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LATE S. M. ALI

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## Relief for Bangladeshi workers in Saudi Arabia

*We thank Saudi leadership and look forward to similar win-win solution to other issues*

WHAT a high level intervention and persuasion at the head of government level can deliver is amply proven by Prime Minister Sheikh Hasina's taking up the issue of our workers' employment and wellbeing with the Saudi leadership during her Umra visit to the fraternal kingdom. By virtue of a series of regulations adopted by the Saudi Council of Ministers, 20 lakh Bangladeshi employees in that country are being enabled to change their jobs thereby acquiring mobility, flexibility and security of employment across a broad spectrum of Saudi economy.

In a robustly solution-oriented approach, the Saudi government taking stock of the problems Bangladeshi wage earners faced while working in Saudi Arabia has tried to resolve the issues and, in fact, found ways to mitigate them. As a result, we now see unlocking of possibilities that remained inexplicably on hold thus far, even though these should have been their natural entitlements, if past governments had negotiated successfully with their Saudi counterpart.

The credit thus goes to the present government to have reached a tangible understanding with the Saudi government for relaxation of employment conditions for Bangladeshi workers. Credit is also due to Saudi leadership for resolving this issue, which will greatly benefit our workers. Now our workers would not be subject to inflexible job contracts which induced different kinds of abuse and exploitation. Because work permits were seldom renewed, Bangladeshi workers would stray into fugitive status by doing jobs 'illegally'. Such lacunae have been plugged now and Bangladeshi wage earners' would hopefully stand on more certain ground while working in Saudi Arabia.

We would like to regard the new development as the precursor of a whole series of steps that the Saudi and Bangladeshi governments would take to seal all routes of exploitation that Bangladeshi workers have hitherto fallen prey to considering the importance of what is basically a two-way street to development.

This is likely to have positive repercussions on the future ties between the oil rich Gulf peninsula and Bangladesh by way of enduring developmental relationship between the two countries. We have the satisfaction of having contributed to Saudi economy and development by the skill of our workers and the sweat of their brow. Likewise, we acknowledge the Saudi contribution as the largest traditional source of remittances to Bangladesh economy. Let there be no looking back from here.

## High-rises vulnerable to fire

*Authorities must take steps before disaster strikes*

WE are shocked, but not surprised, at the extent of vulnerability to fire in Dhaka's high-rise buildings, that was recently revealed in a Daily Star investigative report.

For too long the danger of fire has been ignored by the authorities overseeing the building and maintenance of such high-rises, and as the recent fire at the Bashundhara City mall confirmed, we are living in unsafe conditions and that largely by default. If changes are not made immediately, a catastrophe is bound to occur, most likely sooner rather than later.

Fire safety has never been a priority when it comes to buildings in the city, and, as with earthquake safety, we are only just now recognising the dangers that are inherent to such negligence, and how vulnerable we are.

The problem is two-fold: the first is to create awareness of our vulnerability to fire and ensure that fire safety is part and parcel of the building code; the second is to make sure that all high-rise buildings are built according to code and that the necessary equipment, procedures, and personnel are in place to avert disaster.

The most distressing feature of the DS report was the revelation that what fire-fighting equipment existed in most high-rises was inadequate or out of date and that there was widespread ignorance when it came to fire safety procedures or how to operate the equipment in the event of a fire.

It is understood that fire safety costs money, but to ignore it is to be penny-wise and pound-foolish. It took catastrophe to bring home to us the vulnerability of garment factories to fire. Now we know that even the poshest buildings are not safe, either.

Ultimately, if we do not take the time to rectify this problem, then we will pay for it a hundred-fold in the cost of human lives and destruction of property.

The authorities need to make fire safety a priority. They need to ensure that buildings are up to scratch, and that once they are built that fire safety procedures are assiduously maintained. We cannot say now that we have not been warned as to the adverse consequences of inaction.



# The alleged madrasa-terrorism linkage

From newspaper reports it would appear that the madrasas have not been the primary source of the so-called religious terrorists. In fact, a large number of apprehended terrorists were found to have background of general education and came from financially solvent families.

MUHAMMAD NURUL HUDA

THE alleged links of madrasas with terrorism received greater media attention when the prime minister met a team of religious leaders that reportedly apprised her of their grievances vis-a-vis some comments on the activities of qaumi madrasas. The allegation, undoubtedly, is very serious and the reaction has been very sharp.

