Malaysia to ban cigarette advertisements

KUALA LUMPUR, Dec 7: Malaysia is to follow examples in Singapore and Canada when it formulates a law banning cigarette advertising, but was also to make enforcement of the law more stringent, a top health officials said Sunday, reports AFP.

"The regulations to be enforced here would be even more stringent and heavier fines would be imposed," Deputy Health Minister Farid Ariffin was quoted by the Bernama news agency as saying in northern Penang state.

Farid said a committee which was drafting the laws had identified regulations that could be adopted from similar laws enforced in Singapore, Canada and several European nations.

In Singapore, cigarette advertisements are banned in the local media under a law which provides for fines of up to 20,000 Singapore dollar (12,500 US) or six months in prison.

"The draft is now in the final stage and will be submitted to the cabinet," Farid said, adding that his ministry was confident of parliament's approval.

Malaysia recently announced plans to ban indirect cigarette advertisements in the print and electronic media within five years as part of an aggressive campaign to curb the growing number of smokers in the country.

China plans to open door to more foreign firms

BEIJING, Dec 7: China is studying plans to open the world's most populous marketplace to more foreign companies, the China daily said on Sunday, reports Reuter.

While the market of 1.1 billion potential shoppers has been opened to some food and consumer goods companies that have set up manufacturing operations in China, Beijing still prefers that most foreign investors concentrate on making goods for export to earn foreign exchange.

Continued pressure from big international companies waiting to invest may force a change in the rules, however.

"We are ready to give the green light to big companies so they are able to conduct business in China as anywhere else in the World," said Tong Yizhong, Deputy Director of the foreign investment administration of the Ministry of Foreign Economic Relations and Trade.

"We cannot fritter away the opportunities when a number of big conglomerates are pushing to set up shareholding subsidiaries in China," he told the official newspaper.

He said China was particularly keen on attracting investments in the field of high technology.

"We are planning to allow these companies to sell their high-tech products in China and buy certain products locally for export to balance their foreign exchange," he said.

UN predicts further world economic decline

GENEVA, Dec 7: United Nations economists, in a 'gloomy outlook for 1993, on Sunday predicted a new surge in unemployment in the west and further economic decline in former communist countries that could fuel fresh social unrest, reports Reuter.

In its biannual east-west report, the world body's Economic Commission for Europe (ECE) urged tighter cooperation between leading economies and better aid to help the old Soviet bloc set up real market systems.

"The outlook for the western economies in 1993 has declined sharply since the summer, "said the report, compiled at the end of November. "The forces of recession appear to have increased in the second half of 1992. The outlook remains sombre."

Official growth forecasts for 1993 in western Europe had slipped from 2.7 per cent, predicted a year ago, to only 1.5 per cent.

The report was completed before figure were issued last week suggesting an upswing in the United States for the third quarter of the year. But the ECE analysts said it was still too early to assess the real strength of this trend.

The report said over-confident forecasts of an upturn which had not arrived had acted as a depressing factor in the west while in the east excessive optimism on the speed of transition to market economics had also proved damaging.

"The frustration of rising expectations is widespread and provides fertile ground for the revival of ancient hatreds. In many parts of the region, aggressive nationalism and ethnic conflicts are increasing," they declared.

The report said there had been advances in three of the now 26 ex-communist "transition economies" — Poland, Hungary and Czechoslovakia where structures for a functioning market economy had been established and privatisation was in train.

But in overall terms, the slump in output had deepened for the third year running in 1992 across the region. The new states of the former Soviet Union including the three Baltic republics of Latvia, Lithuanian and Estonia had been especially hard hit.

For Russia, the ECE said, output was likely to fall in 1992 by at least 25 per cent, taking the total drop since 1989 to around 36 per cent. In Latvia, industrial production was down 31 per cent over the first six months and in Lithuania 40 per cent.

Unemployment was also rising sharply throughout the old communist bloc, climbing in 1992 to 14 per cent in Poland in September and showing a "very rapid increase" in the former Soviet Union.

AFP from Islamabad adds: More than half of the world's rural poor live in Asia, the International Fund for Agriculture Development (IFAD) said in a report issued here Sunday.

