The Daily Star

FOUNDER EDITOR
LATE S. M. ALI

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Bank heists by militants

Drives to stamp them out must continue with vigour

FOLLOWING the arrests of nine suspected operatives of banned militant outfit Harkat-ul-Jihad-al-Islami (Huji) and Ansarullah Bangla Team (ABT) the police has revealed the formation of an umbrella organisation 'Bangladesh Jihadi Group' that has come up with a new way to raise funds for religious militancy: through bank heists. Already two such robberies have occurred and the efficiency and brutality with which the crimes have been carried out are hallmarks of militant organisations.

Needless to say, this is a very worrying trend. It shows that pockets of militant outfits, some known, others assuming new names, exist all over the country. Detectives have also arrested a suspected ISIS member from Banani who has been recruiting activists for his new militant organisation, through the internet and even given them training in his home.

It is laudable that the government and its law enforcement agencies are serious about catching extremists who are plotting and planning to carry out violent, deadly attacks on people to spread terror. The regular arrests of members of various militant outfits and the unearthing of their hideouts that often have bomb making materials, weapons and material to instigate militancy, demonstrate the efficiency of the law enforcement agencies in catching these extremists. We hope that the same level of expertise will be shown in arresting and punishing those militants who have carried out a number of brutal assassinations of writers and bloggers. We urge the government to continue with their anti-terror drive with this kind of vigour and determination in order to purge our country of militancy and terror in the name of religion.

Super cereal developed by ICDDR,B

Will help combat severe malnutrition

THE International Centre for Diarrhoeal Diseases Control, Bangladesh (ICDDR,B) has formulated a special cereal made from local ingredients that will help address severe acute malnutrition (SAM) in children. The ready-to-use therapeutic food is made of rice, lentil, chickpeas, milk powder, sugar and soya bean oil. It is a protein-rich food that could potentially help save 600,000 children under the age of 5 in the country every year from severe malnutrition. Any food that can be produced domestically and marketed successfully would mean that SAM-related deaths and intellectual retardation of children due to this form of malnutrition can be cut drastically.

Making it available at a price that is within reach of poor communities is of primary concern. But that the principal ingredients of the product are all easily available, should make it possible to produce the cereal in bulk for mass consumption.

The initial clinical results conducted by ICDDR,B have produced very positive results. The next phase would require piloting of the project in both rural and urban settings to see how well the different variations of the cereal may perform in increasing weight among undernourished children. Interestingly, the cereal produced can actually be marketed to many Asian countries which have similar problems of underage children with severe acute malnutrition but do not produce such a cereal.

We look forward to the successful piloting of the project by the ICDDR,B and the early induction of the cereal so that severe acute malnutrition among children can be successfully combated.

COMMENTS

"Hasina, Modi flag off two bus services" (June 7, 2015)

Zaman Khan
This will be very helpful for both the countries.

Sheikh Nuruzzaman
Opening up new bus routes is great. At the same time, please bring the most important topic on the table which is: Indian Embassy in Bangladesh is the worst place anyone can experience. The Indian government should make it easier for Bangladeshis to get the Indian visa. Currently, it's a nightmare. And every time we visit the Indian Embassy we experience the worst behaviour and attitudes from those working there. But hopefully Mr. Modi will work on this, if not this time then maybe in the near future.

"The Modi Factor" (June 6, 2015)

Shanto Mahia Istiak
India is consistently playing monopolistic economic and diplomatic games with Bangladesh.

Please, Mr Minister

KNOT SO TRUE

RUBANA HUQ

SITTING in a factory in Guangzhou trying to order fire doors for the factories is no fun. I can assure you it's as challenging as sitting in front of the television trying to figure out the taxes being announced in the budget. The picture painted is one of vision, resilience, and courage. Our honourable Finance Minister on June 4, 2015 announced a budget that houses dreams of a 7 percent growth, a total revenue of Taka 2,087,70 crore with 37.38 percent coming from income tax, 36.32 percent from VAT and 26.3 percent from import duty and others. The budget this time is bigger by 21 percent and has five percent of GDP projected as deficit, which amounts to Tk. 8,6330 crore.

