

Can the banking sector be turned around?

Approval of draft Bank Company Act gives hope but enforcement is key

After the looting of thousands of crores of taka from our banking sector, and the entire sector's rating getting demoted by the Moody's from "stable" to "negative", the cabinet has cleared the draft Bank Company (Amendment) Act, 2023 in a bid to improve financial governance in the country. And if implemented properly, it could have major consequences for habitual loan defaulters and for how bank boards are formed and run. This has been long overdue. Experts have been howling for it for years, and finally the government has decided to go for the amendment with a \$250 million loan from the World Bank hanging in the balance because of this, according to finance ministry officials. The IMF, as part of its \$4.7 billion loan, also stipulated that the government submits the draft law before parliament by September, which it seems poised to do.

Regardless of the reason behind the decision to finally approve the draft act, which has been stuck in the vetting stage with the law ministry since May 17, 2021, it is a welcome development for our banking sector. It could undo a lot of the bad government policies adopted in recent times, such as increasing the maximum number of members from the same family that could serve on a bank's board. It will also require bank directors and their family members to provide collateral, bonds or securities for taking loans from the bank, the absence of which has led to numerous scandals across our banking sector.

Banks will also have to publish lists of wilful defaulters on their websites and in newspapers. An individual will be considered a wilful defaulter if they do not repay a loan taken in their name or their company's name despite having the means to pay it back. And any person will be treated as a habitual defaulter if they take loans under the name of a non-existent company.

Additionally, banks will have to inform Bangladesh Bank about wilful loan defaulters and the central bank can then issue a ban on their foreign travel, obtaining trade license, and companies' registration to the joint stock and security exchange commission – which can act as a deterrence against the culture of wilful loan default in our country. The draft act also broadens the role of Bangladesh Bank in some aspects for it to investigate whether rules are being broken.

However, as good as all that sounds, a law is only as effective as its enforcement. One may recall that Bangladesh Bank has time and again flouted its own rules and regulations over the years – often under pressure from the finance ministry or other influential quarters. Such violations and misgovernance resulted in undue benefits for a few at the expense of the many. So, while the draft act seems promising, the proof of how sincere the government really is in addressing the problems in the sector, after having done the complete opposite for years, will be in how well it implements the act. For the health of the sector and our overall economy, we hope it will act properly and sincerely this time.

Air pollution crippling our nation

Govt must take action locally and with regional partners to improve air quality

We are alarmed by a report of the World Bank that states that air pollution is causing about 20 percent of all premature deaths in Bangladesh. This comes at a time when we are witnessing massive air pollution in many cities, particularly Dhaka, Narayanganj, and Chattogram. Over the last few years, there have been a host of similar reports and studies, with Dhaka's air being adjudged to be the worst in the world repeatedly. Unfortunately, while we hoped that such alarming revelations would be met with appropriate response, the reality has been quite different so far.

In the absence of any substantive action from the government agencies responsible, air pollution in Dhaka has reached the most dangerous levels in recent times. As a result, residents have been suffering from various health complications. Reportedly, air pollution is causing the death of about 88,000 people every year in the country, while decreasing the average life expectancy of Dhaka residents by seven to eight years. The latest World Bank report also reveals exposure to extreme air pollution on a regular basis, with its impacts "ranging from stunting and reduced cognitive development in children, to respiratory infections and chronic and debilitating diseases". This is not only increasing our healthcare costs but also lowering the country's productive capacity. Moreover, poor air quality is contributing to a rise in premature births as well as babies born with low birth weight in Dhaka, as a recent study by the family planning directorate and icddr,b has found.

The question is, how long will the government treat air pollution with indifference when the health of the entire population is at such great risk? Evidently, the government has done little to check contributing factors such as vehicular emissions, fumes from factories and brick kilns, dust accumulation from ill-planned development projects, etc. You see black smoke emitting buses and trucks everywhere you look. You see open construction sites creating and spreading dust. There is no dearth of regulations to prevent such activities, yet the government is failing miserably to enforce them.

This must stop. Air pollution has reached a level that can no longer be ignored. The government, therefore, must take stern action to ensure people's health and well-being. With a strong political will, right policies, and timely and sustained interventions, it is possible to tackle air pollution, as cities even in our neighbouring countries have been able to do. The government should also work with its regional partners to check transboundary air pollution – which has been found to be one of the major irritants in our cities. Recently, Bangladesh, India, Nepal and Pakistan drew up the Kathmandu Roadmap for improving air quality. We only hope that any effort, local or regional, will be followed by proper execution and coordination to bring us the result we desperately need.