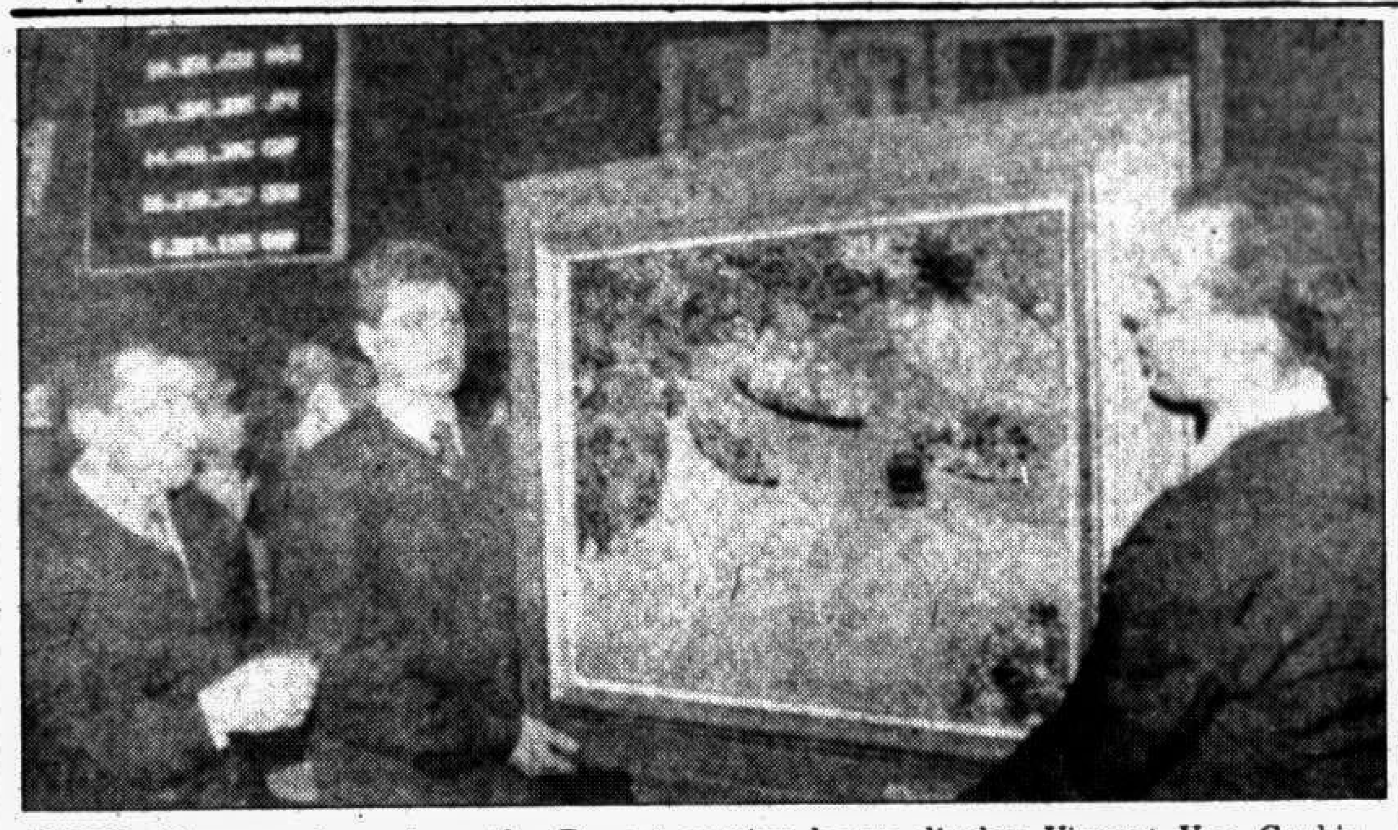
The IFAD report on the state of the world rural poverty said out of one billion rural people living below the poverty line, 630 million lived in Asia.

About 340 million people worldwide are chronically ill from malnutrition, while more than 500 million do not get enough food to accomplish a full day's work, the report added.

To deal with widespread poverty in Asia, IFAD President Idriss Jazairy said there was a need to re-orient institutions to serve the region's agrarian economy and called for "projects to overcome existing market imperfections."

Jazairy said that IFAD's strategy was "to identify the occupations of the poor and help them earn more from what they do already," especially by developing a sustainable agrarian economy and appropriate macro-economic policies.

"This is the basic answer to the poverty of small farmers in Asia and elsewhere," he added.



PARIS: Three workers from the Drouot auction house display Vincent Van Gogh's painting "Jardin a' Auvers" which was sold to French businessman Jean-Marc Vernes for 55 million francs (over 10.25 million US dollar) Dec 6. The most expensive Van Gogh painting remains "Portrait of Doctor Gachet" which fetched 82.5 million US dollar in New York May 15. — AFP/UNB photo

2nd terminal at Narita in trouble

TOKYO, Dec 7: A second terminal at Tokyo's Narita International Airport was in trouble soon after it opened Sunday to help ease congestion in passenger and cargo flows, airport officials said, reports AFP.

