WB urges debt waiver for LDCs

WASHINGTON, Dec 17: The World Bank warned on Sunday that 1.3 trillion dollar Third World debt problem was far from over and urged rich nations to move quickly to forgive more developing-country debt, reports Reuter.

"The debt burdens of a large number of the poorer countries remain unsustainably high," the Bank said in its annual review of developing-nation debt.

While the level of Third World debt has held roughly unchanged over the last year, that figure masks a steep rise in the obligations of the world's poorest countries, it said.

Some middle-income debtor nations, particularly those in Latin America, have been able to take advantage of the so-called Brady initiative to reduce their foreign debt.

"Those that have come to the party have had a very good time," World Bank Chief Economist Lawrence Summers told a news conference. "The problem is that so far it hasn't been a very large party."

The initiative, unveiled some three years ago by U.S. Treasury Secretary Nicholas Brady, only applies to debt owed to international creditor banks, not to rich nation governments. Poorer countries, particularly those in Africa, owe most of their money to governments, not to banks.

Britain is pushing ahead with a plan the Trinidad Terms that would effectively allow poor nations to reduce their official debt to foreign governments by about two-thirds.

The World Bank said that plan would offer many poorer countries a realistic chance of being able to service their remaining debts and enjoy better economic times. But a few nations, including Mozambique, Somalia and Sudan, would require even more relief, it said.

Although the United States backs the plan in principle, it has been hamstrung from joining in by legislative guidelines set down to contain its burgeoning budget deficit.

Washington though was able to lead the drive this year to halve the official debt of two lower middle-income countries, Egypt and Poland, rewarding one for its cooperation in the Gulf War and the other for its embrace of democracy.

The World Bank urged that other such countries with big official debts, including Morocco, Nicaragua and the Philippines, be given a chance to obtain comparable relief.

It said that the near-term outlook for developing countries hinges largely on the economic performance of the industrial world next year.

"The consensus view is that major economies will show a weak recovery in output in 1992," the Bank said. "But the preponderance of the risk now appears to be on the downside."

It said that all indebted developing countries will probably have to live with high real interest rates in the coming decade because of competing demands for funds from the Gulf, the Soviet Union and Eastern Europe, including the former East Germany.

It estimated that the extra demand from those areas will amount to about 100 billion dollar per year. All other things being equal, that means that real international interest rates after taking account of inflation will need to be about one percentage point higher than otherwise.

But the World Bank said it does not expect those extra demands to crowd out developing countries and prevent them from raising funds, unless they are barely creditworthy.

Summers said the problem was not so much the overall quantity of money available for investment in the 1990s, but its allocation.

Too much money during the 1980s was used to build office buildings in the world's richest nations, and not enough went to the construction of factories in developing countries where the population is growing the fastest, he said.

Moscow only moderately indebted, says WB

WASHINGTON, Dec 17: The Soviet Union is only "moderately" indebted, according to the World Bank, although estimates of its foreign debt range as high as dlrs 100 billion, reports AP.

The World Bank puts the Soviet debt at 57 billion dollar to 71 billion dollar in hard currency.

That figure does not include a few billion dollar in unpaid interest, Soviet debts in the soft, non-convertible currencies of Eastern European and Third World countries, and money that Soviet republics and enterprises may have borrowed and not reported, according to World Bank officials.

The World Bank's figures are contained in its two-volume "World Debt Tables, 1991-92," made public Sunday.

The World Bank put total Third World and Eastern European debt at the end of 1991 at dlrs 1.351 trillion, a slight drop from the 1.355 trillion dollar in 1990.

Reuter from Frankfurt adds: A Bank committee in Germany has agreed on a plan to defer principal payments of Soviet debt, a spokesman of Detusche Bank AG said on Tuesday.

After a meeting of representatives from 12 major banks, the Soviet foreign trade bank (Vneshekonombank) and the Russian central bank, the spokesman said the deferral concerned debts taken up before January 1, 1991 and due for payment between December 5, 1991 and March 31, 1992. He gave no further details.

ERD Joint Chief Syed Jamaluddin and Australian High Commissioner Richard K Gate signing a memorandum of understanding on food aid worth about nine million Australian dollar to Bangladesh Sunday. —PID photo

DCCI urges firm action against labour unrest

Star Economic Report

The Dhaka Chamber of Commerce and Industry (DCCI) has called for 'firm' government action to deal with 'acts of indiscipline and chaos' in the labour sector.

