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FOUNDER EDITOR
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Our female expatriate workers' misery

When will it end?

WE are waiting for that day to hear our female workers returning from the Middle East recounting good things and narrating happy experiences of their stay in their workplace. But for the time being we shall have to endure on a consistent basis their harrowing tales of torture, mistreatment and being thrown out by the house owner without a single farthing.

Only last Thursday another group of 18 such battered workers, again from Saudi Arabia, returned to Dhaka with similar agonising experiences. They have returned in a worse state in all respects than they had left seeking greener pastures and dreaming of a better future, physically traumatised by the brutal behaviour of their employers and without a single penny. Regrettably, the rate of return from the ME has been in tandem with the rate of migrant female workers going to this region. The statistics are dismal. Only in the month of August 110 of them were repatriated from that country. So far this year, at least 850 female workers have been sent back from Saudi Arabia, 87 of them in coffins. In the last three years, 311 female workers were repatriated dead. The reason given is a fig leaf to hide either the inability or the unwillingness of the authorities in that country to do anything about this. It is difficult to believe that they had died due to a stroke or committed suicide. Even if that be the case, what compelled them to take their own lives and how come so many young women suffered from strokes?

We believe that it is time for our government to do something tangible in this regard. Our embassy in Jeddah must do more than putting them in safe homes and later repatriate them. Why can't we demand that these poor unfortunate women at least get the pay for the duration they had served with their employers? Should it not be the responsibility of the Saudi authorities also to ensure that? What our female workers have suffered are due to acts that are criminal. The perpetrators should be persecuted. The government should also reconsider the justification of sending female workers to such countries where their lives and limbs are not safe and where asking to be paid one's monthly wage is considered an audacity by the employers.

Intra-party feud gone to the extreme

Jubo league out of control

ELIYAS Numan, a Swechchasebak League leader, was not only beaten up but his assailants chopped off his left hand. The brutal attack was carried out by members of Jubo League, who apparently were unhappy with Numan for facilitating electricity connections from Palli Bidyut in his locality. We are informed that villagers of Khodaboxpur had given Tk 180,000 to a local Jubo League leader but that went nowhere. Hence, when Numan made efforts to get the connections, it apparently infuriated the Jubo League leader who, it is alleged, had Numan attacked.

Although Numan has survived, the question is precisely what the ruling party is going to do about these dangerous elements in its ranks. True, the police have filed cases, but then we are also informed that one of the key accused has been freed on bail.

These intra-party feuds are growing, not lessening nationwide. If a leader of Swechchasebak League is not safe, then one might ask, who is? Numan is on the Executive Committee of this body in Mymensingh, which is directly linked to Awami League (AL) and he was nearly killed by people belonging to another AL-linked body. It is time the party leadership reined these appendages in. That the prime accused has been released on bail, despite accusation by family members, makes us think about how this whole case will be played out. Local leaders often treat their respective areas like fiefdoms and that's when we end up with such horrid attacks. Numan deserves justice and we can only hope that he gets it.

LETTERS TO THE EDITOR

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Dhaka's unbearable traffic

After some relief during the Eid holidays, Dhaka's traffic is back to its horrid worst. It truly is amazing how constantly bad the traffic in Dhaka is and the fact that people have grown so accustomed to it, that they simply accept it as it is, day in and day out.

There is nothing normal about such acceptance. People should realise the number of hours, energy and everything else that they are forced to waste because of Dhaka's terrible traffic congestion. And they should speak up and do something about it.

On top of the already bad traffic, continuous VIP movements simply make the situation worse. And what is worst is that nobody cares about that either. Not anyone from within the government, and not even the citizens who have to wait around on the roads for hours on end, under the scorching heat.

Perhaps it is because these VIPs have it so easy, as entire roads are blocked off to facilitate their movements, that no one from within the government care about traffic congestion, as they themselves never have to deal with it. Are they even aware of the situation? I wonder.

But what about the people themselves? Do they actually think things will change without them taking steps on their own, as well as demanding that the government do something about it?

Tamjeed Muzaffar, *Gulshan*

Don't throw the baby out with the bathwater

ZAHID HUSSAIN

OFFSHORE Banking Units (OBUs) of domestic banks have borrowed from banks in the euro zone at 2 percent interest rate to meet their euro liabilities against Usance Payable At Sight (UPAS) issued by them to Bangladeshi importers. Simply stated, the UPAS issuing bank provides financing to the Bangladeshi importer so the foreign seller can receive the payment at sight basis (payment due on demand requiring the party receiving the good or service to pay immediately upon being presented with the bill of exchange) in euros while the importer enjoys a longer credit term from the bank.

Since the issuing bank has to pay euros to the seller, while they will only get the payment from the importer at the end of the credit term, the issuing bank either uses its own euro liquidity or borrows euros if it does not have such liquidity. These interest payments on such borrowings are outflows of foreign exchange from Bangladesh. Bangladesh Bank (BB) on the other hand has liquid assets in Euro currently invested at negative interest rates. This is causing erosion of BB's euro liquid assets.