What is being urged through this column has nothing to do with the regular reader of the daily, but it has everything to do with more than the four million workers employed in the readymade garment sector in Bangladesh. Moreover, it has everything to do with the business that gives birth to potential and prosperity on a daily basis, places Bangladesh in the global map.

The Honourable Finance Minister's vision is refreshing when it comes to hope, while this time he had no qualms admitting that till April 2015, growth in export registered a meagre 2.6 percent owing to the "sluggish growth in Euro zone, appreciation of Taka against Euro, and the ongoing process of improving labour conditions as well as of protecting labour rights in the apparel industry." In the same breath, he has once again battled his own fears and has renewed his dream. He believes that "with prospects of positive growth in the trading partner countries and ongoing reforms in the garment industry, export will soon gather momentum." And therefore, fuelled by his prosperity vision, he has proposed a one percent source tax on the export proceeds of the readymade garment sector along with imposing a one percent duty on import of capital machinery for the apparel industry, and a five percent duty on the fire safety equipment.

While the Minister is hopeful about the readymade garments sector, he needs to be advised on why growth won't happen this time. The sector is farthest from being a success story at this point. Instead of the $50 billion at 50 vision, the sector may need to say goodbye to growth and exporters may just need to adjust their export basket and think of intensely diversifying overnight.

So if we are to grow readymade garment industry in this country, and not trash it in the bin of failures, then a few myths will have to be challenged. They are listed below with the request of being scrutinised to justify its veracity:

1) Myth 1:
China is over:
While brands and retailers have started to source intensely from Myanmar and while Cambodia, Vietnam and India still remain as strong competitors, garment manufacturing is not moving out of China. Garment manufacturing is consolidating rather than declining. In reality, the number of garment enterprises above an annual sales turnover of $3.2 million decreased by 11.5 percent in 2014 but their combined profits climbed by 6.1 percent to $58.1 billion. The same group of manufacturers consisting of 10, 916 companies churned out 29.6 billion pieces in 2014, up 1.6 percent year on year.

2) Myth 2:
Bangladesh is the only preferred destination:
Your columnist just lost an order to Turkey, just for 10 cents a piece. Major European retailers are increasingly relying on dual sourcing policy that allows them to fast track sourcing from Turkey, which has emerged as a base for European production because of its advantages in the geographical location, raw materials production and skilled workers. Turkey also offers a decreased lead time, a quick response manufacturing model, a substantial domestic production of cotton and artificial fibres, relatively good labour conditions, and above all, a preferential customs agreement in place with EU.

3) Myth 3:
Buyers are renewing their faith in Bangladesh manufacturing:
Not true. Bangladesh readymade garment sector cannot grow if incidents of fire related accidents continue to happen. A recent reaction from a retailer based in UK prompts your columnist to write this. The retailer had production in the knit factory that was burnt to ashes a few days ago. The unit was compliant, built in steel and concrete and was a symbol of modern manufacturing in the sector. Unfortunately, fire broke out in the store, could not be controlled and once again, brought attention to the brands that source from Bangladesh, which obviously don't want their names being splurged all over international media at a point when Rana Plaza still continues to be the focus of discussion in the world market.

A few trepidations need to be listed as I travel on board Z812 to travel to Guangzhou in China, where for the next 3 days, your columnist will only try and buy over 100 fire doors for the factories. These doors are apparently going to resist fire for at least two hours and will prevent the fire from spreading to other areas and floors. These doors are supposed to put back a million pieces to the production planning, being put on hold by a retailer, which believes that fire doors and sprinklers will protect the manufacturing base in Bangladesh. In fact, your columnist is installing all these fire doors in buildings she is exiting in the next six months. While I shift to new buildings in the next 180 days, these doors will have to be put in the old buildings and be again taken off the frames, only to be transferred to the new units in no time. But, guess what? One particular retailer will not take a chance for the next 180 days and thinks that fires are going to burn their labels down in a factory that has lasted for the last 20 years without (touchwood) any major hazard. That is how shaken the faith is on the manufacturing reality of Bangladesh.