In the editorial of the latest edition of its monthly review, the DCCI focused the need for 'institutionalisation of consultations on the relevant issues' in order to build 'healthy industrial relations' as well as bring about overall economic reforms.

A national consensus should immediately be sought on the issues which are directly linked to industrial relations, the editorial said.

Extreme politicisation of trade unions, extra-legal intervention by the past government in wage fixation and breakdown of law and order are some important factors responsible for the present crisis, the DCCI editorial said, referring to the growing unrest on the labour front. It identified the government intervention in wage fixation-directly for the public sector and indirectly for the private sector — without taking into consideration the capacity of the units concerned to pay, as another major problems.

DCCI pointed out that the workers' real wages had increased by 13 per cent during the period between 1985-86 and 1989-1990, while the labour productivity failed to cope with by the rise. It fell by 17 per cent during 1970-86. It said any further wage hike would only widen the existing gap between productivity and the wage hike.

The public sector enterprises are beset with over employment, high share of employment cost, low capacity utilization and low productivity, DCCI observed.

It said the surplus labour situation may result in protests against any future steps towards cutting the labour force in keeping with the requirement.

DCCI also called for a total change in the attitude towards the management of the public sector which it said has a direct bearing on the private sector.

DCCI warned of serious consequences in the country's overall macro-economic framework, if government fails to take necessary action.

Chance for BCCI compensation bright

LONDON, Dec 17: Receivers for the collapsed Bank of Credit and Commerce International were quoted as saying Monday night that talks are continuing with Abu Dhabi authorities to work out a compensation plan for depositors who lost money, reports AP.

Keith Vaz, Coordinator of the all-party parliamentary BCCI group, said he and other British legislators met with the receivers who confirmed that the confidential negotiations were continuing.

"We were reassured (by the receivers) that something positive is going to happen," Vaz said.

Sheikh Zayed Al-Nahyan, the ruler of Abu Dhabi, and his government own a 77 per cent majority shares in BCCI.

The British national news agency Press Association said a plan to compensate depositors will be put forward by the receivers when the adjourned hearing for the BCCI winding-up petition takes place in the High Court in London on Jan, 14.

Documents filed in the court on Dec 2 showed BCCI was at least 9.482 billion dollar in the red.

Accountants Touche Ross and Co, one of whose partners, Brian Smouha, is BCCI's main receiver, said Dec 2 that if the Abu Dhabi ruling family and government agreed to make cash payments and assume some liabilities.

BCCI was seized by the Bank of England and regulators in other countries on July 5 on evidence of long-term widespread fraud. The Bank of England had filed a petition in the court to liquidate BCCI SA.

The July 5 seizure affected 1.1 million depositors with 19.5 billion dollar on deposit at the banking group worldwide.

Court documents on Dec 2 confirmed that creditors could receive a total reimbursement of between 30 per cent and 40 per cent of their claims, depending on the discussions between the receivers and the Abu Dhabi majority shareholders.

The Western Isles Council, the local authority responsible for the sparsely populated Western Isles off the north-west coast of Scotland, lost 24 million pounds which it had on deposit with BCCI.

The council in a ruling announced at a news conference in the area's capital, Stornoway, early Tuesday dismissed its Chief Executive, George Macleod, and its Finance Director, Donald Macleod, over the loss.

The two men, who are not related, had been suspended by the council on full salary since Sept 11 while a 15-member council committee investigated the circumstances.

The committee said in a report that the Finance Director bore primary responsibility for the loss in the BCCI collapse and that the Chief Executive failed to carry out adequately his general managerial responsibilities in the affair.

Another despatch from New York adds: Court papers revealed Monday that a state grand jury in Manhattan is considering criminal charges against Ghaith Pharaon, the Saudi financier already accused of wrongdoing in the Bank of Credit and Commerce International scandal.

The grand jury, empanelled by Manhattan District Attorney Robert Morgenthau, expects to decide whether or not to indict Pharaon by Jan 23.

The development was revealed in a written opinion by US District Judge Peter K Leisure of Manhattan, who presides over a civil action against Pharaon by the Federal Reserve Board.

Morgenthau asked the judge to temporarily block Pharaon's lawyers from taking sworn statements from three of Pharaon's former US associates. Morgenthau said the interviews could reveal grand jury secrets.

"The criminal investigation and prosecution presently pending in New York County would be frustrated and prejudiced by the early disclosure of the testimony of the three witnesses," the District Attorney told Leisure.