IOC interest in our gas reserves a good sign

ExxonMobil proposal should be considered with calculated speed



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One of the largest and most renowned oil companies in the world recently expressed interest in exploring Bangladesh's deep offshore blocks for gas and oil. According to media reports, ExxonMobil, a US-based international oil company (IOC), has submitted a proposal for petroleum exploration in all 15 deep sea blocks located in Bangladeshi territory, supposedly investing around \$3 billion during the initial exploration phase. ExxonMobil suggested that the deep sea blocks be offered to the company so it can begin exploration immediately. The company also suggested that it would participate in the upcoming offshore bidding round for the shallow-water blocks.

Observers in the energy sector, as well as insiders from the Bangladesh Oil, Gas and Mineral Corporation (Petrobangla), opine that Bangladesh should utilise this opportunity and initiate negotiations in terms of engagement with this well-experienced and technically robust oil company.

ExxonMobil's proposal has come at a time when Bangladesh is facing serious gas shortage in its own reserves. The country's offshore gas exploration has been stalled for many years. Local gas production has been on a decline since 2016. To cover the gas shortage, Bangladesh had to buy from the liquefied natural gas (LNG) market, known for its volatile and unstable price trends. The LNG price hike at certain points last year rendered the fuel temporarily unsustainable for Bangladesh. Given the situation, it is not clear why the government stayed away from major offshore block biddings for more than a decade.

Bangladesh's offshore region, comprising a major part of the central Bay of Bengal, is globally known for its high hydrocarbon potential.



Allowing offshore drilling in the Bay of Bengal may help Bangladesh tackle its energy crisis.

FILE PHOTO: REUTERS

It has 11 shallow-water blocks and 15 deepwater blocks. Of these 26 blocks, two are leased out to Indian company ONGC Videsh Ltd. While there is little to no exploration in the Bangladesh part of the Bay, the scenario is different on the Myanmar and Indian sides. Both the countries have conducted extensive exploration with significant success in finding gas in their respective parts in the Bay.

The excuse that government high-ups in Bangladesh have been using – saying that the IOCs have shown no interest in exploring the country's offshore reserves – has been proven wrong. Companies like ConocoPhillips, Santos Ltd, Posco Energy, and TotalEnergies have expressed interest in exploring our offshore blocks. They conducted initial exploration, but did not continue because of disputes on fiscal terms

with Bangladesh. ConocoPhillips, on the basis of seismic survey, delineated several prospective structures, among which it wanted to drill two in the deep offshore blocks 10 and 11, but left the country because of disagreement on gas prices. Similar issues arose with Santos and Posco.

In these cases, Bangladesh's stand

knowledge base on an area that it intends to explore for gas and oil.

ExxonMobil likely has the data to judge the merit of exploring Bangladesh's offshore blocks. Offshore drilling, especially deepwater drilling, is very costly, requiring \$60-100 million per well, compared to the cost of drilling an onshore well, which is \$10-15 million only. Understandably, when an IOC decides to take on such an expensive exploration venture, it is likely to know what it's doing.

What is so special about ExxonMobil? The answer to that question is probably best explained by Anthony Simpson in his bestselling book *The Seven Sisters*. Simpson describes the world's petroleum scenario in the 1940s and 1950s, showing how poverty-stricken Middle Eastern countries, including Saudi Arabia, Kuwait, etc, turned into super-rich nations through the discovery of huge amounts of underground petroleum resources. And seven of the most powerful IOCs at that time – whom he calls the seven sisters – employed their machineries, talent, and fortune to unearth the vast reserves of oil in the Middle East. These companies included Exxon, Mobil, British Petroleum, and Shell. Exxon and Mobil later merged together and started running their exploration ventures across the world.

After a long break, Bangladesh decided to launch an offshore bidding round in December last year. A model production sharing contract (PSC) has been revised and all documents have been prepared for approval from the ministry. But due to bureaucratic tangle, files are moving much slower than expected, delaying the launch of the bidding round repeatedly. As of March this year, the date is yet to be announced.

One thing that Bangladesh does not have on its side is time. Prolonging a process may be the bureaucratic norm here, but IOCs tend to operate on a fast-track basis and often find it frustrating to wait for a decision for too long. Bangladesh does not have offshore drilling capabilities and has to depend on IOCs right now. If the government is serious about extracting its own offshore gas, it must take a faster route of action.

