World leaders in Switzerland for Economic Forum meet

DAVOS, Switzerland, Jan 31 : Leading businessmen and politicians from around the world gathered in Switzerland on Thursday for a week-long conference expected to be dominated by global economics and the fate of former communist countries, reports Reuter.

The 22nd annual meeting of the World Economic Forum in the ski resort of Davos was due to open with a speech by Chinese Premier Li Peng, who is in the west for the first time since a bloody crackdown on China's pro-democracy movement in 1989.

Li has already caused controversy on his visit to Switzerland by refusing to discuss human rights in China with Justice Minister Arnold Koller.

Their meeting was called off, and demonstrators planned to march through Davos on Friday to protest against Li's presence.

The conference's attention is likely to switch soon to the sluggish state of the world economy, which preoccupied the Group of Seven (G7) industrialised nations during a meeting in New York five last Saturday to promote economic growth.

The forum gives policymakers a chance to discuss how much substance, if any, was contained in the G7's pledges of action to boost growth.

US treasury Undersecretary David Mulford, German Economics Minister Juergen Muellemann and ministers from other G7 nations will be among some 250 political figures at the Davos meeting.

In all, organisers expect a record 2,000 participants for the conference which ends on February 6 and have already said security will be tighter than usual.

The leaders of Czechoslovakia, Romania, Bulgaria, and several former Soviet republics, including Armenia, Uzbekistan, Latvia and Lithuania, are due to make a case for increased western aid in dragging their economies out of a Marxist mire.

The forum not only stages large-scale debates on major global issues but also traditionally brings together opposing parties in more local disputes for backstage talks.

Organisers say the prime ministers of Greece and Turkey, Constantine Mitsotakis and Suleyman Demirel, will meet on Saturday for talks likely to be dominated by the Cyprus dispute.

And the prime ministers of India and Pakistan, PV Narasimha Rao and Nawaz Sharif, may meet to discuss a dispute over Kashmir and Pakistan's alleged backing for separatist movements in India.

A session on South Africa is due to addressed by the country's President FW De Klerk, African National Congress leader Nelson Mandela, and Zulu leader Mangosuthu Buthelezi, president of the Inkatha Freedom Party.

Pakistan to boost exports of finished leather, cotton goods

DAVOS (Switzerland), Jan 31: Pakistan sees its best opportunities for export growth in the next two to three years in textiles and leather goods, the country's Finance Minister said on Thursday, reports Reuter.

Sartaj Aziz said Pakistan produced about 12 per cent of the world's cotton but only one per cent of its textiles, so there was enormous potential to increase export earnings by turning more cotton into valuable textiles for selling abroad.

He added: "Our leather exports total about 500 million dollar a year now. If this was turned into jackets, shoes and so on, we could boost the export value to four to five billion dollar."

The Finance Minister, addressing a news conference during the annual world economic forum of business and political leaders, said there were good opportunities in the longer term to build up export industries in cars, electronics and computers.

Aziz appealed to western countries to use money saved through cuts in arms expenditure to pump more investment into developing countries such as Pakistan.

He said his country was one of the few developing nations not to insist that a foreign investor must take a local partner.

Pakistan has begun an ambitious privatisation programme and is developing its financial markets. Stock prices have soared in the past year.

Aziz said the successful conclusion of the Uruguay Round of talks to liberalise world trade was the most important requirement for countries like Pakistan to prosper.

"We must have an end to protectionist policies and one question people are asking is whether the European Community is going to turn inward or be open in its trade relations," he added.

Aziz said Pakistan still imposed some import tariffs but these were being phased out progressively.

"We have removed restrictions on foreign companies buying firms in Pakistan," he added.

US aid for '93: Who's in, who's out

WASHINGTON, Jan 31: President Bush's 1993 budget request of 22 billion dollar for foreign aid offers a glimpse of who is in and who is out of favor with Washington these days, reports AP.

Winners run the gamut from Turkey, a Gulf War ally which stands to gain heavily in military and economic aid next year, to tiny oil-rich Bahrain, which Bush wants to give a one-million-dollar military aid grant.

Among the losers, two stand out:

The Philippines would be due for 225 million dollar next year, roughly half of what it received in 1991, the last full year for which figures are available.

Pakistan, one of the leading aid recipients just a few years ago, would drop to just 50 million dollar in food aid for 1993.