Leisure agreed to delay the interviews until Jan 23, the date Morgenthau said the grand jury will have completed its investigation of Pharaon.

Dollar down in Europe

LONDON, Dec 17: The US dollar finished lower against key European currencies on Monday, Gold prices rose.

In London, the British pound rose to 1.8210 dollar from 1.8165 dollar late Friday.

Other late dollar rates in Europe, compared with late Friday: 1.5785 German marks, down from 1.5825; 1.3945 Swiss francs, down from 1.3980; 5.3895 French francs, down from 5.4045; 1.7780 Dutch guilders, down from 1.7830; 1,191.25 Italian lire, down from 1,195.00 and 1.1429 Canadian dollar, up from 1.1415.

India can borrow again as exchanges soar to $ 3.1 b

NEW DELHI, Dec 17: India's foreign exchange reserves have surged to 3.1 billion dollar from 1.3 billion in June, allowing the government to resume overseas commercials borrowing, Finance Minister Manmohan Singh said.

"The earlier perception of financial collapse and imminent default has been overcome. Confidence has been restored," Singh said in a statement to parliament.

"our access to commercial borrowing is being restored," he said, disclosing for the first time details of the government's promises to the International Monetary Fund (IMF).

India borrowed a total of 4.0 billion dollar from the IMF this year. The money came with a list of painful reforms and fiscal targets for the government.

Singh tabled a letter in parliament he wrote to IMF Managing Director Michel Camdessus in August asking for a 2.2 billion dollar loan and setting out detailed macro economic objectives.

The letter said India would need another 2.8 billion dollar from the Fund and other creditors next year.

"The pace at which India's external viability can be restored would depend, however, on how quickly access to normal commercial borrowing can be resumed," the letter said.

Earlier this year, foreign banks refused to renew an estimated four billion dollar in short-term credit that India had been using for years to finance imports.

India's credit rating plummeted on bankers' worries about its 71 billion dollar foreign debt and political uncertainties, in which there were four governments over the past two years.

The letter said the government aimed for real Gross Domestic Product (GDP) growth of 3.0 to 3.5 per cent in the 1991-92 fiscal year that ends in March against 5.0 per cent the previous year.

Inflation is targeted to decline to nine per cent at the end of 1991-92 against 12 per cent last year and 13.7 per cent currently.

The government promised to reduce the public sector deficit from an estimated 12.5 per cent of GDP to 7.0 per cent in the mid-1990s, by slashing subsidies to chronically losing public enterprises.

It also promised tax reforms to reduce reliance on customs duties and collect more from individuals and corporations.

It said the government's ballooning deficit will be cut to 6.5 per cent of GDP in the current year from 8.5 per cent last year.

"The bulk of the savings are to be achieved from lower expenditure on subsidies, moderation in defence spending, cuts in transfers to public enterprises and restraint on current and capital spending," the letter said.

The letter outlined steps the government had already taken to cut subsidies. Domestic oil product prices were raised by 38 per cent last year and another 20 per cent this year.

More Pak steps to Islamise economy

KARACHI (Pakistan), Dec 17: Authorities have stepped up efforts to further Islamise Pakistan's economy by the June 30 deadline set by the country's top Islamic court, official sources said, reports Reuter.

The Federal Sharia Court ruled last month that 32 fiscal laws, including those relating to charging interest, were repugnant to Islam and deadline to later them.

Finance Minister Sartaj Aziz held talks with a commission on Islamisation which is giving top priority to new Islamic techniques for financing new banks to be implemented before the deadline, a commission spokesman said.

Aziz said the commission, headed by State (Central) Bank of Pakistan (SBP) Governor I A Hanfi, formed three working groups to prepare reports on special areas. These included an alternative system of Islamic banking, the Islamic position on fiscal policies such as fiscal deficits and inflation, and socio-economic problems.

Pakistan's late military president Mohammad Zia-Ul-Haq introduced interest-free Islamic Banking in 1985 but orthodox Muslim clergymen, who helped the ruling Islamic Democratic Alliance win last year's elections, want complete Islamisation of the economy and other spheres of the Pakistani society.

Another despatch adds: The Asian Development Bank (ADB) said it approved two loans totalling 250 million US dollars for the Water and Power Development Authority in Pakistan to help ease an acute shortage of power.

One loan worth 125 million dollars will come from the Bank's concessional Asian Development Fund. It is interest-free, carriers a term of 35 years, including a grace period of 10 years, and a service charge of 1.0 per cent per annum.

