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Laudable HSC results

Reduce the urban-rural gap

THE results of this year's HSC examinations published on Thursday are foremost a matter of pride. The success rate of the examinees rose to 72.47 percent this year, a jump of 6.63 points from the previous year. The number of students who obtained GPA 5 has also increased from 34,721 to 48,950. It has been said that the improvement has come about due to better results in English. What is very noticeable is the quantum jump in both the pass rate and the number of GPA obtained in Jessore Board.

However, we should also bear in mind possible room for improvement while lauding the students. While success rates are something to be proud of, our focus should be quality that is turned out each year from these institutions. It has also been observed that female students have done better in the examinations with a 75.60 percent pass rate, compared to the 73.93 for boys. This too needs attention to find out why boys are lagging behind.

Sadly, rural students continue to be outperformed by those from urban areas. This is almost certainly due to the shortage of teachers, lack of quality institutions, and proper library and lab facilities in those regions. This is an area that needs more attention and investment.

This year's decision to publish the marks obtained by the students alongside the letter grades is a laudable step. Now that a large number of candidates have passed out from colleges, the education authorities should address the pressing question of their admission in the next phase of their education. The general rush for public universities is not matched by the existing vacancies.

Union Health centres in poor condition

Provide them with adequate resources

ACCORDING to an assessment made by the Directorate General of Family Planning and USAID, most of the 3,590 Union Health and Family Welfare Centres (UHFWC) across the country are in dire need of more resources in order to facilitate normal delivery and essential newborn care services. More than six hundred facilities categorised as C lack adequate physical infrastructure, staff, supplies and equipment while about twenty five hundred of them, classified as B, require medium to moderate level of inputs. Some centres, reportedly, do not even have electricity or running water.

The consequences have been disastrous. More than 60 percent of the child deliveries were conducted at home in 2014. The out of pocket (OOP) health expenditure of the country now stands at 63 percent of the total health expenditure, which is much higher than that of global average of 32 percent. The OOP health expenditure pushes four to five million people into poverty every year, while many of the poor fail to receive minimum healthcare from the government facilities.

The UHFWC is a good idea gone awry. What is the rationale behind setting up such people-friendly health complexes around the country and then not monitoring and following up their performances? The Ministry of Health should be more committed to providing basic healthcare services at the grass root level by reviving the union health centres. Steps should be taken to develop more skilled midwives. Doctors should be trained and incentivised to work in rural areas.

LETTERS TO THE EDITOR

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Conflict in Syria

More than 250,000 Syrians have lost their lives in four-and-a-half years of armed conflict, which began with anti-government protests before escalating into a full-scale civil war. More than 11 million have been forced from their homes as forces loyal to President Bashar al-Assad and those opposed to his rule battle each other - as well as jihadist militants from the so-called Islamic State. Are we blind or don't we have humanity. When will humanity prevail?

Nahid Hasan
University of Dhaka

WORLD OIL MARKET

Is Saudi dominance over?

SYED AHMED

FOR the greater part of the twentieth century, Saudi Arabia dominated the world oil market as the largest individual OPEC oil producer and exporter. Since crude oil was first discovered in the kingdom in 1938, the economy has become a quintessential oil state. The society was defined by billions of dollar that export of the liquid gold brought into the coffer of the state. With an uninterrupted flow of cash money from abroad, the Saudi government lavishly spent money on its citizens providing for basic needs of its people such as free education, healthcare, subsidised housing and discounted utility. Thus oil helped the formation of an implicit social contract between the government and society, thanks to the soaring world demand for oil.

In the eighties, the desert kingdom boasted of more than a quarter of world proven reserves of oil. As the most powerful member of OPEC, the kingdom played a key role in keeping the price of oil relatively low and the market stable. Several factors are eroding the strategic power that the House of Saud held over the oil market. Increased oil and gas exploration all over the world, particularly in non-OPEC countries reduced the share of Saudi Arabia in the world oil market. The share of proven world reserves of oil in Saudi Arabia has gone down from about one-quarter in the early eighties to about one-sixth in 2015.