The Philippines is ending its agreement that gives the United States rights to maintain major naval and air bases there, the basis for much past U S help.

And Pakistan transgressed a rule that it not develop a nuclear weapon, cutting off the cash military and economic aid it had received in large amounts.

Overall, Bush's budget is about the same as this year's total, and aid allocations to 130 countries around the globe are remarkable similar to those of the past several years.

The two leading recipients, Israel and Egypt, will maintain their top spots. Israel is due to get 3 billion dollar and Egypt 2.2 billion dollar, both the same as last year.

Portugal, which is in the midst of negotiating a new defense cooperation agreement with the United States, is due to get 144 million dollar next year, up from 101 million dollar 1991.

Turkey, another NATO ally, is due to receive 621 million dollar, up from 553 million dollar seen as a recognition of its importance as a front-line state to Iraq.

In Latin America, winners include Colombia, whose aid request doubles to 60 million dollar the Dominican Republic, up from 16 million dollar to 38 million dollar, and Peru, up from 95 million dollar to 144 million dollar.

Decreases were asked for Costa Rica, Guatemala, Haiti and Honduras.

In Africa, Angola, where the government and rebels have reached a peace settlement, the aid request goes from 8 million dollar up to 25 million dollar.

A new and friendlier government in Ethiopia is seen as the rationale for an increase there from 24 million dollar to 94 million dollar.

South Africa aid is sought at 80 million dollar, double the previous level, and Zambia, which recently held free elections, is requested at 33 million dollar, up from 10 million dollar.

Losers in Africa include Kenya, Liberia, Madagascar, Malawi, Sudan and Zaire.

Reuter adds: Reflecting changing times, Bush's new foreign aid budget would pump new money into the former Soviet republics and Eastern Europe.

The budget for the 1993 financial year beginning on October 1, sent on Wednesday to the Congress for what could be an election-year overhaul, includes 620 million dollar in new aid to the former Soviet republics announced last week.

Li Peng calls for western help ruling out change in system

DAVOS (Switzerland), Jan 31 : Chinese Premier Li Peng appealed on Thursday for Western help in freeing China's economy, but rejected any change in the communist political system, reports AP.

Li, on his first visit to the West since the 1989 Tiananmen Square crackdown on the democracy movement, told the opening session of the World Economic Forum that China would accelerate its opening of markets and enterprises to foreigners.

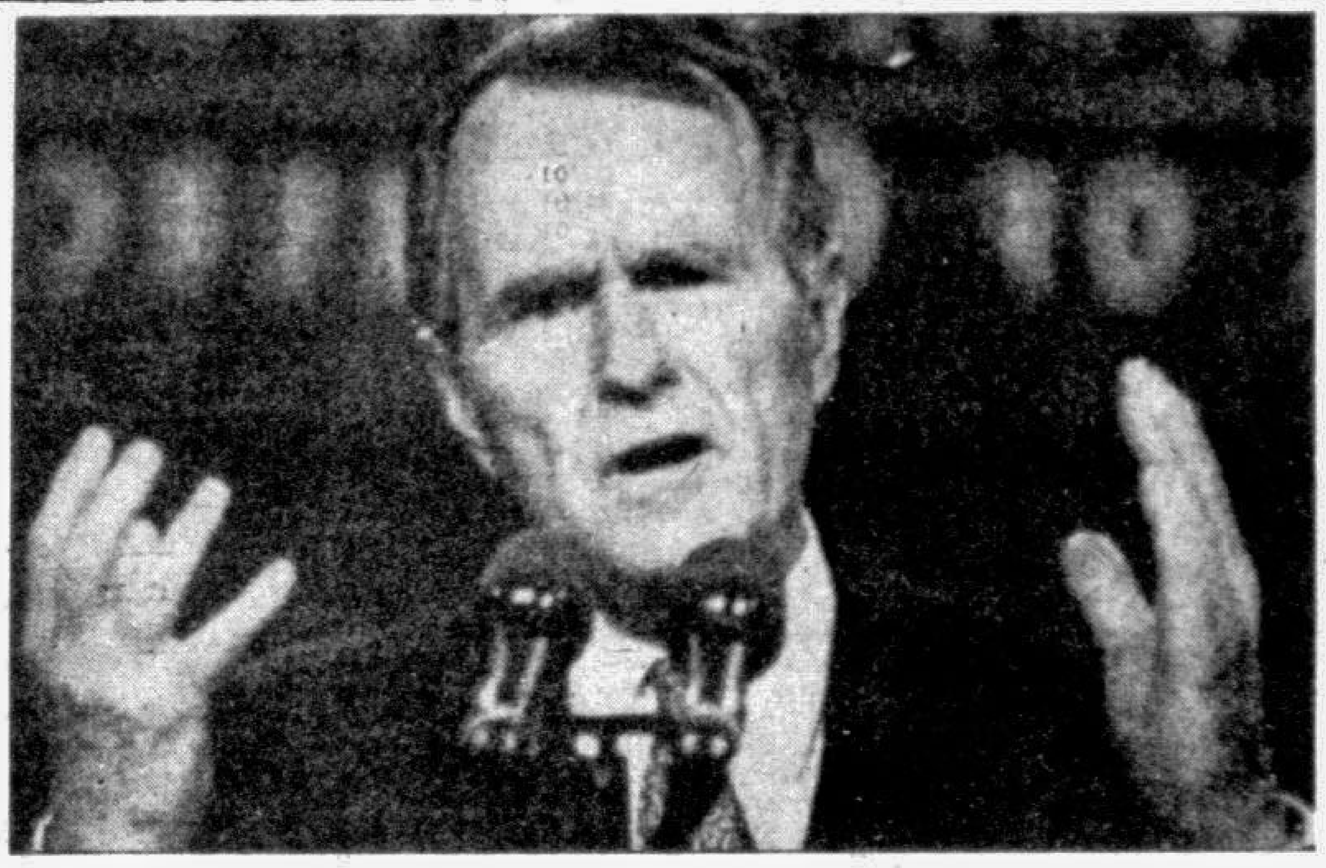
He said more than 17,000 joint ventures and foreign-owned enterprises have already been established in China and more opportunity awaits in Shanghai, which is being developed further.

But he said "the reform in China does not mean a change of the socialist system, but its self-improvement and development."

Li said the collapse of communism in the Soviet Union obviously had implications for China, "but they are not as big as some people estimated. The essential reason is that China and the Soviet Union differed in many respects and followed different approaches."

Noboru Takeshita, former prime minister of Japan, urged increased cooperation between the rest of the world in trade and development, and warned against pushing China and other communist countries too hard toward democracy.

Other scheduled speakers at the privately organized annual meeting include leading figures from South Africa, as well as Latin America, East and West Europe.



US President Bush speaking at a Greater Philadelphia Chamber of Commerce luncheon. Bush reinforced the proposals he announced during his State of Union address Jan 28 at the luncheon.

Lanka still top tea exporter

COLOMBO, Jan 31: Sri Lanka has retained its place as the world's largest tea exporter for the second consecutive year, tea board officials said Friday, reports AP.

Although the final export figures for last year are still being compiled, early reports show that 1991's tea exports have surpassed the 1990 record of 215 million kilograms (473 million pounds) and is ahead of it's main competitor India, said the officials, speaking on condition of anonymity.

India has produced more tea than Sri Lanka, but most of it is consumed at home, while the bulk of Sri Lankan teas is exported.

Sri Lanka's tea production also reached an all time high in 1991 with 240 million kilograms (528 million pounds). In 1990, total tea production was 233 million kilograms (512.6 million pounds).

The earnings from tea exports have, however, fallen short by about 6 million dollar due to the decline in tea prices which has been attributed to Sri Lanka losing two of her largest tea buyers, Iraq and the former Soviet Union.

In 1990, Sri Lanka exported 215.6 million kilograms (474.32 million pounds) of tea placing herself as the world's largest tea seller. India exported about 199 million kilograms (437.8 million pounds) that year.

The total earnings from tea exports that year stood at over 52 million dollar. Tea is the single largest export commodity in Sri Lanka bringing in annually about 500 million dollar.

Africans may set up oil reserve

ABIDJAN, Jan 31: Ministers and experts from 11 petroleum-producing African nations opened a two-day meeting here Thursday calling for a joint fund to boost technical cooperation and a plan to supply crude to needy countries in times of international crisis, reports AFP.

"Our mandate comes at an especially dramatic period brought on by the Gulf War," Ivory Coast Mines and Energy Minister Yed Esaie Angoran told the opening session of a ministerial meeting of the African Petroleum Producers Association (APPA).