So while the honourable minister hopes that one percent source tax is not a major issue for the manufacturers, there are hundreds of factories that cannot afford to pay a dime more than what they do now. While the Honourable Finance Minister thinks that the sector is flourishing, there are hundreds of exporters who didn't have orders in May and may be struggling three months down the line. While the Honourable Minister rationalises the one percent source tax, he also needs to be kindly advised that instead of slapping tax increase on the sector, the sector needs to be nurtured back to safety with additional fund allocation to relocate the small factories to industrial parks in places like Gazariain, Munshiganj in the next three years. Instead of paying more taxes, 90 percent factories need assistance to remediate with at least Tk 3-5 crore (per factory) within the next six months and will need all the infrastructural support to relocate to new destinations.

While internationally, the G7 leaders in Bavaria have just agreed to establish a Zero Vision Fund, in essence an insurance fund to compensate victims of future disasters and improving working conditions, our Honourable Finance Minister needs to kindly be advised on the current woes of the readymade garment sector, so that he can promptly revise his decision and save the four million plus workers who bring food to at least another 20 million people in their families.

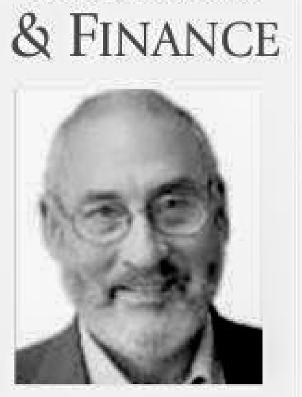
Honourable Finance Minster, the readymade garment sector is far from being the healthy adult that you think it is. In order for it to grow into a full-fledged compliant sector in the next three years, it will need you to nurse it and bridge while it limps to remediation and recovers from its image deficit soon enough to retain brands and retailers from all over the world. Paying beyond 0.3 percent as source tax will simply kill the sector. This is a prediction coming from someone within the industry and not from critics or economists who may be very disconnected from our ground reality. The $50 billion dream may well be over.

The writer is Managing Director, Mohammadi Group.

PROJECT SYNDICATE

EUROPE'S LAST ACT?

BUSINESS & FINANCE



JOSEPH E. STIGLITZ

EUROPEAN Union leaders continue to play a game of brinkmanship with the Greek government. Greece has met its creditors' demands far more than halfway. Yet Germany and Greece's other creditors continue to demand that the country sign on to a programme that has proven to be a failure, and that few economists ever thought could, would, or should be implemented.

The swing in Greece's fiscal position from a large primary deficit to a surplus was almost unprecedented, but the demand that the country achieve a primary surplus of 4.5 percent of GDP was unconscionable. Unfortunately, at the time that the "troika" – the European Commission, the European Central Bank, and the International Monetary Fund – first included this irresponsible demand in the international financial programme for Greece, the country's authorities had no choice but to accede to it.

The folly of continuing to pursue this programme is particularly acute now, given the 25 percent decline in GDP that Greece has endured since the beginning of the crisis. The troika badly misjudged the macroeconomic effects of the programme that they imposed. According to their published forecasts, they believed that, by cutting wages and accepting other austerity measures, Greek exports would increase and the economy would quickly return to growth. They also believed that the first debt restructuring would lead to debt sustainability.

The troika's forecasts have been wrong, and repeatedly so. And not by a little, but by an enormous amount. Greece's voters were right to demand a change in course, and their government is right to refuse to sign on to a deeply flawed program.