The other loan of 125 million dollars is from the Bank's ordinary capital resources and is to be repaid over 25 years, with a grace period of five years.

The interests rate on the second loan will be determined by the ADB's pool-based variable lending rate system, the Bank said.

The two loans will be used to boost the supply of power in Pakistan by improving the efficiency of power generation in the country.

The Manila-based Bank also approved a technical assistance grant for the project in Pakistan worth 585,000 dollar to study the potential hydro-thermal power generation of Pakistan and to provide training for its personnel.

Meanwhile, Pakistan has facilitated conversion of the dollar into US dollar bearer certificates by abolishing conversion charges.

The State Bank of Pakistan (SBP) said no charge would be levied on the buyers of the dollar bearer certificates against the dollar notes and travellers' cheques and dollar bank accounts from last Sunday onwards.

The SBP said the dollar instruments should be converted at the request of customer into the certificates free of charge. Banks would charge commission on the conversion from the SBP, it said.

US to hit back if China does not protect its patents

WASHINGTON, Dec 17: U.S. Trade Representative Carla Hills said on Monday she would impose punitive tariffs on 750 million dollar worth of Chinese goods soon after January 16 if China failed by then to take substantial action to protect U.S. patents and copyrights, reports Reuter.

If tariffs were imposed, the U.S. Customs Service would start collecting them soon after, she said.

Hills told a news conference that U.S. Assistant Trade Representative Joseph Massey would meet Chinese officials in Beijing on December 21-22 in one last effort to find an agreement.

The United States and China had negotiated the past year on U.S. complaints that Beijing was not protecting American patents, chiefly on pharmaceuticals, and copyrights on American works published outside China.

Hills last month proposed stiff tariffs on a list on Chinese exports valued at about 1.5 billion dollar that included luggage, clothing, imitation jewellery, beer and wristwatches.

Guests being received at the annual dinner of HRC Group at Sheraton Hotel recently. Businessmen, govt officials and members of diplomatic missions attended the dinner.

Indian jute millers blasted for deaf ear to workers' demand

CALCUTTA, Dec 17: The West Bengal Labour Minister, Mr Santi Ghatak, Saturday charged the jute mill owners with trying to precipitate "a crisis" in the industry by not conceding to workers' demands and forcing them to resort to strikes, reports PTI.

Commenting on the lack of response from the Indian Jute Mills Association (IJMA) to the charter of demands of the different central trade unions and federations of unions, Mr Ghatak said that while the industry achieved a 'remarkable degree of prosperity and boom,' it was surprising that despite a 'very high level' of profitability, the industry had defaulted to the extend of more than Rs 80 crore in respect of PF contributions and about Rs 20 crore with regard to ESI contributions.

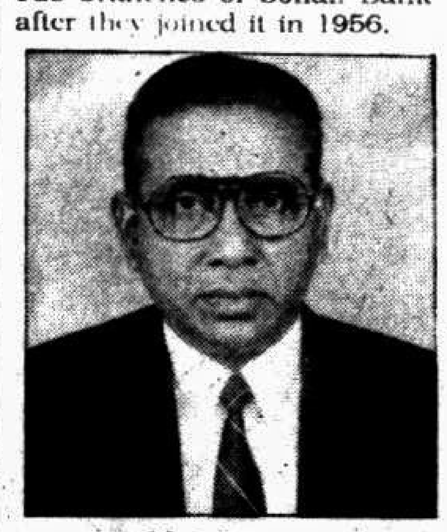
2 new GMs of Sonali Bank

By Staff Correspondent

Sonali Bank authorities recently appointed two new General Managers in its central office.

M A Sattar and Sanaul Huq, prior to their new assignment, served as Deputy General Managers at the Engineering and Construction Division and the local branch of the bank at Dhaka respectively.

Both the bankers held different important posts in various branches of Sonali Bank after they joined it in 1956.



M A Sattar

Sanaul Huq

Executive tips

By Shahabuddin Mahtab

Scientific Management

The scientific management propounded by Fredrick Winslow Taylor of the U.S.A laid the foundation of management, as is seen in the modern world. In the context of Bangladesh, as of today, there is a great need for adopting and adapting this theory. As of now we are in non-work situation. There is hardly any climate for hard work, to improve our G.D.P. There are work slowing on the job, the craze for undeserving overtime allowance and "hartals" for whatever odd reasons there may be. The foreign investors who come here to study the investment climate, flee away with the utmost haste after a few days.