The departure of more than ten flights was delayed due to a malfunctioning luggage belt conveyer, the officials with the new Tokyo international airport authority said.

They said the breakdown in the computerised conveyer system was followed by problems with X-ray detectors which forced passengers to stand in lines as long as 100 meters (yards) to undergo security checks with other detectors.

The six-story new building was completed at a cost of 170 billion yen (1.4 billion dollar), the authority said.

Financial markets give Clinton a good start

WASHINGTON, Dec 7: A month after the election, the US economy appears to be shaking off the sluggishness that cost President George Bush his job and financial markets are breathing a little easier about Bill Clinton, reports Reuter.

The good news on the economy means president-elect Clinton, who will take office on January 20, may not need to apply a short-term stimulus that would weigh on the bulging budget deficit.

Instead he can concentrate on long-term proposals aimed at improving US productivity, economists said.

"It gives him a good start," Donald Ratajczak, director of economic forecasting at Georgia State University, said of the recent string of positive economic news.

"It allows him to think long term. It doesn't mean that he sheds his programme ... it says (he can) forget about a quick fix and (focus) on long-term structural problems," Ratajczak said.

Last week the government reported that the unemployment rate fell for the fifth successive month in November, dropping to 7.2 per cent from 7.4 per cent in October. Some 105,000 new jobs were created in November, many of them in the higher paying manufacturing sector.

The good employment news followed an earlier report showing the economy growing at a brisk 3.9 per cent annual rate, instead of 2.7 per cent as previously estimated.

Other reports showed factory orders, construction spending, consumer confidence and the index of leading indicators — the government's main economic forecasting gauge — all on the increase.

While economists admit they have been fooled before, many believe that after three and a half years of slow growth and recession, the signs of recovery now are real.

"The economy now is beginning to pick up some momentum," said Lynn Reaser, an economist with first interstate bancorp in Los Angeles.

"We are now reaching a point where companies will have to step up hiring and that will provide some sustainability to this recovery."

China likely to raise funds in European bond market

BEIJING, Dec 7: China's major foreign-exchange bank, the Bank of China, plans to raise funds on the European bond market next year for the first time since 1987, the China Daily said on Sunday, reports Reuter.

It is considering an issue on the New York bond market as well, it said.

Bank official Huo Tuanjie told the newspaper the bank was considering issuing Euro-dollar bonds in either London or Frankfurt.

She declined to specify the amount of the issue, but the official newspaper quoted unnamed analysts as saying it would be between 150 million dollar and 200 million dollar.

China's only foray into the European bond market was a 733 million US dollar issue in Frankfurt and London in 1987.

Since the bank launched its first issue in Tokyo in 1984, China's major issue of overseas bonds has floated more than 74 per cent of its bonds in Japan and Singapore.

Malaysia's tin output dips by 32 pc

KUALA LUMPUR, Dec 7: Malaysia's tin production for the first nine months of the year shrank 32 per cent to 10,851 tonnes against the same period of last year the statistics department said Sunday, reports AFP.

For September alone, output was two per cent lower than the preceding month and 33 per cent lower than the same month last year, it said.

Exports, however, rose by 12 per cent to 35,077 tonnes for the nine-month period against 29,366 tonnes in the same period of 1991.

More than half of the exports were taken up by the Netherlands and Japan.

Local tin consumption for the period improved by 31 per cent to 3,434 tonnes, the department said.

Internal disputes reduce OPEC's importance

VIENNA, Dec 7: Each time an OPEC oil minister comes and goes, he is surrounded by bodyguards who elbow reporters and bystanders aside, all under the close watch of machine gun-carrying police swat teams, reports AP.

Whatever these Third World oil chiefs say can take on an extreme urgency, with some comments sending the price of crude oil rising or falling within seconds.

That happened during last month's OPEC meeting at the posh Inter-Continental Hotel in Vienna. While walking through the lobby, Indonesian oil minister Ginandjar Kartasasmita expressed pessimism to reporters about the cartel reaching a production agreement. Crude oil futures plunged 43 cents a barrel shortly after.

While this type of knee-jerk reaction is well known, it may be overstating the importance of the Organization of Petroleum Exporting Countries these days. For some time now, OPEC has been unable to lift the price of oil to its target level, even though it pumps about 40 per cent of the world's crude and controls the bulk of the exports devoured by consuming nations like the United States.

"Nobody believes they're going to cut production," said Lindsay Horn, manager of the energy futures group at Shearson Lehman Brothers Inc. in London.

