

## Finally, a permanent prosecution service

### Better late than never!

THE government's decision to start a permanent prosecution service by employing professional lawyers is a welcome move. Public prosecutors, who have been selected mainly because of their loyalty to the party rather than their credentials, have been criticised for their poor knowledge of criminal laws and for not performing their duties properly. The flaw was systemic starting from the appointing process to the reward structure to their frequent change. It seems the purpose was seldom to get justice but to reward supporters. The result was the defeat in crucial cases especially where the government was to gain either financially or in terms of property.

This move by the government, therefore, is one in the right direction and can significantly improve the efficiency of the prosecution system and ensure justice to victims represented by public prosecutors.

What is crucial though, is implementing this decision effectively and quickly. From our reports we have learned that there have been attempts for such reform in the legal system in the past but to no avail. It is important that the government follows through this decision, making sure that only qualified lawyers, who are well versed in criminal law and are not encumbered by partisan obligations, are appointed as public prosecutors. We also hope that the monthly allowance and honorarium structure is appropriately revised to ensure that the public prosecutors can devote more time in representing the government in court.

For ordinary citizens, the existence of efficient, qualified public prosecutors is certainly reassuring. It gives them the hope that criminals will be meted out justice instead of going scot free because of poor legal representation of the plaintiffs in court. For the justice system this is certainly a major step forward.

## Money speaks

### Hospitals can't be a sanctuary for crooks and criminals

CRIMINALS finding sanctuary in hospitals on health grounds are setting a precedent for the justice system in Bangladesh. The latest incident to emerge occurred in the Chittagong Medical College Hospital (CMCH), involving an accused in a cocaine-haul case who spent nine months in a VIP cabin of the hospital shortly after his arrest in January 2016. Obviously money played a part in it.

As *The Daily Star* reported on Thursday, four doctors of the hospital were made OSD as punishment for their involvement in the matter, after it was brought to the attention of the health ministry. This is an appreciable step considering that instances of doctors being punished for wrongdoing are quite scarce. But it was a punishment for granting VIP treatment to a patient who didn't deserve it, not for allowing him to lengthen his stay in the hospital, which is, of course, the bigger problem and should be taken cognizance of. That convicts and suspected criminals would even think of hospitals as a way out of their punishment is unthinkable, and quite alarming. Earlier this year, we were shocked to know that similar hospital privileges were extended to two top criminals in Dhaka—the first was allowed to avoid jail time for 18 months while the second for 20.

The continuation of this situation means existing laws for criminals with health issues, especially those related to hospital treatment, need a revision. While we acknowledge the rights to basic amenities of the convicts and those under trial, nothing gives them the right to escape punishment and cause danger to the society again.

## LETTERS TO THE EDITOR

letters@thedailystar.net

### Tackling terrorism

The reports of a blast in Lahore and a car bomb attack in Kabul have emerged as shocking news with each of them claiming many lives. Given the track record, both at present and in the past, terrorism has no limits and the menace is taking place unabated across the world. It is up to all the countries to take stringent steps towards tackling the terror threats.

The countries must cooperate with one another in ensuring that the terror organisations are devoid of funds. Another thing is that the media should come forward to bust the rackets involving the recruitment of young people into terror groups.

P. Senthil Saravana Durai,  
Mumbai

### Smoking should be prohibited in university campuses

That smoking is dangerous to health is known to all. It causes damage not only to the smokers themselves but also to nearby people. Smoking at open places is prohibited and punishable by law, but it continues unrestricted. Even places like university campuses are not immune to this curse. There is also no hard response from the concerned authorities.

University campus is a place for one to develop ethical values. It should be cherished as a smoke-free zone. The attention of the concerned authorities is urgently required in this regard.

Md. Bayjid Rayhan  
Department of Law, University of Dhaka

# Rising current account deficit

## How vulnerable are we?



SHARJIL HAQUE

THERE is a growing concern over our rising current account deficit in recent times. By now it's common knowledge that falling exports and remittances coupled with rising imports have brought about a deficit of USD 2 billion compared to a surplus of over USD 3 billion in fiscal year 2015-16. Sure, no one likes the idea of paying more than what one earns, so it's natural for economic commentators in Bangladesh to voice concerns over potential threats to balance of payment, foreign reserve and exchange rate stability. That said, some points floating around these days need rethinking so we can get a clearer picture of our external macroeconomic condition.

First things first, let's recall that a current account shows the flow of goods and services, primary and secondary income between a country and the rest of the world. Generally, the largest component is trade, and in Bangladesh's context, remittance flows also constitute a large share. The current account, together with the financial account, makes up a country's balance of payments (BOP) which essentially represents all transactions between the country's residents and non-residents.

The financial account is made up of transactions in financial assets: direct investment, portfolio investment in stocks and bonds, other investments including trade credit and loans, etc. Historically, Bangladesh's balance of payments mostly involved current account transactions, but in recent years increase in foreign direct investment, foreign loans, trade credits, etc. led to large surpluses in the financial account. Indeed the surplus in the financial account more than offsets our current account deficit resulting in an overall BOP surplus (increasing our foreign exchange reserves to over USD 30 billion).

So why is everyone worried if we are still receiving more dollars from the rest of the world than we are paying back? Perhaps because we were used to seeing huge BOP surpluses in the last few years, in excess of USD 4 billion every year, and now that has dwindled to around 2 billion.

Let's not forget that a large current account surplus means we are stuck with a lot of savings and not making the best use of our money at a time when the country needs to utilise all its resources for faster development. On the other hand, a current account deficit, if driven by the right reasons, is actually quite healthy for a developing economy. If the deficit is due to massive import of capital machinery, then we are essentially doing what we need to do to catch up with the developed nations: spurring faster, sustainable and inclusive growth through greater public and private investment. In fact, central bank statistics indicate that capital machinery imports have indeed risen. But paradoxically, private investment is barely increasing. As many have already identified, this is a clear indication that money is being siphoned off to foreign shores through creative trade-invoicing. That coupled with slower remittances and exports (the latter due to rapid appreciation of the real effective exchange rate) has created an 'unhealthy' current account deficit.

So how can we reverse this trend? Diversification of our export basket and destinations for manpower export is more of a longer-term vision. The short-term solution will naturally be to tinker around with the exchange rate. Everyone wants a nominal depreciation of the exchange rate going against market forces. This is not an easy task nor does it prevent appreciation of the real effective exchange rate as long as our inflation rate is much higher than countries with which we trade. The sustainable solution is to bring down our inflation rate to 3-4 percent.

Here again Bangladesh faces political resistance: too many influential stakeholders will demand higher money growth because, to them, it means cheap credit under the pretext of faster economic growth. In reality, without proper infrastructure, higher money growth will only generate more inflation, further appreciate the real effective exchange rate, reduce our external competitiveness, deteriorate our trade balance and



Booming imports are also contributing to the current account deficit.

PHOTO: STAR

worsen our current account deficit.

If our financial account surplus remains stable over the next few years, risks of BOP instability from a current account deficit should remain comfortably contained. In this context, it's worth mentioning another argument put forth in our print media recently, which criticised the idea of financing current account deficit with a financial account surplus. One argument goes that we are basically selling off our assets to pay for foreign goods and services! If that is the best way to think about it, why should we encourage foreign direct investment where we allow an external investor to buy our land, set up factories or invest in local companies? Such arguments ignore the multiplier effects of foreign investment—access to foreign technology, more quality jobs, and greater output all of which will enable our own citizens to purchase more foreign goods as well as foreign assets leaving us better off in the end. Similarly, if the financial account surplus is driven by

## BANGLADESH-SRI LANKA RELATIONS

# Focus on comparative advantage



SELINA MOHSIN

THERE is no doubt that Sri Lanka's President Sirisena's visit to Dhaka earlier this month and the 14 Agreements and MOUs signed with the Bangladesh government, mark a new and significant advance in bi-lateral ties. The sectors covered are wide ranging and include information technology, agriculture, education, trade, investment, banking, shipping, tourism, media and collaboration between foreign-service academies and others. The broad aim is to assist each other in areas of comparative advantage.

The relationship of the two countries already has a long history. They are both Commonwealth countries within the South Asia region and share membership of many regional and international organisations such as SAARC, SAFTA, APTA, BIMSTECK, WTO and UN organisations. Both countries have many points of similarity, such as a large diaspora settled abroad and migrant workers supporting respective economies by

poverty from 48.9 percent in 2000 to 31.5 percent by 2010. Irrigation, high yielding rice crops, judicious marketing, flood tolerant rice varieties, positive government policy, collaboration with aid agencies, training and investment has brought results. It is now focusing on diversification and use of new technology to further raise the quality and the range of agricultural products for export. Sri Lanka has a relatively conservative agricultural sector which can be upgraded by sharing experience, both between agricultural institutes and at grassroots levels.

Bangladesh, meanwhile, has a lot to gain from Sri Lanka in terms of taking the latter's best practices to improve the education sector at all levels. Sri Lanka has a high quality, market oriented and ICT based education system, able to take advantage of remarkable innovations in technology which require skilled human resources. Its higher education is very competitive and selective. Emphasis is placed on English language ability, ICT and mathematics. Examinations test not only students' knowledge but their cognitive skills and analytical abilities. The aim is to produce a creative and innovative management



Prime Minister Sheikh Hasina greets Sri Lankan President Maithripala Sirisena in Dhaka.

PHOTO: PNO

their remittances. A new era opened in January 2015 when Maithripala Sirisena, heading a 'rainbow' reformist coalition combining Sinhalese, Tamils and Muslims, won the presidential election.

It is against this positive scenario that President Sirisena came to Bangladesh on a three day state visit, from 13 to 15 July 2017. It was felt on both sides that this was the right time to forge strong bilateral relations.

To cite a few examples, in Bangladesh approximately 77 percent of its workforce and two thirds of its rural areas are agricultural. Although in a vulnerable country susceptible to climate change, floods and saline intrusion this sector has made significant strides in reducing

and work force with good analytical ability.

Less than 15 percent of students qualifying from good secondary schools can enrol in higher education. The remainder can find alternative routes through the Open University, vocational colleges or by going abroad. Teachers are well trained, student assessment is stringent and education generally is of an international level.

In the area of disaster management Bangladesh is a leader and Sri Lanka can benefit from our experience in this field. The government through 'National Plan for Disaster Management' has taken a holistic approach to implement resourceful methods to help its people during floods, cyclones, droughts and other adverse

concessional or low-interest loans, then we are using cheap funds to pay for new roads, bridges and overall better infrastructure. No one needs reminding the positive spillovers from better infrastructure.

So unless there is a major domestic shock (political or security-related) there is not much reason to believe that FDI will fall drastically in the near-term amidst the government's continued efforts to increase foreign investment. Indeed, net FDI inflows rose almost 28 percent in July-May of fiscal year 2016-17 and constituted 40 percent of our financial account surplus. If the surplus was primarily driven by speculative foreign investment in stock and bond markets, then we would need to worry about the stability of these inflows. But that's not the case, so by and large our means to pay for the deficit in the current account appears to be reasonably stable.

For now, our current account deficit is not big enough to be too concerned about. There are many economies which run deficits of 2-3 percent of

GDP—ours is less than 1 percent. But steps need to be taken to address the slump in exports and remittances, and to stem illicit financial outflows through trade mis-invoicing so that the deficit does not spiral out of control. Some will argue for better administrative and technological capacity to identify such illicit outflows. But perhaps we should think more about incentivising people to keep their money inside the country by generating more confidence in our economy, institutions and political system.

For starters, we need to improve our infrastructure, reduce cost of doing business and clean up our state-owned enterprises. We need to develop domestic asset markets. Above all, the government needs to show that politics does not get in the way of major economic policies. To be sure, that's a lot easier said than done.

Sharjil Haque is a PhD student in Economics at the University of North Carolina, and a former research analyst, International Monetary Fund, Washington DC. Email: sharjilmuktafi.haque@gmail.com

impacts of climate change. They include institutionalising a risk reduction framework and imaginative strategies to assist the target population. Early warning, disaster shelters, food supply, medical assistance and proactive rehabilitation procedures are in place and are being further improved. NGOs, CBOs, resource groups all make concerted efforts to mitigate disaster. During his visit President Sirisena commented that he would "explore the possibility of getting some help from Bangladesh regarding disaster management and recovery."

The banking system of Sri Lanka is strong and vibrant, with the prestigious Central Bank known for its proficiency. The Colombo Stock Exchange is one of the most modern in South Asia, with fully automatic trading system, monitoring procedures and, transparent methods. Here Bangladesh can learn from the Sri Lankan model.

Both countries promote tourism. Sri Lanka's tourism has revived as stability returned. Two million tourists visited Sri Lanka in 2016. Yet despite its many places of historical and natural interest, Bangladesh attracts far fewer tourists. It is felt that with enabling infrastructure and facilities it also could attract large number of foreign tourists. Bangladesh can assess the facilities of Sri Lanka for its own benefit.

Bangladesh is a vibrant growing economy with the second largest RMG sector in the world after China. The mostly female garment workers are skilled and together with ancillary industries form a formidable workforce. Its economy is being further strengthened by diversification into light engineering, pharmaceuticals, leather goods, and construction. In these areas of RMG, together with agriculture and climate management Bangladesh has shown itself to be both creative and strong thereby enhancing its growth and potential. Its GDP growth rate in 2017 is 7.5percent, one of the highest in the region.

Sri Lanka's strength lies in sound financial management; a robust banking sector; vibrant commerce; technological expertise; quality education; skilled human capital; tourism and a strong shipping sector, due both to good management and geographical location. The country in its post-conflict era has been able to achieve prosperity in an ethnically diverse society. Its GDP growth rate in 2017 is 5.0percent.

Prime Minister Hasina has also highlighted the importance of both states working together in various sectors addressing common issues such as drug trafficking and illegal immigrants. Bangladesh also solicited Sri Lanka's support for its candidature as a non-permanent member of the UNSC. President Sirisena assured his support. Sri Lanka is India's second largest trading partner in the region. The new agreements and MOUs should in time help make Bangladesh and Sri Lanka stronger trading partners to mutual benefit.

President Sirisena's visit to Dhaka demonstrates a wider trend of smaller Asian countries becoming increasingly prepared to engage in more bi-lateral trade and investment amongst themselves by- passing any strains in regional politics.

Selina Mohsin is a former ambassador.