In every institution, organisation and the government offices the supervisory staff/the top managers(manager and management has been here as a " generic term") have to get the maximum amount of output from the employees. For that, all work/functions have to be analysed, classified and time-tested. The time test cannot be fully applied at the highest level, only because qualitative decisions are required to be made here.

All motions and functions can be time-tested. There are memos of distribution of work in many offices, but few of the managers have very carefully gone through it.

In India, Sir Gurunath Bewoor, a member of the Indian Civil Service & Postmaster General later, spent three months with complete devotion, and produced a well documented report which indicated with the minutest detail every kind of operations that all levels of operative and supervisory staff have to do. I am told that the Indian Post Office has produced another report which is called the "Marethe" Time Test.

In all government offices, corporations etc we urgently need the tests as indicated above. This however, is the easier part of the job. The tougher part of the job will be to implement the future reports that will be coming out.

There is no panacea for mobilising the domestic savings unless we work hard. Taxes, excise duty and customs can only be earned when there is a productive climate in the country. There is no other way for our survival or maintaining our dignity for "Borrowing is not much better than beggary."

African economy on the way to recovery

ADDIS ABABA, Ethiopia, Dec 17; The UN Economic Commission for Africa says the continent's economy may be on its way to a gradual recovery, reports AP.

Issa Yassin Diallo, the ECA Secretary General, predicted the growth of Africa's Gross Domestic Product next year will remain steady at five per cent, same as this year.

"The region may well have entered into a phase of gradual recovery," Diallo said.

He attributed the favourable prospect to economic reforms by various governments and "a more solid partnership between Africa and its main development partners."

However, Diallo said economic reforms that might reduce income, increase unemployment and cut social services "will continue to raise considerable obstacles."

African leaders have repeatedly criticized reforms, especially those sponsored by the World Bank and the International Monetary Fund, saying they created hardships for the continent's poor.

Diallo said it was encouraging the two lending institutions were now "giving priority to the dual objective of economic growth with the poverty reduction, particularly through the creation of income generating employment for the disadvantaged."

Diallo made the comments in a meeting with foreign envoys and heads of United Nations agencies Thursday, but the report was not made public until Saturday.

He said agriculture was expected to benefit most from reforms. Growth in other sectors, however, would be slower.

Diallo said the shift of emphasis by the World Bank and IMF could make its easier for African nations to liberalize their economics, but the liberalization should be gradual.

African countries shunning political reforms will find it difficult getting foreign aid, Diallo warned, because donors want democratization.

He urged "a new and bolder approach" in the search for ways of solving the continent's massive foreign debt.

The total foreign debt owed by the Sub-Sahara nations alone is about 176 billion dollar. Diallo said the aim should not be "the unrealistic elimination of debt" but to enable the continent to regain economic momentum lost "when the debt crisis arose more than a decade ago."

A despatch from Washington adds: The World Bank is looking to governments of well-off countries to relieve the debt burden of Sub-Saharan Africa, but will not reduce the 25 billion dollar the countries owe the Bank itself.

The Bank estimates that major lending countries have forgiven seven billion dollar in debt owed by Sub-Saharan countries over the past four years.

Even though debtors' interest payments have been reduced by about 900 million dollar a year, the unpaid interest they owe is still piling up at an annual rate of nearly 10 billion dollar, according to the latest World Bank figures on international debt made public Sunday.

The Bank's report said that if creditor nations adopted recent proposals to reduce debts, it "will make a major contribution to restoring external viability in many low-income African countries."

"In a few extreme cases, even more generous treatment may be required," it said.

Asked in an interview if the Bank would write off some of its African loans, spokesman Peter Riddleberger said "You'd never get a financial officer to recommend it. Our first concern is to protect our bondholders."

The Bank is owned by 155 countries, including the debtor countries. But most of the money it lends comes from the sale of bonds all over the world. Their price could decline sharply - and so would the bank's ability to lend - if it reduced debts owed to it.

Ishrat Husain, the Bank's chief economic for Africa, estimated that a proposal by British Prime Minister John Major could wipe out another 46 billion dollar worth of debt for Sub-Saharan nations. Husain estimated the average rate of interest at five per cent on that debt, resulting in another 2.3 billion dollar in savings for the debtor nations.

"A breakthrough is needed," Husain told a news conference.

Major made his debt relief proposal for Africa's poorest countries over a year ago, when he was chancellor of the exchequer. Husain said the creditor governments have been discussing Major's proposal, but have come to no decision.