The deadly, murky history of the rules-based order



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Since Russia's invasion of Ukraine in February 2022 (the conflict between the two countries actually began in 2014 following a US engineered coup, but the Western media won), the world has been deluged with shrill cries of outrage by the West, led by the United States. The US and the West have been lecturing the rest of the world about them being the guardians of democracy for decades. What has been remarkable since Russia invaded Ukraine is the sanctimonious frenzy. We are told that the war in Ukraine is not, as many of us believe, a complex dispute over autonomy for an ethnic minority in a multi-ethnic state, but that the Russian attack is a civilisational challenge to a global "rules-based order."

What is this "rules-based order"? This month provides a harrowing historical landmark of what an ugly turn that order has taken in the past.

Twenty years ago on March 20, the US attacked Iraq. It had twisted many an arm, but failed to get the UN Security Council to agree. No matter. So much for rules. The war left a terrible legacy for Iraqis.

"No one knows with certainty how many people have been killed and wounded in Iraq since the 2003 United States invasion. However, we know that between 280,771 and 315,190 have died from direct war-related violence... from the time of the invasion through

March 2023," according to Brown University's Watson Institute. "The violent deaths of Iraqi civilians have occurred through aerial bombing, shelling, gunshots, suicide attacks, and fires started by bombing."

That's not all. "Several times as many Iraqi civilians may have died as an indirect result of the war, due to damage to the systems that provide food, healthcare and clean drinking water," the Watson Institute report adds. "The war has compounded the ill effects of decades of harmful US policy actions towards Iraq since the 1960s, including economic sanctions in the 1990s that were devastating for Iraqis."

The harrowing historical landmark I refer to, however, goes back over half a century.

Fifty-five years ago, on March 16, 1968, in the Vietnamese village of My Lai, US soldiers went in and slaughtered 347 to 504 villagers. They were unarmed – almost all of them being old men, women, and children. Women were gang-raped. Even animals were killed in a wanton, pointless act of brutality.

If the Vietnam war was part of a rules-based order, the rules must have been made in hell.

In a decades-long war against a small, impoverished, agrarian country halfway around the world, the US, the world's mightiest nation, unleashed a carnage of extraordinary ferocity

and barbarity. According to Vietnam, over two million Vietnamese civilians died. More bombs were dropped in that tiny country than during World War II; the country was smothered in incendiary napalm bombs and tons of carcinogenic Agent Orange.

I bring up the My Lai massacre because while the Iraq war was relatively recent, the Vietnam war has receded from public memory.

There are other fascinating historical strands that connect the past to the present. After the My Lai massacre, the US Army attempted a cover-up, but the person who broke the story was a tenacious reporter. Seymour Hersh won the prestigious Pulitzer Prize for bringing the horrific details to the attention of the US public.

Fast forward a few decades. In the early days of the US occupation of Iraq, a prison in Abu Ghraib, one of the most notorious in the time of Saddam Hussain's rule, was converted into a US military prison. In April 2004, the US television network CBS published photos of torture and abuse that shocked and outraged the world. The US Army and the CIA committed a series of human rights violations and war crimes against detainees in Abu Ghraib.

In the same year in April, Seymour Hersh, who broke the My Lai story, wrote a series of three articles in *The New Yorker* magazine discussing the abuses in detail. The magazine also published a report on its website by Hersh, along with a number of images of the torture, taken by US military prison guards.

Abu Ghraib, in my mind, is to the Iraq war what My Lai is to Vietnam. In both cases, stark, relatively small-scale events epitomise the depravity and essential lawlessness of the two US

campaigns.

Another common thread that runs through Abu Ghraib and My Lai is the astonishingly poor accountability. In the case of My Lai, the only person who was ever actually convicted was a low-level officer, Lt William Calley, Jr. He was sentenced to life imprisonment; he ultimately served around two years. In the case of Abu Ghraib, a few low-level US military personnel were tried and punished.

But these abuses did not happen in a vacuum. Officers higher up than the ones charged allowed the killings to happen and condoned and even tried to cover them up. Nothing ever happened to them.

I am sure the avid readers will find the name of Seymour Hersh familiar. Hersh has been in the news for publishing an explosive report that claims that the US was behind blowing up the Nord Stream 2 pipeline in September last year that transports Russian natural gas. The Western mainstream press has ignored or pooh-poohed Hersh's claim, instead quoting anonymous intelligence sources to suggest that the explosions may have been caused by a rogue Ukrainian group – a theory that strains credulity.

So here we are, then, a fearsome war between Ukraine and Russia, and the West, with its fierce Manichean take on it, is demanding that everyone else join its righteous battle to slay the dragon – evil Russia.

Yet, the Global South – India, China, Latin America, Africa – is sceptical at best. For many, once you remove the fancy packaging of the "rules-based order," what lurks underneath is an equally sanctimonious and unconvincing claim of yesteryear – the entire world is "the White man's burden."