OPEC agreed in late November to production cuts of about 400,000 barrels a day.

EC ministers set for stormy meet on US farm trade-accord

BRUSSELS, Dec 7: EC foreign and agriculture ministers were set for a stormy meeting Monday on the farm-trade accord with the United States, reports AP.

French officials say they are determined to hold firm in their opposition to the accord reached last month.

The two-day meeting will give foreign and farm ministers from the 12 European Community states their first chance to hear full details of the deal from the EC negotiators.

The foreign ministers will also try to thrash out a range of key disputes ahead of a summit of EC leaders scheduled for Friday and Saturday in Edinburgh, Scotland.

Their packed agenda includes Europe's response to the civil wars in Somalia and Yugoslavia; a bitter quarrel over the EC budget; and plans to overcome Denmark's rejection of plans for closer European union.

Agriculture ministers will attend Monday's talks at the request of France, which has threatened to veto any global world trade accord that includes cuts on European farm subsidies worked out in the November EC-US deal.

Officials said no vote will be taken on the trade accord at the meeting. "I don't expect any sort of crunch .... there's nothing on the table requiring a decision Monday night," said a British diplomat; who demanded anonymity.

French Finance Minister Michael Sapin said Sunday France was looking for allies among other EC nations in its stand against the US deal. "Our position is a firm position," he told French radio.

So far, France has been isolated in its outspoken opposition to the Trans-Atlantic trade deal in which negotiators from the EC's executive commission agreed to limit oilseed production and reduced subsidies on other farm exports.

Washington had viewed high subsidies to EC farmers as the main obstacle to a trade agreement among 108 nations within the General Agreement on Tariffs and Trade, or GATT.

Farmers from France and other European nations have protested against the deal, claiming it will drive many of them out of business.

On Tuesday, EC foreign ministers are expected to concentrate on attempts to solve problems arising from the June referendum in Denmark.

Argentine banks to help repay $ 28.8b state debt

BUENOS AIRES, Dec 7: Argentina signed an agreement with the country's creditor banks here Sunday allowing for a refinancing of 28.8 billion dollar of the country's 70 billion dollar debt, reports AFP.

The agreement was signed at a ceremony at the presidential palace attended by President Carlos Menem and Economy Minister Domingo Cavallo, and Willam Rhodes representing the creditor banks.

The accord for Argentina's entry into the brady plan for debt restructuring will effectively reduce the amount of capital owed by Argentina by more than 12 per cent.

Rhodes praised the way Menem had implemented his economic reform programme, while Menem said the agreement marked the normalisation of his country's relationship with the international financial community, a decade after the beginning of the Latin American debt crisis.

Argentina "has now recovered the credit which no country should lose," he added and said that the country had learned its lesson.

Irresponsible, increase in public debt was "the worst sin a government can commit," Menem said, predicting that by the year 2000 Argentina would have "one of the smallest debt burdens in the world."

The brady plan allows for swapping old debt papers for new 30-year papers, 65 per cent of them at market rates and 35 per cent at a low fixed rate rising to a maximum six per cent a year.

Dollar gains while shares fall in Tokyo

TOKYO, Dec 7: The US dollar closed slightly higher against the yen in quiet dealings Monday, while share prices on the Tokyo Stock Exchange, finished lower, reports AP.

The dollar closed at 124.87 yen, up 0.24 yen from its close in Tokyo Friday but slightly below its finish Friday in New York at 124.93 yen. After opening at 124.98 yen, trades ranged between 124.77 yen and 125.05 yen.

The currency remained higher following the release Friday of better-than expected jobless figures in the United States. The unemployment rate fell to 7.2 per cent in November from 7.4 per cent the month before, and the number of non-farm jobs rose by 105,000, exceeding most expectations.

INVITATION TO A DIALOGUE

Public sector, private sector fundamentally different

Syed S Kaiser Kabir

All over the world the most efficient enterprises are privately owned. This phenomenon occurs in Bangladesh as well. In spinning there is no parallel among BTMC mills for the likes of Padma, Tamizuddin, and Tallu — all of which are privately owned. The most remarkable industrial sector, viz., ready-made garments is entirely represented by private ownership. These examples seem to suggest, that when private enterprises fare badly, the sensible approach is to carry out an investigation of the operative environment, instead of losing faith in the private sector altogether.

The quality of governance is undoubtedly one of the factors responsible for the poor performance of the private enterprises. Governance implies not only policy making, but the implementation of policies as well. Thus governance ranges from macro-financial policy making to the clearance of goods at the ports. