

Bilateral relations looking up

Breakthrough in Malaysian labour market

A T a press briefing at Gono Bhavan yesterday, Prime Minister Sheikh Hasina, among other issues, told journalists that her recent trip to Malaysia aimed to infuse dynamism into the existing bilateral relations between the two countries.

The visit was clearly a success as it marked the inking of four deals that included signing of Memorandums of Understanding in the field of tourism, abolition of visa requirements, cultural exchanges, and the most important of all, employment of workers. Malaysia remains a major employer of Bangladeshi expatriate workers. With nearly 300,000 Bangladeshis engaged in various productive sectors of Malaysia, the country constitutes a major overseas labour destination for us.

The latest deal will oversee Malaysia absorbing some 12,000 of our workers in Sarawak province in the plantation sector. Given that this is going to be the first tranche of workers going to work under the government-to-government deal, its importance cannot be overstated. Needless to say that a lot is riding on how we are able to process the documentation of workers slated to join the first batch of labourers going to Sarawak. Should everything go smoothly, Malaysia has shown an interest to induct, in phases, up to 60,000 workers.

It is interesting to see that the deal has finally gotten off the ground. We have experienced some "teething" problems since, until very recently, the recruiting business had been entirely dominated by the private sector. Given the horrendous tales of irregularities practiced by a section of the recruiting sector, it is imperative that required resources and investments are made in the government recruiting agencies handling these state-to-state manpower agreements. A success in the Malaysian deal can be replicated to open up other high value labour export markets.

Police brutality against Barisal students

We condemn the violence

WE are outraged at the uncalled-for police brutality against a peaceful demonstration by Diploma Medical Technology and Pharmacy students in front of the Barisal Sher-e-Bangla Medical College Hospital on Wednesday.

We are at one with various civil society and rights bodies in condemning the unprovoked and unapologetic violence by the male police, especially against female protestors.

They dubbed the demonstrators indiscriminately irrespective of their sex, and continued to beat them even when they were shrieking in agony on the ground, leaving at least 22 injured.

In a free and democratic country, why would the police, we ask, act in such an inhumane and autocratic manner against 200 students who were demonstrating to realise their 10-point demand, including the formation of a diploma medical education board? The freedom of association and assembly is our constitutional right, and police presence at protest sites can only be justified if it is to ensure safety, not to direct acts of aggression to inhibit the protestors.

We are further aghast that the Barisal Metropolitan Police would term the violence as "light," justifying the attacks on protestors.

Police brutality against civilians seems to have become a sad fact of life in Bangladesh, with the government providing the impetus as well as impunity to officers to carry out such violence to curb dissenting voices.

We demand that serious action be taken against the police for their unrestrained conduct. We also urge concerned authorities to take note of the students' demands instead of trying to dissuade them with violence.

DHAKA BOUNDARY SETTLEMENT

Narendra Modi bites the bullet

C. RAJA MOHAN

IN telling the BJP workers in Assam that India will go ahead with the ratification of the land boundary agreement with Bangladesh, Prime Minister Narendra Modi has put the imperatives of national interest above the regional populism of his own party.

The 119th amendment bill was placed in the Rajya Sabha late last year amidst vociferous opposition from the Trinamool Congress of Bengal and the Asom Gana Parishad (AGP) in Assam. While the national leadership of the BJP did not oppose the tabling of the bill, it signaled ambivalence given the opposition from the party unit in Assam.

Much of the debate in Bengal and Assam about the agreement has been ill-informed. Delhi and Dhaka rightly decided to exchange these enclaves after a survey of opinion in these enclaves -- India would 'cede' 111 enclaves amounting to about 17,160 acres and 'gain' 57 enclaves spread over 7,110 acres from the other. The loss and gain of territory here is entirely notional for neither side was in control of these enclaves that they owned in theory since 1947. The overwhelming sentiment among people trapped in these enclaves is to stay put where they are rather than move to the other country.

While the Congress government in Assam supported the agreement, the Trinamool, AGP and the BJP played political football by raising concerns about 'loss' of territory.

Modi affirmed that the territorial swap with Bangladesh is in the interests of the nation. He also promised the people of Assam that Delhi will address their concerns on illegal immigration from Bangladesh. By framing an argument that limits the tension between 'national' and 'regional' interests, Modi has set the stage for the parliament's approval of the 119th Constitution Amendment Bill.

The standing committee on external affairs had recently cleared the Bill and the government is expected to seek approval of the two houses. India's ratification of this agreement will mark a comprehensive territorial settlement of its longest land border. At 4,060 km, India's boundary with Bangladesh is longer than those with China and Pakistan.