Under our socio-political circumstances, it is difficult to take a dispassionate look at such a matter because some such efforts have, in the past, been dubbed as motivated. Somehow our tolerance threshold has been lamentably low. However, that should not mean that we have to desist from making enquiry into or studying the dimension of so-called religious extremism and depend upon what academics and security experts abroad have to say.

From newspaper reports it would appear that the madrasas have not been the primary source of the so-called religious terrorists. In fact, a large number of apprehended terrorists were found to have background of general education and came from financially solvent families.

While incidents of unauthorised firearms haul and seizure of inciting literature from some madrasas should alert all concerned, one should avoid wholesale branding of such religious institutions. One has to bear in mind that the establishment of madrasas by the wealthy ones is still considered an act of piety. There is a danger of hurting the sentiments of many if madrasas are alleged to be fomenting the so-called religious extremism.

Madrasas were established in many places but the necessity of keeping an account of such institutions was never warranted, not to speak of monitoring their activities or putting them under surveillance. The question is, has the situation altered significantly to demand a fresh look?

We were not so conspicuously religious in pre-1971 times under Islamic Republic of Pakistan. Many of us have not realised that in post-1975 Bangladesh, particularly during the last 30 years, there has been a phenomenal growth of madrasas. At the same time, many apparently religious institutions have been built by organisations/groups about whose credentials not much is known.

Was moral rearmament or spiritual renaissance the predominant factor behind unusual growth of religious institutions? However, doubts creep in as we do not see any corresponding rise in public or private morality. So, the suspicion is that while the establishment, the civil society and other activists have remained in the dark about the designs and programs of the obscurantist elements, the so-called religious extremists have grown in strength and spread their tentacles taking advantage of the ignorance and inertia.

There is a view that the military power of the west is the key to its perceived arrogance. The radical opinions argue that if power is the way in for the west, power is the way out for Muslims. The focus is on the use of power in pursuit of policy. Some sections of the public have been converted to this approach. Incidentally, the liberal current of opinion has been significantly delegitimised in the process.

The heart of the problem is unresolved conflicts and the increasing cynicism. The requirement is a policy on conflict and support to the agenda for democracy. The goal should be denial of space for radicalised militancy. The religious extremists shall not be allowed to develop vital stakes in the political system for starting a radical movement in the long run.

There is a fear that with the large increase of madrasas there is a new generation of men being inculcated with misogynist values that have reinforced negative perceptions of women.

We may have to admit that in Bangladesh advocates of a radical path appear more determined than liberals or secularists. Secular forces hardly work with intense dedication, much less with a sense of mission. There is a threat in the attempts to redefine Bangladeshi statehood in religious colours. Initially, there was constitutional faith in state secularism as the defining credo of Bangladeshi nationhood.

We have to remember that in Bangladesh gross poverty co-exists with democracy, a liberal constitution and disorder with functioning polity. However, religious and traditional beliefs are far more tenacious than the liberals imagine and the state, at times, has been involved directly in the business of defining religion.

It is also a reality that secularism as state ideology is unable to compete with a language saturated with religion. The compulsions of the traditional obligations of the ruler to protect state religion have to be kept in view.

There is a need to reassert the innate pluralism of our politics. This is significant because the liberal front faces an uphill task in recapturing the political as well as the psychological ground already lost to the so-called extremist quarter. That quarter is preparing for aggressive social mobilisation with plans to embark upon politics of confrontation with a view to deriving political capital.

We need to be clear and definite about the threat perception. The adversary has an emotional and religiously sensitive alignment with the ordinary people. The activists of religious institutions should be placed under very discreet observation.

The mission and strategy of our crime-fighting and intelligence organisations has to be stable at least insofar as the domestic threat scenario is concerned. It must not change with the change of political power. The madrasa stream of education should come under greater governmental control for inculcation of democratic values and also enshrine the true values of religion.

We need a system that puts employment generation at the centre of our policy agendas. The deprived majority has to get an investment stake and price regime that empower them to get more gains from their labours and improved productivity. We need an inclusive policy agenda where the stake of the deprived classes has to be institutionalised by law rather than by the whims of our policymakers.