The Bangladesh Bank headquarters in Dhaka. PHOTO: STAR

> *By proposing to invest the negative yielding liquid euros to lend to domestic private banks, BB is seeking to maximise the value of reserves and save outflows of foreign exchange from the country.*

There is therefore a potential win-win if BB uses these euro liquidity for lending to Bangladeshi banks. As long as the interest rate is positive but less than the rate at which Bangladeshi banks borrow from euro zone institutions, it is a win-win for both parties. So why not go ahead? According to a report published in this paper on September 12, BB has decided to lend to the local banks' OBUs "from the portion of its reserves it would invest in Euribor-linked products."

Some technical details need to be made clear at the outset. If BB lends the euros to Bangladeshi banks, it will acquire a claim in euros on domestic banks while domestic banks incur a liability in euros to BB. Since these are transactions between domestic residents, the BB claim in euros on domestic banks does not count as official foreign exchange reserves. Official reserve assets normally consist of liquid or easily marketable foreign currency assets that are under the effective control of, and readily available to, the central bank. To be liquid and freely useable for settlements of international transactions, the reserves need to be held in the form of convertible foreign currency claims of the authorities on nonresidents. This is why BB's reserve management guidelines do not allow investment of foreign exchange reserves to acquire claims over domestic residents, no matter what the currency denomination of the claim is. BB of course has made some exceptions in the past.

By proposing to invest the negative yielding liquid euros to lend to domestic private banks, BB is seeking to maximise the value of reserves and save outflows of foreign exchange from the country. Such intentions are no doubt laudable. The principles of reserve management require doing this within prudent risk limits so that reserves are always available when needed. This means reserve asset portfolios must be highly risk-averse, with a priority for liquidity and security before profit or carrying cost (such as a small negative interest rate) considerations. Lending in euros to domestic banks against UPAS is equivalent to doing a repo in euro—BB sells euro now and agrees to buy it back at some future date when the importer pays the bank at the maturity of its usance (predetermined credit period) LC.

There is inevitably a trade-off between risk and return in the context of setting reserve management priorities. The BB claims in euros on domestic banks will not be tradable in international markets as their current liquid investments in euros are. By definition, the former is less liquid and vulnerable to macroeconomic shocks to the Bangladesh economy in ways that the liquid euro assets acquired from the international market are not.

An argument for investing the reserves in claims on domestic residents can be made if the current level of reserves is considered excessive. Assessing the adequacy of reserves requires consideration of the multiple roles played by reserves, the external risks and vulnerabilities, and the opportunity cost the country faces. A number of traditional approaches—including import and short-term debt coverage—have been used and remain relevant for particular sets of countries, typically capturing individual risks.

Compared to strong 20.4 and 11.8 percent growth in FY16 and FY17 respectively, the growth in reserves was negative subsequently in FY18 and FY19, reflecting the slack in export growth, sharp increase in imports and drop in remittances before the latter recovered in FY19. Imports (goods and services) coverage of reserves has declined from 6 months in FY18 to 5.5 at the end of FY19, according to BB data. Given that BB intervenes in the foreign exchange market to keep the exchange rate relatively stable against the US dollar, assessment by the IMF's 2018 Article IV report suggests an adequacy ranging from 3 to 8.8 months of imports given the specific characteristics of Bangladesh.

Allowing domestic investment of foreign exchange reserves can open a pandora's box. Banks' lending to domestic borrowers from their OBUs will be encouraged to seek refinancing in foreign exchange from BB by offering interest higher than what BB is getting from its current holdings of reserves abroad. This risk unleashing a process where maximisation of returns may become the dominant consideration at the cost of liquidity.

There is also a moral hazard risk. When commercial banks borrow short or long term from foreign financial institutions, they are subject to the international financial market discipline that penalises excessive risk taking. When banks borrow from BB, they will be subject to the discipline exercised by the BB. If this is perceived to be malleable or less stringent than the market, there may be an inducement to take excessive risks in issuing UPAS without adequate due diligence or, for that matter, other instruments if the scope of the reserve window is expanded.

The response to the problem of liquid euro reserve erosion due to negative returns does not have to be switching to investment in domestic claims. BB can look to invest this liquidity in alternative internationally tradable assets with non-negative yields. Any adverse development on the external front would require recourse to foreign exchange reserves. Thus, a highly liquid portfolio has to be a necessary constraint in the reserve investment strategy.

Zahid Hussein is an economist.

PROJECT SYNDICATE

Trump's New Troubles

ELIZABETH DREW

AS the US Congress reconvenes this week after a six-week recess, the administration is mired in controversies, almost all of them set off by President Donald Trump. Trump's behaviour has been at its most peculiar since he took office, undoubtedly partly owing to panic over the 2020 election. He has more reason than most incumbent presidents to wish for reelection, as he is still facing several lawsuits.

Perhaps the greatest political danger to Trump lies in the growing evidence that he has used the presidency to enrich himself. Unlike his predecessors, Trump declined to put his assets in a blind trust, and he is being sued for accepting constitutionally prohibited "emoluments" (payments to a president by foreign governments). For example, the Saudi regime and others have made extensive use of his hotels, including one near the White House. Similarly, at last month's G7 summit, Trump let it be known that he wants to host next year's meeting at his struggling Doral golf resort near Miami.

Voters may well have grown accustomed to Trump's frequent patronage of his own hotels and golf facilities (along with the cost of the Secret Service and other attendants). According to one estimate, by mid-July, Trump had spent 194 days at his own golf courses, earning the Trump Organization USD 109 million. Various Republican Party functions have taken place on his properties.

But in recent days, Trump's presidential greed was in particularly high relief. First, there was Vice President Mike Pence, who, earlier this month, stayed at a Trump-owned facility in Ireland, flying 181 miles (291 kilometres) to reach his high-level meetings. Pence's chief of staff ultimately confessed that Trump had "suggested" the accommodations.

Shortly thereafter, *Politico* reported that earlier this year, a military transport on a routine supply trip to the Middle East refuelled near a Trump-owned property in Scotland, where the fuel cost more than at military facilities normally used during flights to the Middle East. The five-man crew stayed overnight at Trump's Turnberry golf resort. Having discovered many more stopovers at Turnberry, the Air Force has ordered a review of its use of stopover facilities around the world. Trump has turned the presidency into a racket.

In addition to revelations of Trump's venality, his near-pathological insecurity has become increasingly flagrant. To Trump's mind, an associate has said, to admit an error is to appear weak. The most flagrant recent example was his desperation to convince the public he hadn't been wrong in predicting Hurricane Dorian would hit Alabama. It was so essential to him that, using a black marker, he modified a National Weather Service map to indicate that this state would be affected. Then, at the behest of the White House, the National Oceanic and Atmospheric Administration, which oversees the weather service, issued an unsigned statement supporting Trump and repudiating a correction of Trump that had been issued by the service's meteorologists in Birmingham, Alabama. Thus, a crucial federal agency was corrupted, and in the future, no one can be certain of the truth of Trump's emergency warnings.

US President Donald Trump. PHOTO: SAUL LOEB/AFP

In another controversy, Trump stirred up a ruckus in early September by ordering USD 3.6 billion in Pentagon construction funds to be shifted to his phantasmagoric wall on the southern border with Mexico. Despite doubts about the constitutionality of a president unilaterally diverting appropriations approved by Congress, 127 projects—many of them schools and other facilities to take care of military families, and some of them in states represented by Republicans up for reelection next year—lost their funding. Trump has also transferred funds to be used for disaster relief—on the eve of hurricane season.

These moves highlight Trump's desperation to have a substantial portion of the wall built or underway by the election. He's a long way from it. What he described as a 1,000-mile concrete barrier is now to be about half that length and, so far, all that has been constructed is 64 miles of steel fences to replace structures installed during the Obama administration. With his supporters feeling let down by the lack of progress, the president even told aides to seize private lands if necessary and that he would pardon them if they broke the law.

Although few believe that Trump's wall is the most efficient way to keep out illegal immigrants, his mentions of it during the 2016 campaign drew wild cheers (at the time, he assured the crowds that Mexico would pay for it). It still does, so he has stuck himself with the issue.

Other major issues on the agenda this fall—including gun control and a decision by House Democrats on whether to launch a formal impeachment process—are also likely to ratchet up pressure on Trump. Foreign policy, too, is causing Trump—and the country—problems. His tariff war with China is damaging the US economy; signature initiatives, including direct negotiations with North Korea and the Taliban, are unravelling. Pulling out of the Iran nuclear deal, predictably, has backfired.

The sudden dismissal this week of John Bolton, Trump's third national security adviser—Bolton insists that he quit—was both surprising and inevitable, because it's been clear the two men disagree on most foreign policy issues. Bolton was the hawk to Trump's dove; one of the more interesting disclosures about the president is that he really doesn't want to go to war. The final split apparently came when Bolton let it be known that he opposed Trump negotiating with the Taliban so that US troops could be withdrawn from Afghanistan, preferably by the election. Trump also evidently wanted to host the Taliban at a Camp David peace conference.

But Bolton's removal won't make much difference. Many of Trump's goals are unrealistic. He's a bad negotiator. And his White House has no coherent decision-making process. US foreign policy has come to reflect Trump's caprices and his outsize faith in his ability to persuade others.

The Republican Party has lashed its fate to an increasingly unhinged leader. Though three other presidential hopefuls for 2020 now stand in Trump's way, none can defeat him. But they can damage his reelection effort, which is why the Republican Party has been scrapping some primaries and caucuses. How well Trump does in November next year may well depend on how his fragile ego withstands the coming months.

Elizabeth Drew is a Washington-based journalist and the author, most recently, of *Washington Journal: Reporting Watergate and Richard Nixon's Downfall*.