Having a settled boundary will now allow Delhi and Dhaka to consider effective management the border -- through more intensive cooperation on countering terrorism and extremism, facilitating trade across this long frontier, building trans-border industrial corridors and preventing illegal movement of people.

Constructing a border of cooperation with Bangladesh should liberate India from one of major geopolitical constraints imposed on it by the Partition of Bengal. When he travels to Dhaka in the near future, Modi will be in a position to unveil a genuine strategic partnership with Bangladesh.

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Understanding the ISIS menace

STRAIGHT LINE



MUHAMMAD NURUL HUDA

Baghdadi declared himself to be the new Caliph and assumed the title of the Commander of the Faithful Caliph Ibrahim.

The new Caliphate aspires to unite all Muslims and bring Muslim-inhabited regions of the world under its direct political control. For ideological jihadists, the Caliphate is the ultimate goal and IS has come closest to reviving that vision. The difficulty is that the Shias, about one fifth of the total Muslim population by one estimation, are ideologically opposed to the Caliphate, which is seen as a Sunni enterprise. It is relevant to remember that the historic schism in Islam, the Sunni-Shia cleavage occurred over the issue of succession after the founding four Caliphs.

Interestingly, no ruler in Islamic history has been able to command the sole spiritual and political power over all Muslims and it does not guarantee the survival of any Muslim ruler. Indeed, the current announcement of the Caliphate has been met with derision everywhere except in jihadi circles. In fact, no Caliphate in Islamic history has succeeded in uniting all Muslims or created a political entity for the Islamic Ummah as a whole.

In 1924, the first President of the Turkish Republic, Mustafa Kemal Ataturk abolished the institution of the Caliphate as part of Turkey's republican constitutional reforms. A summit was convened at Cairo in 1926 to discuss the revival of the Caliphate but most Muslim countries did not participate and no action was taken to implement the summit's resolutions. The concept of the Caliphate thus disappeared into oblivion.

The ideological appeal of the Caliphate has helped the IS in recruiting young radicals from all over the globe and elicited some conservative popular support from Muslim countries, including Pakistan. ISIS has gained notoriety for its harsh interpretation of Wahabi School of Islam. Inspired

A menacingly armed political entity has risen over the horizon in the Middle East. The Islamic State of Iraq and the Levant (the region consisting parts of modern Iraq, Syria, and Lebanon) or ISIL, also known as ISIS, the acronym derived from its Arabic name, AD-Dowla Al-Islamiyyafil Iraq wa ash-sham announced its arrival in June this year. The self-proclaimed Islamic Caliphate soon changed its name to simply the Islamic State (IS). One Abu Bakr al

by its intensely sectarian beliefs, it has unleashed unspeakable violence, directed mainly at Shia Muslims, Christians, and other minorities. Reportedly, even the al-Qaeda could not stomach the rigidity and brutality of the ISIS.

It is pertinent to recollect that ISIS has been incubated as an organisation by its participation in the Syrian civil war. Its rise has led to fears of another Talibanised Afghanistan in the heart of West Asia with its attendant destabilising consequences. The misguided western policy of toppling non-Sunni regimes in Middle-East with active support of Saudi Arabia and Turkish regional ambition has dragged the region into a quagmire of instability. Consequently, the two largely secular countries like Iraq and Syria have been driven to the brink of disintegration, thereby encouraging the so-called Islamic extremism and sectarian violence.

The new Caliphate may be able to win few localised battles but cannot win large wars, and its spiritual impact will be negligible. However, it might gain support in Pakistan and al-Qaeda's leadership based in Pakistan may turn more hardline to contest the ISIS rival. This will not bode well for the security situation in Pakistan and its spillover effect into India.

Putting things in perspective, it would be proper to recall that the tragic events in Iraq and Syria can be traced directly to President Bush's misguided Iraq war. The violent conflict between Shiites and the Sunnis in the region is a result of that diabolic strategy engineered by the neo-cons in the Bush administration. The inability of the outgoing Iraqi Prime Minister, Nouri Al-Maliki, to build an inclusive government of reconciliation enabled the convergence of al-Qaeda and Islamic jihadists group, thus causing the great tragedy in the region.

The military success of the ISIS owes greatly to the anger that has exploded in the Sunni provinces of Iraq following Al-Maliki's ruthless suppression, targeting Sunni leaders for assassination and arrests, and the general exclusion of Sunnis from ruling circles.

The dominance of the ISIS in the annexed areas may ultimately result in the trifurcation of Iraq into Sunni-Shia-Kurdish controlled areas. This might mean stabilisation of ISIS control which in turn is likely to provide a fillip to jihadists worldwide and also a springboard for expanding strikes in the region and beyond. The likely scenario may be one of Sunnis and Shias continually slaughtering each other and keeping Muslims busy in internecine warfare, thereby unwittingly implementing the sinister game-plan of Western powers.

The writer is a columnist of The Daily Star.

Current account returns to deficit: Future implications

SHARJIL M. HAQUE

FOR the first time in around two years, Bangladesh current account slipped into a deficit in September 2014. A slump in exports, coupled with a hike in imports, was the main reason behind the current account falling back into the undesirable negative territory. A look back in history shows current account in Bangladesh has generally registered a surplus, marred occasionally with temporary deficits. Consistent rise in remittance was the cushion in offsetting our trade deficit over the years.

Now with the deficit back again, a risk of volatility in exchange rate is also on the cards. Since adopting the floating regime in 2003 (or more accurately a "managed" float for Bangladesh), the currency has been subject to two major episodes of devaluation following current account depreciations. The first one in 2005, and the second one -- perhaps far more fresh in our readers' minds -- was in 2011. For developing countries like ours, spiralling current account deficits and uncontrollable currency devaluations transmit panic waves and suggest significant macroeconomic weakening. As such, it becomes necessary to understand how the current account determinants are positioned compared to the past and what implications the central bank needs to consider in order to deal with the deficit.

Strong strides away from unproductive imports

Led by capital machinery and petroleum and petroleum products, total imports have grown at 11% in the first quarter of FY 15. This suggests that business confidence after national elections has returned, at least to some degree, and entrepreneurs are looking to revive momentum in industrial activity. However, some are taking this import figure with a grain of salt. Since credit growth in private sector is still nowhere near the monetary policy target, there is increased speculation of the possibility of money laundering inducing these encouraging numbers. Money laundering is not a new issue, and has been present in previous years' figures of imports as well. It would be a herculean task to determine what portion of import growth is due to money laundering. But attributing the entire growth in imports to such factors (whether they are true or not) may not be a prudent analysis.

What is undisputable is that imports of consumer and intermediate goods -- two items which together compose 50% of total imports -- have both registered negative growth during the same period. Comparison with the composition of imports in FY 11 reveals a strikingly different story. Total imports rose by 42%. One of the reasons for this abnormal hike was a rise in global food prices in 2011. But what one cannot overlook is that the economy saw a staggering 55% growth in consumer and intermediate goods -- including non-food items.

Essentially, these numbers imply that Bangladesh, aided by prudent policies by the central bank, has made a gradual shift away from unproductive imports -- a transition which must be strictly maintained for growth in capital productivity.

External downturn or internal constraints: Which is easier to overcome?

The last time Bangladesh faced current account deterioration, exports had actually posted impressive growth. The story is quite different this time, and perhaps more unfavourable from a macroeconomic stability point of view. Exports grew only 1% in the first quarter of FY 15. This decline is perhaps the most alarming macroeconomic downturn in recent history, given our reliance on exports for economic growth. Fall in cotton prices in global markets have deteriorated our RMG export performance and taken down nominal exports.

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But is Bangladesh the only one to feel the hit? The answer is a resounding "No." Global gains in supply and fall in demand pushed down prices across the board. Oil, energy, industrial metals, agriculture -- everything has taken a battering since around April 2014. Naturally, manufactured-product exporters have felt the pinch. The argument is that

terms of trade have declined for many countries globally; what we need to remember is that the downturn in exports is not due to internal or country-specific constraints. Fundamental internal challenges might have driven out buyers and permanently reduced prospects of future growth.

This sub-par performance in exports will last as long as global demand remains stagnant, but with the world's richest economy already posting better-than-expected growth rates in 2014, a turnaround may not be too far away. According to the International Monetary Fund, global growth rates are expected to pick up from 2014 and continue that trend in the coming years. Even the most dubious economic zone at present, the Euro Area, is expected to move out of recession in 2014. Once this happens, demand will rise first for essential items. Bangladesh will reap the benefit of specialisation in basic ready-made garments.

The real risk: Loss of traditional hedge

Remittance is the one factor which has helped us ensure current account surplus despite running trade deficits. The last episode of severe current account depreciation was brought about partially by a rare fall in remittance growth. With negative growth in remittance last year, one might think the symptoms of current account depreciation are the same as 2011. But a closer look shows that the first quarter of FY 15 saw a 21% growth in remittance over the last year. With fears of political turmoil dissipated, coupled with seasonal factors, migrant workers sent more money back home.

What remains a critical concern is the stagnation in growth of manpower export -- largely attributable to recruitment restrictions by traditional markets like UAE, Saudi Arabia and Kuwait. Despite talks by the government to setup manpower export channels with countries like Malaysia and Qatar, there is still no tangible surge in overseas recruitment.

So for once, this long-reliable macroeconomic driver is no longer present to hedge current account depreciation when trade deficit widens. With history serving testament to the critical role remittance has played for Bangladesh, it is high-time the government allocates sufficient resources and creates stronger diplomatic links with new markets to enhance labor export.

Reservoirs of reserves: Greater control over exchange rate Foreign exchange (FX) reserves can be a useful indicator to predict the central bank's control over the exchange rate. The last current account depreciation witnessed a currency devaluation of 17.8% despite central bank interventions. During this period, FX reserves fell below the minimum level of \$ 10 billion required for three months of imports. Naturally, at such levels, FX cannot be used to peg the rate anymore and hence depreciation was inevitable.

In stark contrast, today Bangladesh sits pretty on a record pile of over \$21 billion of FX reserves. With FX stock worth approximately seven months of imports, the central bank today has the capacity to avoid currency depreciation -- if it wants to.

But the dilemma for Bangladesh Bank is no longer about avoiding depreciation -- it has become one of whether to allow depreciation. Because with exports on the downturn due to external factors, allowing the Taka to depreciate may be the only option to improve export growth, at least until global demand normalises again. A small depreciation, well within people's expectations and below panic levels might actually have greater upside potential than downside risk.

Final thoughts

A lot seems to have changed in just around three years. The economy has made strong gains in some areas while lingering doubts remain in others. But armed with greater reserves and stronger policy framework oriented towards productive imports, the central bank seems better poised than before in keeping the current account deficit within controllable limits. What remains is stronger initiative by the government in creating strong diplomatic connections with potential labour-export markets to revive remittance. Once these initiatives work in tandem, Bangladesh can look at current account deficits without fear of macroeconomic instability.

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LETTERS TO THE EDITOR

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Recognising top remitters

The news of appreciation by Bangladesh Bank to the top ten foreign exchange remitters was published in your business page on 24th November. It was an excellent way to recognise the top ten persons sending foreign exchange to Bangladesh. Since they are sending funds from different countries, it would be nicer if the amounts remitted by them during the period were shown at the official rate in equivalent Bangladesh taka. In my opinion, it would be more encouraging and a better way of recognition if they were given commemorative medals and certificates. The authorities should give this a thought.

Engr. S. A. Mansoor
Dhaka

Stop use of hydraulic horns

The steps taken by BRTA to check and penalise the vehicles without fitness have seen little success. During the drive vehicle owners tried to get fitness certificates or didn't run their buses and trucks or gave a fresh coat of colour to their vehicles to avoid fines. They knew that this checking would stop shortly and it did.

Besides overseeing fitness of vehicles and driving license of drivers, there are other issues relating to people's health which should be looked into. What about the powerful hydraulic horns used by vehicles? Don't the blares of horns pose threat to public health as most of the drivers blow horns mercilessly throughout their journey, even at midnight when there are no other vehicles on road? It seems they enjoy the sounds of hydraulic horns.

Hydraulic horns make more than 100 db sound which is harmful for humans. It causes discomfort to old people, heart patients, children and even ordinary people on road. The authorities may kindly look into the matter and stop use of these horns once and for all.

Lt Col Shafique Bhuiyan (Retd)
Mirpur, Dhaka

Ctg's Station Road in urgent need of repair

With the onset of winter the roads of Chittagong have become dusty. The station road of Chittagong is in need of repair which remains dusty all the time. Every time I travel by public bus through the road, we have to shut the windows. Nonetheless, it is not possible to keep dust at bay.

We hope the authorities will take measures to repair the road so that it does not get dusty, as exposure to such dust may cause respiratory diseases.

Zabed Wali
Chittagong

Comments on news report, "Better connectivity key to more foreign investment," published on Dec. 2, 2014

Snr Citizen

Foreign investors will not take the road or rail-road to come to Bangladesh with sacks full of money. They will first assess the political stability and sustainability of their investments.

"Anarchy on the roads" (Dec. 2, 2014)

Saiekh Sohrauddin

We implore the authorities who seem to be in hibernation to wake up and do something quickly to change the present situation.

"India woos neighbours to counter Chinese clout" (Nov. 29, 2014)

Gulshan Dhaka

It may be possible for India when they themselves can become fair in dealing with neighbours.

"War tribunal unhappy with govt silence" (Dec. 1, 2014)

Molla A. Latif

If the international organisations have crossed their limits, then our government agencies concerned should have responded to it immediately.

"Sundarbans exposed to risks" (Dec. 1, 2014)

Afreen

Power plants and industries should be removed from the areas adjacent to Sundarbans.

"Move toward social business inevitable" (Dec. 1, 2014)

Anwar

I am overwhelmed with his idea of social business.