Traditional economic theory suggests that super-normal profit attracts new firms into the industry. Higher oil prices in the last few decades brought new players into the market. Among countries that experienced massive surge in production are Canada, USA and Russia. In 1980, Saudi Arabia produced 9.9 million barrels per day while total world production was 59.5 million barrels/day in 2015. Saudi Arabia produced 10 million barrels while world production increased to about 80 million barrels in 2015. Thus Saudi production increased by a meagre 2 percent in the 1980-2015 period, while world production of oil has increased by 34.4 percent during the same period. Saudi Arabia, once the behemoth of oil production, faces increasing stiff competition from other non-OPEC producers. It should be mentioned here that dominance of OPEC has also gone down relative to non-OPEC producers. The total non-OPEC production increased from 32,598 barrels/day in 1980 to 45,973 barrels/day in 2015, a growth of 41 percent.

Additionally, development of alternative energy sources, such as wind and solar power, challenges Saudi dominance in energy market. High oil price during the last decade has not only increased new oil exploration, but also encouraged development of alternative sources of energy. The exploration and development of non-fossil fuels got a boost due to environmental concerns, particularly regarding carbon emission.

The rise in oil price caused the recession in developed economies in the 1970s when western nations were not prepared for a big jump in oil price and subsequently led to the popularity of supply side economic policies. The year 2014 witnessed another shock in the form a sharp downward spiral in the oil price. This time, it was the decline in oil price, the unprecedented decline in oil pricewas caused by increase in global oil production, aided by the new shale technology in the USA and slowing demand due to worldwide economic slowdown. A significant decline in oil revenue is forcing painful adjustments on the Saudi society which has long been dependent on the generosity of government. For once carefree Saudis, the party is over and the day of reckoning for desert kingdom may just be around the corner.

Like many commodity producing nations, high dependence on a single commodity renders the Saudi economy particularly vulnerable to vicissitudes in oil price. The Saudi economy has long been highly dependent on exports of oil and oil related products.Decline in oil price has resulted in tremendous loss of export earnings. Oil and oil products constitute 90 percent of total export. Crude petroleum alone constitutes 75 percent of total exports and 30 percent of GDP in 2014. According to the US Energy Information Administration (EIA), Saudi Arabia earned USD130 billion in net oil export revenues in 2015, compared to USD 247 billion in 2014. In January-May 2016 Saudi Arabia earned only USD 39 billion. On a per capita basis, Saudi Arabia's net oil export earnings amounted to USD 4,124 in 2015 compared to USD 7,925 in 2014.

The 2014 crash in oil price coupled with high spending in recent years had a drastic impact on the budget situation, forcing a painful adjustment on the society. The drastic decline in oil revenue led to imposition of harsher restrictions by the government on the use of foreign workers who have long dominated the Saudi labor market. For example, the Ministry of Labour decided to replace foreign workers in sales and maintenance of mobile phones with local workers, by September of this year a bid to create more jobs for Saudis.

According to a United Nations estimate, non-Saudi workers totaling 6 million constitute more than 50 percent of workers employed. This creates the challenge of finding suitable Saudi citizens willing to work in jobs that for a long time used foreign labour. Any type of manual work is looked down by Saudi youth. As the government faces a drastic decline in its oil revenue, it needs to create more private sector jobs. A drastic change in attitude toward work is all the more crucial because of the young nature of Saudi population. The task becomes all the more onerous because of demographic challenges arising from a larger young population. According to a United Nations estimate, the largest group of Saudi population falls in the age brackets, 15-19 and 20-24.

PHOTO: **REUTERS**

The world energy market is being transformed in a way that oil will lose its strategic importance as the primary energy producing commodity in running factories, trains and planes. Saudi Arabia can still ride out the current crash with less financial damage than many other oil producing nations because of its very low breakeven price (the price at which oil companies start making profit) at USD 9.90 per barrel as compared to Russia at USD 50/barrel, Britain, USA and Canada at above USD 60/per barrel. Saudi Arabia, sitting on a sovereign wealth fund of hundreds of billion dollars, may delay the day of reckoning, but not for long. Economic diversification away from over-dependence on oil should be the first crucial step the country should take to prevent a full blown economic and social crisis.

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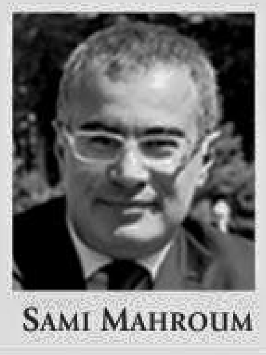
PROJECT SYNDICATE

An OPEC for migrant labour?



SAMI MAHROUM

IN September 1960, delegates from Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela met in Baghdad to form the Organisation of Petroleum Exporting Countries. As the world's dependence on oil increased, so did OPEC's power. Today, with many developing countries, including a majority of the countries in the Middle East, serving as some of the world's main labour exporters, might it be time to consider the formation of an OPEC-like cartel for migrant workers?