Having said that, there is room for a deal: Greece has made clear its willingness to engage in continued reforms, and has welcomed Europe's help in implementing some of them. A dose of reality on the part of Greece's creditors – about what is achievable, and about the macroeconomic consequences of different fiscal and structural reforms – could provide the basis of an agreement that would be good not only for Greece, but for all of Europe.

Some in Europe, especially in Germany, seem nonchalant about a Greek exit from the eurozone. The market has, they claim, already "priced in" such a rupture. Some even suggest that it would be good for the monetary union.

I believe that such views significantly underestimate both the current and future risks involved. A similar degree of complacency was evident in the United States before the collapse of Lehman Brothers in September 2008. The fragility of America's banks had been known for a long time – at least since the bankruptcy of Bear Stearns the previous March. Yet, given the lack of transparency (owing in part to weak regulation), both markets and policymakers did not fully appreciate the linkages among financial institutions.

Indeed, the world's financial system is still feeling the aftershocks of the Lehman collapse. And banks remain non-transparent, and thus at risk. We still don't know the full extent of linkages among financial institutions, including those arising from non-transparent derivatives and credit default swaps.

In Europe, we can already see some of the consequences of inadequate regulation and the flawed design of the eurozone itself. We know that the structure of the eurozone encourages divergence, not convergence: as capital and talented people leave crisis-hit economies, these countries become less able to repay their debts. As markets grasp that a vicious downward spiral is structurally embedded in the euro, the consequences for the next crisis become profound. And another crisis in inevitable: it is in the very nature of capitalism.

ECB President Mario Draghi's confidence trick, in the form of his declaration in 2012 that the monetary authorities would do "whatever it takes" to preserve the euro, has worked so far. But the knowledge that the euro is not a binding commitment among its members will make it far less likely to work the next time. Bond yields could spike, and no amount of reassurance by the ECB and Europe's leaders would suffice to bring them down from stratospheric levels, because the world now knows that they will not do "whatever it takes." As the example of Greece has shown, they will do only what short-sighted electoral politics demands.

> *The future of Europe and the euro now depends on whether the eurozone's political leaders can combine a modicum of economic understanding with a visionary sense of, and concern for, European solidarity.*

The most important consequence, I fear, is the weakening of European solidarity. The euro was supposed to strengthen it. Instead, it has had the opposite effect.

It is not in the interest of Europe – or the world – to have a country on Europe's periphery alienated from its neighbours, especially now, when geopolitical instability is already so evident. The neighbouring Middle East is in turmoil; the West is attempting to contain a newly aggressive Russia; and China, already the world's largest source of savings, the largest trading country, and the largest overall economy (in terms of purchasing power parity), is confronting the West with new economic and strategic realities. This is no time for European disunion.

Europe's leaders viewed themselves as visionaries when they created the euro. They thought they were looking beyond the short-term demands that usually preoccupy political leaders.

Unfortunately, their understanding of economics fell short of their ambition; and the politics of the moment did not permit the creation of the institutional framework that might have enabled the euro to work as intended. Although the single currency was supposed to bring unprecedented prosperity, it is difficult to detect a significant positive effect for the eurozone as a whole in the period before the crisis. In the period since, the adverse effects have been enormous.

The future of Europe and the euro now depends on whether the eurozone's political leaders can combine a modicum of economic understanding with a visionary sense of, and concern for, European solidarity. We are likely to begin finding out the answer to that existential question in the next few weeks.

The writer is a Nobel laureate in economics, is University Professor at Columbia University. His most recent book, co-authored with Bruce Greenwald, is Creating a Learning Society: A New Approach to Growth, Development, and Social Progress.

LETTERS TO THE EDITOR

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We should be sure about the truth

This refers to the article "The Armenian Genocide and Turkey's Denial" dated 29 May 2015 in your esteemed daily. The article is misleading and it lacks proper judgment of the case from the historical perspective.