Angoran, who is current Chairman of the APPA Ministerial Council, said the important issues to tackle at the conference include the creation of an APPA fund to promote technical cooperation and drafting a policy to assist African importers of crude during crisis periods like last year's Gulf War.

Nigerian Oil Minister Jabril Aminu, who is also current President of the Organisation of Petroleum Exporting Countries (OPEC), said APPA hopes to boost development and exploration to "increase the amount of hydrocarbons under the command of the association."

GCC, EC seek to broaden trade

ABU DHABI, Jan 31 : Officials and experts from the Gulf and the European Community (EC) will seek closer ties when they gather at a three-day conference set to open here Monday, reports AFP.

The conference will cover economic prospects in the Gulf but the focus will be on relations between the Gulf Cooperation Council (GCC) and the EC, an Abu Dhabi Chamber of Commerce official told AFP.

More than 200 delegates from the GCC, EC and Iran will attend the symposium, organized by the Abu Dhabi Chamber of Commerces and other oil and economic institutions in the United Arab Emirates (UAE).

Key participants include UAE Economy and Trade Minister Said Gobash, GCC Assistant Secretary General Abdallah Al-Quwaiz, and EC Middle East Director Eberhard Rhein.

The EC and the GCC are bound by mutual interest to move much closer to each other, encourage more concentration in trade, finance, industry and technology and to consult on politics toward energy, the environment, money and even security, he said, according to excerpts from a paper to be read here released by conference organizers.

The EC is a major oil importer from GCC states and is a principal trading partner, with the annual value of exchanges amounting to more than 25 billion dollar in recent years.

But the GCC-grouping Bahrain, Saudi Arabia, the UAE, Kuwait, Oman and Qatar and the Community have long been at odds over EC tariffs on Gulf petrochemical products and European plans to impose taxes on oil imports to reduce pollution.

Global wheat output revised at 546m tonnes

LONDON, Jan 31 : The International Wheat Council on Thursday cut two million tonnes from its estimate of world wheat output in the 1991-92 crop year (July through June), offering a new forecast of 546 million tonnes, while also lowering its estimate of the grain harvest of the former Soviet Union, reports AFP.

That would be a plunge of 8.7 per cent by comparison with the previous crop year.

In 1990-91, the world wheat harvest hit a record 598 million tonnes.

The Council also lowered its estimate of world wheat stocks at the end of next June by five million tonnes, to 128 million tonnes against 138 million at the end of the 1990-91 crop year.

World wheat trade for the current 1991-92 year is forecast at 106 million tonnes, against 91 million for the previous crop year.

Looking to the 1992-93 year, the council estimates that the total area sown to wheat that year may be greater, and the US harvest might be increased by an increase of spring wheat sowing if prices remain firm over the next few months.

The Council also counted two million tonnes off its estimate of the world's harvest of secondary cereals for the 1991-92 crop year, to 797 million tonnes, down by four per cent Soviet Union. The International Wheat Council chopped five million tonnes off its estimate of the area's cereals harvest for the 1991-92 crop year (also July through June), to a new figure of 173.3 million tonnes.

That would be a plunge of 24.5 per cent by comparison with the previous crop year, for which the crop is estimated at 229.7 million tonnes.

Weaker rupee, output fall main reasons

India's oil bill up by $1.15 billion

NEW DELHI, Jan 31 : India's oil import bill will soar by 1.15 billion dollar in fiscal 1991-92 because of devaluation, a decline in domestic production and an abrupt cut in cheap supplies from the former Soviet Union, reports AFP.

The petroleum ministry said in its annual report Thursday that the import bill for crude and petroleum products in the fiscal year ending March would top five billion dollar, mainly because of the 20 per cent devaluation of the local currency in July.

The closure of several oil wells had forced New Delhi to import an additional four million tonnes of crude.

India will import about 24 million tonnes of crude— as against earlier projections of imports of 20 million tonnes and a little over 10 million tonnes of petroleum products by March 1992, it said.

In the previous fiscal year, India imported some 19 million tonnes of crude and about nine million tonnes of petroleum products at an estimated cost of 3.84 billion dollar, the report said.

India's bid to increase domestic crude production above 60 per cent of consumption has been stymied by an annual four per cent growth demand, well stagnation and unrest in the northern oil producing state of Assam.

The ministry also said the end of traditional supplies from the former Soviet Union, which used to supply up to five million tonnes annually on a rouble-rupee barter basis, had added to the hard currency bill.

Commentary

Interest waiver is no answer to loan recovery problem

By Abu Ahmed

This government after coming to power hastily published the names of bank loan defaulters in the newspapers to bring them to book. Some of them later protested and claimed that they were not defaulters while some others did not care to protest, no matter whether that was a social sour for them or not. What matters after all if someone can get away with the loans even if his name is published in the newspapers?

After maintaining a pause for a while, the authorities came up with huge concessions to the defaulters through a Bangladesh Bank circular in October, 1991 by waiving 100 per cent of the penalty interest, and 75 per cent of the normal interest.

Now what remained for recovery? Only 25 per cent of the interest and the principal amount of the money that Development Financing Institutions (DFIs) distributed over the last two decades towards longterm financing for industrialisation. If waiver is made on such a scale, then the government must not expect to bring home even a quarter of its overdue loans from the defaulters, which now stand at over Tk 1200 crore. Thus, this government is proving to be one of the most benevolent ones in terms of relinquishment of its claim, though outwardly it appears to be very hard with the defaulters.

But, whose money the government is giving up through the waivers? Definitely the nation's money. Failure of the government in recovery of stuck loans should be seen in the context of its overall economic performance. This government may say the backlog of stuck loans was piled up not in its time but during the rule of the previous autocratic government, and this government is merely wanting to clean the slate by giving up the interest claim. No matter, the government has taken a faulty step toward the recovery of the overdue loans.

Forgiveness never works in realising the money from the defaulters. It is the enforcement of law which is the right way to recover the defaulted money. If the law is not right for this purpose, then right laws can be inacted suiting to our mentality and temperament.

There was also a fundamental mistake in choosing the Development Financing Institutions like BSB, BSRS and ICB for loan distribution towards industrialisation. These institutions have built-in problems as far as the recovery of loan is concerned. They are over-enthusiastic while distributing money but feel mordant while collecting them back. Why? Simply because they have little accountability.

In the last two decades these institutions acted very liberally as the distributing agencies for government money which the government received from the donor agencies an addition to, its own direct revenue accounts. The donor agencies so long looked the other way about the defaults, but of late they started pulling their string. The donor agencies, which did not bother about how we distributed the money, are now bothering when we could not recover the money already given to us, and wanting more money from them for the same purpose.

Some of the donor agencies also opted for distribution of their money through private sector financial institutions. We think this is a better step on the part of them towards ensuring proper use of money as well as recovering the loans.

Do we need DFIs for industrialisation? Some will say, if DFIs do not exist who will finance the long-term equity need or supply the bridge finance? If long-term equity or bridge financing is the problem then this can be best tackled through the market mechanism. We should mind more to broaden our financial market towards competitiveness. A good capital market can be a good answer to many of the problems we are facing in industrial financing. Financing industrialisation through DFIs is a wrong way of doing it, and the sooner we shun it, the better it will be for our economy.

How much money the DFIs are receiving back from the defaulters after all those concessions were given? Practically no improvement was noticed over the past records in loan recovery. Investment Corporation of Bangladesh (ICB) collected, as it was reported, only about Tk seven crore against its total stuck loans of Tk 217 crore. Amusingly, some of the pay cheques the defaulters handed over to the ICB came back dishonoured. Defaulters are even defrauding (?) with the cheques! Last year, in this period, it was learnt, ICB recovered about four crore taka from its defaulters, not much different from this year's recovery after giving all those concessions.

Who are the loaness who are paying back the defaulted money?

It is the same people who paid back their loans in the last few years also, even without any concession. The rest, about 160 in the case of ICB, are not coming forward to take advantage of the interest remission. Perhaps they think that 75 per cent interest remission is not enough; perhaps they want even the principal to be for gone.

But how do they want the government to forego all? Yes, they know how to play the trick, towards it. They are already playing it in the name of sick industries. Sick industries need extrafeeding, and they are coming to the DFIs again with the list of sick industries for such extra feeding. Alas ! The DFIs are going to accommodate such pleas. If sickness is financed, there will be a double defrauding of public money, and nothing else it can be.