OPEC succeeded in protecting its members' shared interests that they could not protect individually. When a market has structural distortions, political tools and collective action of the sort that OPEC embodied can be more effective than public policy.

Labour-exporting countries today are not so different from OPEC's founding members in 1960. They, too, are vulnerable in a market where their customers call the shots. Rich labour-importing countries and poor labour-exporting countries have a mutually dependent relationship; but labour importers can unilaterally tighten or loosen immigration or labour-market regulations, leaving exporters in a constant state of uncertainty.

This imbalance can have serious costs for labour exporters. Remittances by expatriate workers are an essential lifeline for many developing countries – more so than any other financial inflows, including foreign direct investment and aid – and often help to balance a country's books. Indeed, according to the World Bank, in 2013 remittances amounted to 20-24 percent of GDP in the Philippines and Indonesia, 42 percent in Tajikistan, 32 percent in Kyrgyzstan, 17 percent in Lebanon, 10.8 percent in Jordan, 9.9 percent in Yemen, and 6.6 percent in Egypt and Morocco.

For many developing countries, labour is a strategic production factor, just as commodities are for resource-rich economies. When we think about migrant labour, we think of low-skill work in agriculture, construction, services, and domestic work. But countries such as Jordan and Lebanon (among others) are now educating workers to compete as high-skilled expatriates, too.

Labour exporters now need to protect their investments in human capital, and a cartel-like political body is the most effective way to do this. If the countries listed above were to join with China, Mexico, India, and other major labour exporters, they would be holding most of the chips in a collective negotiation about wages, visa terms, and other conditions – some of which would also benefit non-members as global norms changed. Labour importers would have to vie for access to a collective market, rather than individual national markets, and countries that gained access would have a significant comparative advantage over those that did not.

A cartel would prevent labour-exporting countries from cannibalising their own interests, as currently happens with bilateral arrangements. For example, if they were to conclude separate agreements with Gulf Cooperation Council countries, individual Southeast Asian countries would undercut one another, with the result that they might end up with worse deals.

With a cartel, governments would instead set minimum-wage rates for different professions and trades, as well as for different skill levels. As exporters trained their migrant workforces, demand for their labour would grow and spark competition among vendors rather than suppliers, thus fuelling a virtuous cycle of higher wages and even more skills training. And, because this would all happen on global markets, the prices of certain skills would become more transparent to training institutions, students, employees, and employers alike.

A labour-exporting cartel would have far-reaching effects on the current system. Cartel members would be empowered to reward and penalise third parties acting in bad faith. And, most important, the workers themselves would be empowered to reclaim their dignity in a system that has long stripped them of it.

In this new system, importing countries would collect taxes – on the basis of the newly set minimum wage – and remittances would remain untaxed. In this sense, the cartel would double as an international workers' union, lending bargaining power to employees in countries where unions are weak or not permitted at all.

A labour-exporting cartel would have far-reaching effects on the current system. Cartel members would be empowered to reward and penalise third parties acting in bad faith. And, most important, the workers themselves would be empowered to reclaim their dignity in a system that has long stripped them of it. Indeed, we could expect xenophobia to wane worldwide as access to foreign workers became more privileged.

A cartel could advance the cause of comprehensive immigration and expat labour reform in many countries, including the United States, Japan, and the Gulf states. Under a newly negotiated arrangement, labour-exporting countries would likely have an incentive to curb free riders and illegal emigration, and labour-importing countries would likely have an incentive to legalise and manage the status of illegal immigrants already within their borders.

One likely objection to this proposal is that low-skilled labour will cost more, which could accelerate automation. But the jobs automation displaced from the production sector would simply move to the leisure sector, because demand for domestic workers, waiters, gardeners, and the like would increase. Because a cartel would make these market changes more discernible, labour exporters would be able to respond and adjust their worker-training systems accordingly, increasing labour importers' ability to recruit migrant workers better suited to the available jobs.

All told, a labour-exporting cartel would bring order to an industry that has long been mired in controversy, damaging the reputations of more than a few labour-importing countries. It would change the dynamics of labour supply and demand to the benefit of both workers – who would have new protections – and importing countries, which would have access to trained labourers to respond to rapid changes – often driven by technology – in economic conditions.

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(Exclusive to *The Daily Star*)