*Muhammad Nurul Huda is a columnist for The Daily Star.*

# Reading between the lines

Because there are no reasons to assume that production cost per unit has increased, it can be concluded that profit per unit did not decline, though the total amount of profit obviously fell because of decline in volume. So, the rationale for enhancing the rate of subsidy is at best tenuous.

MIRZA AZIZUL ISLAM

THE finance minister announced a package of measures on April 19 to mitigate the impact of the on-going global recession on our economy. Elements of the fiscal package for FY 2008-2009 comprise increase of cash incentive for export of three items and higher allocation for subsidies to agriculture and electricity, recapitalisation of state-owned financial institutions, agricultural loans and social protection (food). The additional financial implications for the revised budget of the current fiscal year have been estimated as Tk.3,424 crores.

Let me analyse the rationale and the likely impact of these measures.

- Export subsidy: The package increases export subsidy by 2.5% for three items -- jute goods, leather and leather goods, and frozen shrimp. Additional financial requirement for this appears to be overestimated. Considering that the bulk of cash incentives goes to garments (excluded from the present package) and that the value of exports of these items is likely to be less than in the previous year, the increase in rate is unlikely to entail additional cash requirement of Tk. 450 crore. I have been given to understand that some of this amount will be used to meet past arrear claims.

Presumably, the rationale for the choice of the three items is that all of them suffered a decline in volume and value of exports. Data for July-December 2008 reveal that in all these cases the fall in volume was more than the fall in value leading to the same period of the last year. This has several implications.

First, the unit price did not fall compared to the previous year; for frozen food, there was probably a substantial increase because the decline in volume amounted to almost 17% against 4% decline in value. If the fall in export value is due to a slump in international demand, one would expect a fall in both volume and unit price. Since this did not happen one needs to examine whether the fall in export volume is due to domestic production problems.

Second, because there are no reasons to assume that production cost per unit has increased, it can be concluded that profit per unit did not decline, though the total amount of profit obviously fell because of decline in volume. So, the rationale for enhancing the rate of subsidy is at best tenuous.

Third, if the fall is really due to a slump in international demand, it is unlikely that the enhanced subsidy will lead to an increase in the volume of exports. If the subsidy is passed on entirely to foreign consumers in the form of lower dollar price without an accompanying increase in volume, the country ends up by subsidising foreign consumers.

For the country to gain positively any additional subsidy-induced price decline must be accompanied by more than proportionate increase in export volume. In the other extreme case, in which exporters do not reduce the dollar price at all, the benefit will accrue entirely to exporters in the form of addition to the quantum of their profit, but there would be no increase in export earnings of the country.

- Subsidy to agriculture: Increased allocation to the agricultural sector is welcome with or without recession. The sector received high priority in the original FY 08-09 budget as well. However, it has not been clarified as to how the subsidy would be administered. The government needs to decide whether the subsidy will be given in the form of price support for final product or input subsidy, or both. In any event it would be important to ensure that the targeted beneficiaries receive the subsidy. This measure is likely to boost both domestic production and consumption.
- Subsidy for electricity: The allocation will be given to Power Development Board to cover the price differential between its purchase price from private producers and sale price. This amount will neither provide any stimulus for enhanced domestic production of electricity, nor will users receive any benefit in the form of reduced price. This part of the package is thus not a stimulus in any sense, nor is it in any way related to the global recession.
- Agricultural loan (recapitalisation): Similar comments as above apply to the allocation for this purpose. In the wake of the natural calamities in 2007, the caretaker government put a lot of emphasis on disbursement of agricultural credit. In consequence, there was a 62% increase in disbursement in FY 07-08. This growth in loan was not matched by required capital increase of the concerned financial institutions. The enhanced allocation for recapitalisation will thus contribute towards meeting accumulated capital shortfall, but it is unlikely to stimulate the flow of agricultural credit by itself.
- Social Protection (food): In Bangladesh, where nearly 40% of the population lives below the poverty line, there is always a strong case for greater allocation for social protection. The enhanced allocation will thus contribute to poverty alleviation, but its efficiency as a growth stimulant is open to doubt.

The following conclusions emerge from the above analysis. Only the export subsidy element in the package is apparently directly related to the global recession. But if the objective is to increase export earnings, the instrument is likely to prove to be a blunt one. The increased allocation for the four other items is justified on various grounds, but unrelated to the global recession.

The government has got some fiscal space created by the reduced need for subsidy on petroleum, fertiliser and low rate of ADP implementation. The government could use the space either to reduce budget deficit, estimated to be 5% for the current fiscal year, or to increase allocation to some priority sectors even without a global recession. the Government justifiably chose the latter option.

However, the nature of enhanced allocations suggests that only the subsidy to agriculture may be a growth stimulant. The others may be justified on legitimate grounds, but unrelated to global recession or growth stimulus. Therefore, to brand 2008-09 fiscal package as a stimulus package to mitigate the impact of global recession is an inaccurate characterisation of the package.

*Mirza Azizul Islam, Ph.D. is former Adviser to the Caretaker Government, Ministries of Finance and Planning.*

# US banks will only get stronger

The executives who run these major American banks remain well aware of the Golden Rule: those who own the gold, rule. Once they survive this episode of economic stagnation and stay intact in their current form, these banks can and will rule the world.

ANN LEE

THE conventional wisdom these days is that American banks, on government life support, are destined to lose their dominant place in the global financial universe. Nothing could be further from the truth. In fact, many of these institutions are currently gaming the US administration's new "public-private partnership" program to buy and sell toxic assets to their own advantage.

The executives who run these major American banks remain well aware of the Golden Rule: those who own the gold, rule. Once they survive this episode of economic stagnation and stay intact in their current form, these banks can and will rule the world. True, they have lost their place at the top of the market-capitalisation-league charts, but the Chinese banks that have taken their place are mainly local, immature players, unable to handle complex transactions.

Despite their heft, they can't handle cross-border finance in any major volume. The European banks also don't stand much of a chance because they don't have access to generous American-style bailout packages to help them regain their footing.

Even now, in their weakened state, the US banks control the majority of global capital flows, which are well over $11.2 trillion, having grown more than 11,000 percent since 1990. By the end of 2007 (latest available statistics), banks accounted for 80% of the capital outflows and inflows, and American banks in particular are dominant.

The US banks hold 31%, or $61 trillion, of the world's $196 trillion in financial stock. By comparison, all of Latin America had a mere $5.9 trillion, and China and India combined had only $21 trillion (Europe was in second place with $52 trillion). Global wealth distribution, ironically in a global banking economy, is lopsided.

This enormous wealth is concentrated in fewer hands as a result of the crisis. The biggest American banks have consolidated by snapping up the assets of failed competitors like Bear, Lehman, Merrill and Wachovia. The survivors will be unstoppable now. Back in 2008, the top 10 firms underwriting global debt, equity and equity-related securities controlled 59% of that business. Emerging from this crisis, it is very likely that the top five firms will now control 60% of worldwide capital.

Of course, Chinese banks like ICBC are trying to grab market share. Deutsche Bank recently issued a report predicting that China could own 18% of the global banking business by 2018. While anything is possible, the fact that Chinese banks have almost no presence in the corporate bond and derivatives markets make those projections about cross-border strength very unlikely.

They will also be reluctant to buy large foreign banks to increase market share since they have been badly burned by their recent purchases of minority stakes in US banks. Even if they did decide to swallow one up, they have no idea how to manage the talent that resides in a large multinational bank.

The question now is not whether the US financial giants will lead but whether they will lead us into another financial Armageddon. Regulatory efforts so far have been weak at best. The lack of transparency in accounting continues. Toxic write-downs might be dragged out over years if Treasury Secretary Tim Geithner's public-private investment program fails to restore confidence in the credit markets.

Most worrisome is that Obama's economic team is laden with policymakers who got the world into this mess in the first place. Larry Summers was instrumental in the repeal of Glass-Steagall during the Clinton administration, and Ben Bernanke and Geithner did nothing to stop the credit bubble from growing out of control on their watch during the Bush years.

If the Obama administration wants the US to keep its position as the world's top dealmaker, it should appoint high-ranking economic officials with more credibility for bringing about needed change and reform and support European calls for a stronger international regulatory authority. To do anything less is to risk another financial debacle.

Ann Lee is an Adjunct Professor teaching Economics and Global Affairs at New York University. She is a former investment banker and credit-derivatives trader.