

## Dropping out of SSC examinations

**Education must be made productive**

NEWS on the education front is indeed disquieting. With the Secondary School Certificate examinations beginning this morning, it is estimated that as many as 42 per cent of registered students at the SSC level will be dropping out even before the exams get under way. By any standard, such a huge number of examinees staying away from examinations which are regarded as a decisive stepping stone to higher education is not only surprising but also raises questions about the direction in which education is headed. As to the matter of why these students, more than 5,00,000 in all out of a total of nearly 13,00,000, will not sit for the examinations, a number of reasons have been cited. Included among these reasons are some fundamental social problems like students' inability to clear their dues before the examinations, failure of students to get promoted to class ten from the preceding class, inability of many to emerge successful at the qualifying tests for the exams, early and sudden marriage in the case of girl students, et al.

The reasons cited above are all social factors that Bangladesh's generally economically strapped society has regularly lived with. And yet for generations it has been the ambition of families to have their children cross the school threshold and move on into higher spheres of education in the interest of a better life. But what we are now confronted with is sadly a clear waste of time, talent and resources on the part of those who will stay away from today's examinations as also for their guardians. The bigger and quite legitimate fear is that a very large number of these dropouts will simply lose the way and may turn their back on education altogether. And that precisely is where our sense of disquiet comes in. And it does because of the belief that education, especially for a disadvantaged society like ours, is geared to making productive citizens out of the young. Unfortunately, the system of education, the falling standards in the quality of teaching and the poverty of students' families have all seemed to come together to thwart that purpose. The mission of education, the sense of purpose that comes with it, is now under threat, to our dismay.

The dropout issue in this year's SSC should be a wake-up call for the education authorities as well as everyone involved with thoughts of an expansion of education and a raising of its standards. The future for Bangladesh is clearly in the way we equip our young men and women at school for their onward progress in life. And that progress will depend on how much of a need-based education we can provide them with. There are the clear economic imperatives upon which poor and middle class families send their children to school. A sign of social progress is when the next generation lives better. That unfortunately does not happen if the students we speak of fall behind or do not sit for their school leaving examinations.

## Anti-crime drive

**Why should raid plans be announced beforehand?**

WITH the deteriorating crime situation in the country, especially in the capital city, Dhaka Metropolitan Police (DMP) announced plans for the second time in the media to carry out raids to apprehend listed criminals. We are aware of very little result achieved by them in the last week's drive as the top terrors or their godfathers remained out of the dragnet. In the first phase of the drive they only succeeded in apprehending some drug addicts, small-time peddlers or muggers. When the crime network apparently remains one step ahead of the police, we wonder why should DMP send wrong signals to them by making its plans public? It is only likely that immediately after the announcement, thugs flee to take refuge in some safer areas and remain there as long as the hullabaloo lasts.

Safety of life and property has become a matter of great concern for the citizens who do not dare to walk alone on the streets any time of the day or night. Their fear for their lives has further intensified after some recent incidents of homicide and waylaying of people by armed thugs. Hijackers in taxi-cabs and CNG autorickshaws continue to operate after dusk. Criminals with poisonous ointment and cold drinks make passengers unconscious in buses and trains and loot their belongings. Armed goons raid shops and business houses demanding tolls and they do not hesitate to shoot someone down when resisted.

Against this background, DMP has once again publicly announced launch of its second 5-day drive ostensibly to catch hardened criminals. This time around they wish to round up bigger fish like professional killers, robbers, extortionists and other hardened criminals. It may be easier said than done, as some police intelligence sources believe that increase in the intensity of criminal activities suggests that the arrests and recovery of arms did little to stop the downward slide in law and order. Many of the arrested and sentenced top terrors reportedly operate from inside jails with the help of cell phones allegedly supplied by unscrupulous members of jail administration. We believe the police and jail authorities will have to look into this allegation seriously.

Continued threat to life and property can make citizens grow bitter about the administration; therefore, the government has to take well-thought out, discreet and energetic measures to ensure that criminals are arrested and put behind bars.

## To devalue or not to devalue?

Devaluation would also have an adverse impact on government finances. The subsidy requirements for food, fuel, and fertiliser would go up if the present price level is to be maintained. Furthermore, taka cost of external debt service will also increase.

MIRZA AZIZUL ISLAM

WHETHER or not Bangladesh should devalue its currency is a question that has assumed some prominence. For some time now exporters have been pressing for devaluation, primarily on the ground that the currencies of some competitor countries have depreciated considerably over the past few months. The president of Knitwear Manufacturers and Exporters Association opposed devaluation and asked for higher export subsidy.

I was also confronted with the demand for devaluation. My response was that the decision on this matter required a thorough examination of the economy-wide impact of devaluation. According to media reports, the present finance minister hinted that the taka might be devalued; subsequently he stated that there would be no tinkering with the current regime and market forces would determine the exchange rate.

To me, the question of intervention in the foreign exchange market is not an ideological one. In most countries with floating exchange rate regimes, central banks do intervene in the foreign exchange market in order to achieve broader macro-economic goals. Bangladesh has been no exception to this widespread practice. Is there any compelling economic logic that warrants devaluation? The objective of this article is to clarify the analytical underpinnings of the case for and against devaluation.

The case for devaluation rests on the ground that if exporters are facing hardship due to developments in the global economy they need to be compensated, and devaluation would be an effective tool for providing such compensation. It should be noted that devaluation does not change the price of export in terms of foreign currency, but raises it in terms of domestic currency.

As a consequence, domestic consumption of the export commodity is reduced, also the producers are enabled to move up along the supply curve. The combined result is to increase the volume of exports. The exporters earn greater revenue, proportionate to the increase in the volume of exports and the magnitude of devaluation. The above analytical result can be realised only if certain conditions are met.

First, devaluation-induced domestic price increase causes a fall in the domestic consumption of the export commodity. In the case of garments exports, this is likely to be the case in Bangladesh. With low per capita income, the demand for garments may be fairly price elastic.

The second condition is that for the full realisation of the beneficial impact of devaluation, the supply curve has to remain unchanged. This is a most unlikely scenario in Bangladesh. The garments industry is substantially dependent on imported inputs, and devaluation would cause an increase in their domestic price. As a result, the supply curve would shift to the left, undermining the increase in export volume relative to what would be the case if the supply curve remained unchanged. Furthermore, labour engaged in the garment industry may demand higher wages more forcefully, leading to a further shift of supply curve to the left.

The third condition is that the prices of garments remain unchanged in terms of foreign currency and that Bangladesh satisfies small country assumption, meaning that the country can sell any volume at the existing international price. This condition is also most unlikely to be met in the present circumstances.

Some garments exporters said that they were facing pressure from the foreign buyers to reduce prices in terms of foreign currency. Devaluation might add fuel to such pressure and, if our exporters have to yield, a significant portion of the potential benefit of devaluation would be appropriated by foreigners.

The above analysis suggests that the beneficial impact of devaluation on garments exporters is at best uncertain. Those who clamour for devaluation pitch their argument primarily on devaluation of the currencies of competitor countries. It is worth mentioning that between 2003 and 2007, the taka depreciated by 19%. As against this, currencies of several competitor countries appreciated: China 8%, India 13%, Laos 8% and Nepal 9%. Some countries, of course, experienced depreciation, but much less than Bangladesh: Cambodia 2%, Pakistan 4%, Vietnam 4%, and Sri Lanka 14%.

However, during the second half 2008, some of these countries experienced substantial devaluation (though Chinese yuan continued to appreciate). To see whether greater devaluation of the currencies of some competitor countries has cut into exports of Bangladesh, we need to examine whether export volumes of those countries have increased by a greater extent than those of Bangladesh.

It appears legitimate to conclude that exports of competitor countries have increased, if at all, but at no expense to Bangladesh. During July to December of



2008, export of woven garments in dollar value terms registered a growth of 21%, and knitwear a rate of 27%, despite downward slip in October and December (DS Feb 4). Most of the increase in export has been generated by increase in volume, rather than price. It is doubtful if any of our competitor countries has witnessed such high growth, devaluation notwithstanding.

This is because labour cost in Bangladesh is much lower than in most of the competitor countries, outweighing their supposed advantage attributable to devaluation. Furthermore, there may have been a switch in demand from high-end to low-end products which Bangladesh exports. If the demand for the latter producers also shrinks, it is likely to become price-inelastic. So even a reduction in foreign currency price may not stimulate exports.

Another argument often advanced in favour of devaluation is the likely increase of remittance. Here it should be noted that during July 2008 to January 2009, remittances increased by a spectacular 30% over the corresponding period of the preceding fiscal year (DS Feb 10). There is, thus, no evidence that the present exchange rate has discouraged remittances. If the global melt-down leads to loss of employment abroad, or slower rate of recruitment, there is no rational basis to assume that devaluation would cure the malady.

Let me state a couple of the undesirable

consequences of devaluation. Devaluation increases the domestic price of most goods (including those which are exported and the domestically produced import-competing products). Therefore, the benign trend in inflation, which started from October 2008 (point to point inflation fell to 7.3% in October 2008 and 6.1% in November 2008 from 11.2% in November 2007), would run the risk of being reversed.

Devaluation would also have an adverse impact on government finances. The subsidy requirements for food, fuel, and fertiliser would go up if the present price level is to be maintained. Furthermore, taka cost of external debt service will also increase.

Devaluation is a macro-economic policy tool, which a country may need to deploy when it suffers from persistent imbalance in external accounts and the deficit cannot be financed within the limits of sustainable external debt service. With a still healthy growth of exports and remittances, that is not the situation in Bangladesh right now.

"In considering devaluation, the government and the Central Bank should carefully weigh: (i) the likelihood of increasing exports and remittances in the present global climate through devaluation, (ii) the impact on inflation, and (iii) consequences for the government budget.

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## Manning our maritime borders

Bangladesh can accept the US offer, if their support is featured for training and supplying of required equipments and vessels for exploring oil and gas in the Bay of Bengal. But physical presence of US navy in the Bay of Bengal for protecting our mineral-rich zone will be a threat to our sovereignty.

A.N.M. NURUL HAQUE

THE proposal made by the visiting US Assistant Secretary of State for South and Central Asia, Richard A Boucher, to assist Bangladesh in protecting its mineral-rich sea areas in the Bay of Bengal, has made many suspicious of any hidden notion behind this apparently innocuous offer.

The US envoy, however, ruled out the notion of setting up any US military base in Bangladesh, adding that the modalities of the proposed assistance in marine patrol depends on Bangladesh's requirement within the US ability.

The issue of assistance in marine patrol came up for discussion for the first time against the backdrop of a row over oil gas exploration by Myanmar in Bangladesh's territorial water in November when Myanmar naval warships escorted three South Korean survey vessels into Bangladesh territorial water to explore gas and oil in the Bay of Bengal. Diplomatic efforts involving China and South Korea apparently put the row to an end.

Similar tension also built up with India in December, when an Indian survey vessel escorted by two naval ships entered Bangladesh's waters to carry out hydrocarbon exploration and refused to retreat into their territory despite Dhaka's protests. Diplomatic parleys by Dhaka led to their retreat into their own territory at that time.

The Bay of Bengal has come recently into the focus of regional attention for its possibility of having huge deposit of mineral resources including oil and gas. But the issue of delimiting the country's maritime boundary in accordance with the provisions of the UN convention on the law of the sea (Unclos) 1982 has been hanging fire for a long time.

One will surely describe this as gross negligence of the successive governments for taking long 19 years to ratify

Unclos in 2001, an important UN convention for protecting countries from unwarranted intrusion in the seas, and 36 years to sit down for discussing the maritime issues with two close neighbours, India and Myanmar. Moreover, we have not yet started updating the country's marine laws in consistent with Unclos.

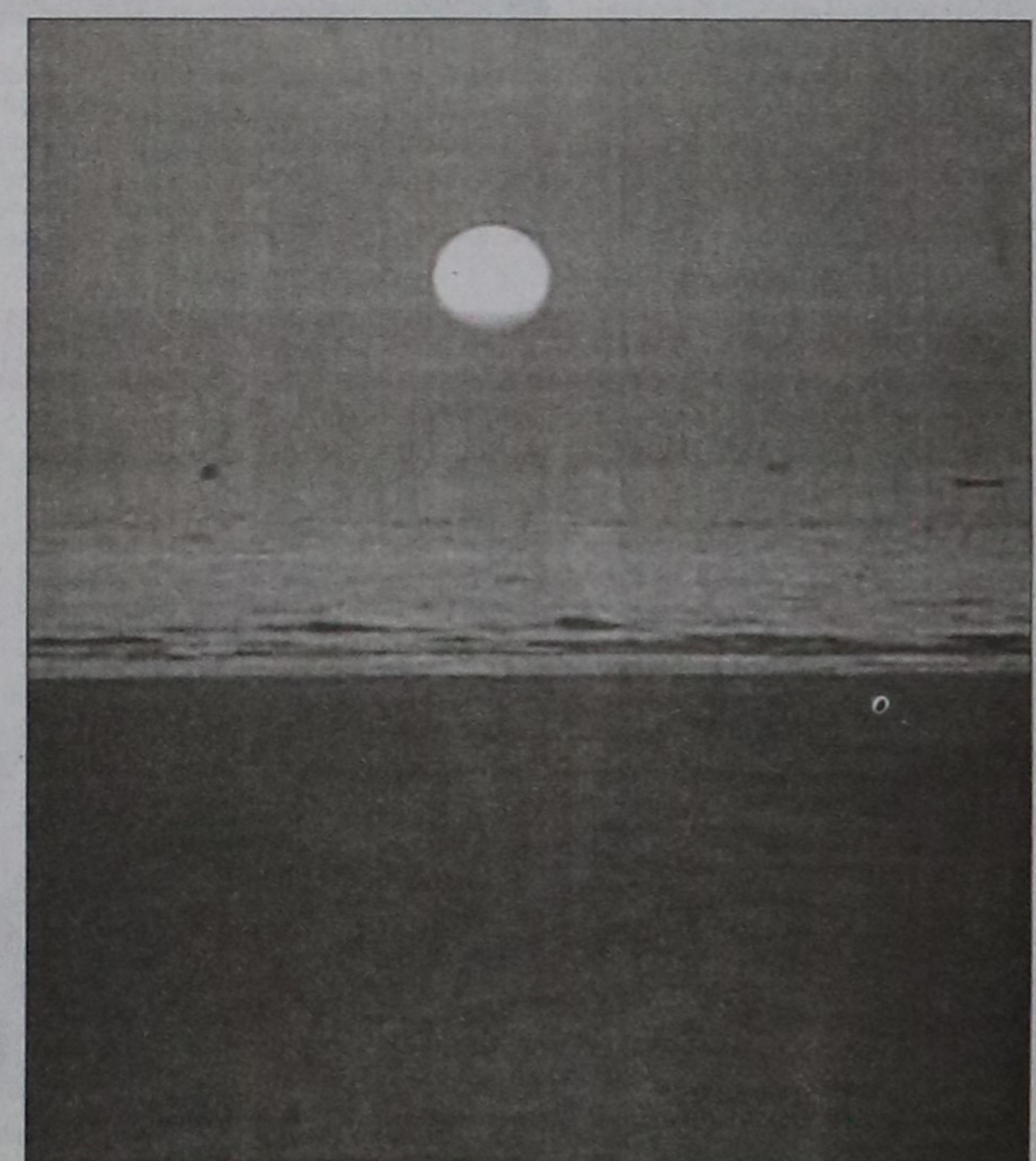
Unclos contains provisions for determining a nation's continental shelf, contiguous zone, exclusive economic zone, and sea territory. The most important part of Unclos concerns the activities for exploration and economic exploitation of the resources of the sea-bed and its subsoil. It also provides protection of marine environment and opportunities for research intending to develop marine technology.

Apparently, India and Myanmar had undertaken exploratory activities inside Bangladesh's maritime zones, taking advantage of unresolved issue of delimiting maritime boundaries in the Bay of Bengal. Both India and Myanmar are under UN obligation to settle the maritime border disputes with Bangladesh in a peaceful manner in accordance with the provisions of Unclos. But Bangladesh has failed in delimiting its maritime boundaries in the line with Unclos 1982.

As the country failed to ratify Unclos before May 13, 1999, it will have to wait for 10 years from the date of its ratification to file claims as per UN convention. So, situation may remain volatile till 2011, when the maritime boundary will finally be demarcated in accordance with Unclos.

It is an encouraging development that Prime Minister Sheikh Hasina has raised the issue of maritime border delimitation at her first meeting with officials of the energy ministry and the Foreign Minister Dipu Moni has informed the nation that the government is all set to file claims to the UN on maritime boundary.

The recent incursion of Myanmar's and Indian naval warships, escorting their oil



Who will control the waves?

and gas exploration vessels into Bangladesh maritime zones in the Bay of Bengal, was a clear indication of serious consequences of leaving unresolved a long-standing maritime border dispute.

Bangladesh cannot afford to lose its legitimate share of oil and gas in the Bay of Bengal. But US offer to assist Bangladesh in protecting its maritime border augurs ill to many because of its dominating role after setting a naval base in Diego Garcia on the Indian Ocean, which may be extended to the Bay of Bengal for their geo-political strategic interest.

Bangladesh can accept the US offer, if their support is featured for training and supplying of required equipments and vessels for exploring oil and gas in the Bay of Bengal. But physical presence of US

navy in the Bay of Bengal for protecting our mineral-rich zone will be a threat to our sovereignty.

Therefore, all three nations, Bangladesh, India, and Myanmar, locked in long standing maritime border dispute, should strive to find a suitable solution through a pragmatic dialogue, leaving their brinkmanship attitude for bigger interest of all. Dominance of US navy in the Bay of Bengal will certainly be harmful for all the nations in the region.

It is pertinent to mention here that a good number of Asian countries including China, Japan, Thailand, and Vietnam have successfully resolved similar maritime border disputes through negotiation with their counterparts.

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