Hundreds of thousands of innocent people, Armenians and Turkish Muslims, perished in Eastern Anatolia in 1915. It was in a fierce communal conflict between two groups, Armenian Christians and the Turkish Muslims. The most important reason for this conflict was, however, mutual distrust and hatred for each other. Armenians were living all over Anatolia and Istanbul and they were a minority even in most of Eastern Anatolia. When WWI began, Armenians formed militias to help the Russian advance into that Ottoman territory. Large-scale uprisings in different parts of Anatolia, notably in the city of Van, created panic in the Turkish army. By February 1915, the local Muslim and Armenian populations in the country were in a fierce communal conflict. And as a result millions were killed and many suffered. A neutral history accepts that much truth of the massacre of this conflict without any reservation. But whether or not it was a planned genocide is a controversial topic. Anti-Muslim countries coloured it as genocide without hesitation; Islamophobia is the real issue.

Until we are sure about the truth let us not put our blank stamp supporting any one-sided view and knowingly or unknowingly propagate wrong information.

Tayeb Husain
Sweden

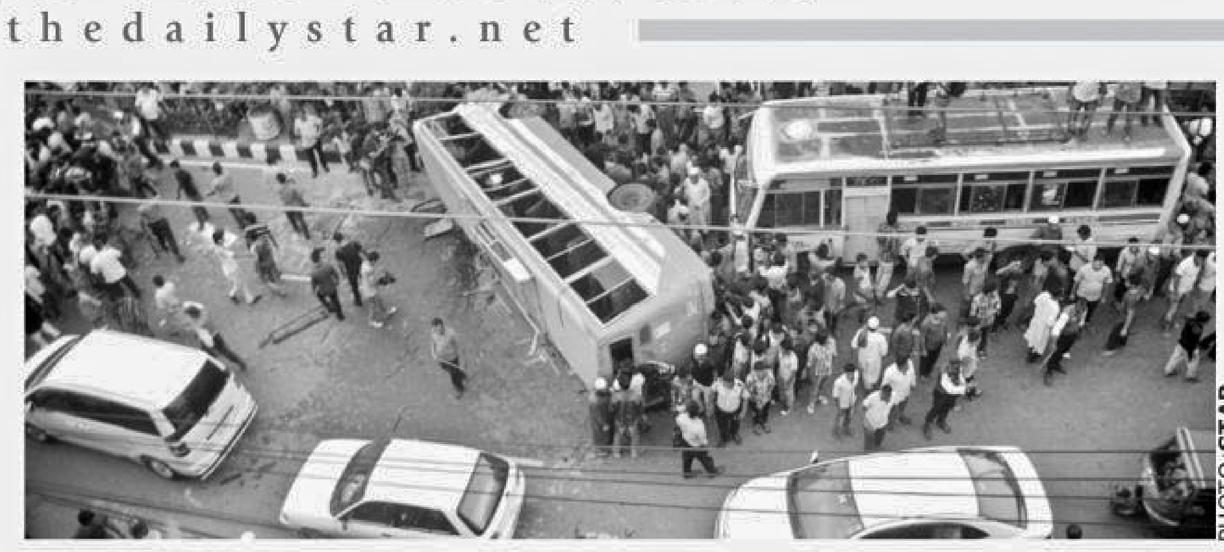

PHOTO: STAR

Disciplining the bus drivers

Over the last few days, we have read about many road accidents caused by reckless driving, over speeding and overtaking by bus drivers. The best way to prevent such accidents would be to impose exemplary fines on those who violate traffic laws. Traffic officials must have a zero tolerance policy on this issue.

S. A. Mansoor, *Dhaka*

The fourth zero

I have read with interest Dr. Muhammad Yunus's 'Three Zeros' theory. I totally agree with him; we should bring down our poverty level, unemployment level and carbon emission level to zero. However I would like to add another zero to his proposal. We must bring down our corruption level to zero; otherwise none of the above issues can be implemented properly.

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