banking sector needs to diversify its client base beyond urban corporates. Several industries with sustainable growth potential such as food, agro-based business, light engineering and mushroom cultivation are gradually expanding beyond urban locations. Opening cost-efficient branches in semi-urban and rural areas will certainly help expand asset size while reducing risk of concentrating mainly on urban clients.

Without a doubt, liberalising foreign borrowing promises to catalyse private sector investment. But we need to look beyond the low interest rate advantage and tackle underlying risks if we want to maximise the potential of this new channel of financial resource.

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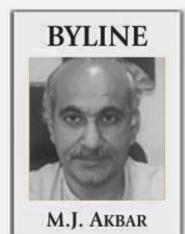


global financial markets will reflect such changes. According to Federal Open Market Committee, which decides US monetary policy direction, short-term interest rates could be increased to 2-3 percent by the next two years (for details, see "Fed Dot Plot"). This implies foreign borrowing rates could also rise to 7-8 percent in the next 2-3 years. At the same time, lending rates in Bangladesh are on a downward trajectory. Assuming domestic lending rates of 10-11 percent by the next two years, the interest rate differential between Bangladesh and foreign lenders could fall to around 3-4 percent. Such a scenario has implications for the private sector's financial management, since

deposit rates in others (for instance, the new banks). Bankers suggest that this variability in interest rate has led some large local corporates to borrow at low rates from one bank and deposit the money at high rates in another. This type of practice undermines the role of financial intermediaries and simply transfers assets across the industry without triggering any overall growth.

This predicament has been amplified by local corporates taking foreign credit and repaying their domestic loans (well before maturity), hurting growth of banks' loan portfolio and reducing profitability. Finally, since large corporates have stronger access to inter-

THE FOG OF OPINION POLLS



BYLINE

M.J. AKBAR

MAY I make a fervent plea to the Election Commission for some immediate electoral reform? This prayer is placed before the Commission rather than the Parliament because it is within their remit to make this change.

Could the Commission kindly ensure that results are never declared on a Sunday? This makes life terribly difficult for the crowded and varied group of columnists and pundits who enjoy making an appearance, clothed in wisdom, in the Sunday papers. You see, we are used to being wise after the event. Please do not force us to be wise before the results, on Saturday, when we need to do the writing. This intrudes heavily on our already stretched resources of knowledge, interpretation and analysis. The strain is difficult to bear. We are human. We hate the thought of egg on our face.

When exit polls for the Bihar election swing as widely as they have this week, our insecurity becomes that much more intense. Both sides can read the predictions that suit them; the unaffiliated grope in confusion, with a shrug as their only consolation until the big bell rings and the referee begins the countdown. Being a member of a political party, and hence partisan, it is but obvious that I find Chanakya's prediction of 155 seats for NDA the most palatable. I take comfort in his past success, noting that even if sometimes he did not get the figure right, he always correctly spotted the trend that the vote was taking. This estimate, in my view, reflects the enthusiasm shown by the massive crowds which came to Prime Minister Narendra Modi's rallies, and the electric response of the young.

But here is a suggestion for all companies in the prediction business. I hope they check their estimates

with the most realistic entry and exit polls in the fray: bookies. Their methodology is not vastly different, actually. Moreover, bookies investigate every single constituency before notching up their numbers. Opinion poll companies can afford to make mistakes, because they pick up their cheque in advance. Bookies can't. Each mistake costs them serious money.

Some election results were declared on Saturday. They were not on a Bihar scale. They did not consume the lung space or national attention given to Bihar. But

Perhaps Congress leaders think that things cannot get any worse after the nadir of 2014. Maybe they should think again. The reason is clear. Congress political tactics this year have floated out of the range of common sense.

they offered significant signals for the future. The results of local elections in Kerala told a very interesting story. The Left Front was ahead of the Congress-led UDF, which means that the weather has changed and the Left could be back in power in Kerala after next year's Assembly elections.

The message that is emerging from across the country, whether Ladakh or Assam or Kerala, is that irrespective of who wins the Congress has lost the confidence of the electorate. In Kerala, the UDF has been weighed down by the burden of carrying the

Congress. But that is not the only message. According to trends available at the time of writing, Congress has lost the corporation elections in Thiruvananthapuram, a celebrity seat that Congress held in 2014. Remarkably, BJP has made impressive gains in a number of district towns and a few rural regions, becoming the largest single party in Palakkad, ahead of UDF and the Left.

Perhaps Congress leaders think that things cannot get any worse after the nadir of 2014. Maybe they should think again. The reason is clear. Congress political tactics this year have floated out of the range of common sense. The people will not support obduracy and hysteria. It is the job of opposition to oppose, but there is always a measure. The response must be reasonable, and proportionate. Under Rahul Gandhi, Congress has developed expertise in creating mountains out of molehills. Since these mountains are full of air, they get punctured. Voters can hardly be expected to endorse thoughtless obstruction of governance and development.

The Election Commission is certainly not thoughtless, nor does it seek to disrupt governance; it does a fine job with impressive integrity. But there is still room for a second plea — this time, a serious one. Do elections in one state have to stretch into months? It surely cannot be the case that our authorities do not possess the resources for conducting more than an average of 50 MLA seats on each polling day, which was the Bihar average. An obese election may provide some excellent theatre for all of us, but it effectively interrupts governance. One is not talking of a pause only in Bihar, but also diversion of national attention and time. A stand-alone Bihar election can be easily wrapped up in two days. Trust me, the longest thank you notes will come from politicians, with only slightly shorter ones by voters.

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LETTERS TO THE EDITOR

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Eradicate bigotry from the country

People get apprehended for criticising political big shots on Facebook while extremists can spread their propaganda of hate without any problem. Writers and publishers are being murdered in broad daylight and the government is doing nothing to catch the killers. These killings aren't isolated incidents. Political parties should stop the blame game and focus on the safety and security of the people. Let the law enforcement agencies work without any interference. Let's be united to eradicate fanaticism and bigotry from our land.

Rashedul Hasan Khan Pathan
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 Netrakona

A charming start

I wholeheartedly congratulate the Bangladesh Cricket Team for the 145-run win against Zimbabwe. Everyone played well. They have already defeated Pakistan, India and South Africa this year. We are very proud of them and we wish them more success in the future.
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 Bangladesh Agricultural University,
 Mymensingh



PHOTO: FIROZ AHMED