In this country, good repayment was never creditable, default was always rewarded and that is why everyone wants to be a defaulter whether his industrial unit is sick or not. Of course, there was a news item that those who will repay industrial loans will be rewarded, though not clear how, and how much. This is just a consolation for those few good entrepreneurs who are having a deep sigh at their foolishness of early payment of loans.

The case with the largest DFI — the BSB— is no better in loan recovery. It has collected in the last six months about Tk 16 crore out of its approximately over Tk 300 crore over due loans. Last year, it recovered about Tk 45 crore, and this year after all the concessions the figure is unlikely to cross that mark.

About 270 law suits were filed by BSB against the defaulters, and surprisingly, about the same number of law suits were made by the loanees against the BSB. Thus, BSB, and other DFIs are locked in serious law suits in the courts over the default and the whole programme of recovery is hanging on the balance.

Here again, the majority defaulters are waiting for their whole liabilities to be forgiven; very few are coming forward to pay back the arrear loans by taking advantage of interest waiving.

Who will compensate the concessions now being offered to the industrial loan defaulters? Apparently, DFIs are to finance from within, that is, from their own income. But the position is not like that. They do not have money to cover the fund that is lost through the concessions being offered to the defaulters. The government and the Bangladesh Bank are the main sources of DFI's fund, and the latter does not care much to earn profit by using the money of the government and Bangladesh Bank.

DFIs have accumulated very little over the years as undistributed profit, and now they cannot adjust the interest concessions towards defaulters from within. Certainly, they will again look outward to fill in this gap, and in this case again the Uncle Sam i.e. the government, in conjugation with Bangladesh Bank, is expected to come forward. This time Uncle Sam may not provide the cash directly, but may forego its previous claims against debentures.

Financial discipline depends on where from money is flowing; whether from the organisations owned by the government or from the organisations owned by the private individuals. Organisations owned by the private individuals see the opportunity cost of money use and ensure proper use of money while government-owned organisations do not see this basic element of efficient money use, and that is why our DFIs are so much inefficient in money matter handling.

If anyone thinks that he is helping the restoration of discipline in our financial sector through waiver of interests then he is mistaken, because waiver will never correct the situation, rather, will complicate it further. If the present structures of DFIs are kept intact, the loans will be defaulted again unless the whole overdue loan is waived and distribution of loan is totally stopped through them. The present structures of the DFIs only help enhance personal wealth of individuals, not the welfare of the nation and that is why we need the change of these structures.

The writer is an Associate Professor of Economics at Dhaka University.

Business briefs

Bush urges continued ban on Iraq : US President George Bush urged members of the UN Security Council on Thursday to maintain economic sanctions against Iraq, saying Baghdad was still trying to hide its nuclear weapons programme from UN inspectors, reports Reuter from New York.

A senior US official who briefed reporters said Bush mentioned the need for the sanctions against Iraq in meetings on Thursday with leaders of Cape Verde, Austria, Belgium, Morocco and Japan at his hotel.

French export credit for Kuwait : France will grant Kuwait five billion franc worth of export credits to help boost trade between the two countries, the French Finance Minister said, reports Reuter from Kuwait.

Speaking at the end of a two-day visit to the emirate, Pierre Bregovoy said France had agreed to allow the Kuwaiti government to set up an investment company in France to help channel more of its money into the French economy.

Food to be dearer in Cuba : Cuban officials, struggling to cope with an economic crisis that has caused cutbacks throughout the economy, warned that some food prices may rise for the first time in 30 years, reports AP from Mexico City.

Government television broadcast a commentary on Thursday saying a possible rise in some prices could increase production, benefitting consumers and reducing subsidies from hard-hit state coffers.

Russian vow : Russia's finance minister says his government needs to show citizens within three months that the economy is beginning to improve or Russia could face a "very serious social and political situation", reports AP from New York.

Yegor Gaidar said it would be "irresponsible and unrealistic" to promise the Russian people a sharp economic improvement across the board very soon. "But we have to show the population that the situation is changing," he told American and Soviet reporters Thursday night. "What we have to produce is goods in the shops_ not even good goods, but some goods."

Demand for durables in US falls : Orders to American factories for durable goods plunged an unexpectedly steep five per cent in December, the first decline in three months and the largest in more than a year, the government said Thursday, reports AP from Washington.

The Commerce Department said the December decline, led by a huge decrease in the transportation sector, helped drive durable goods orders down 4.6 per cent, to 1.44 trillion dollar, for all of 1991.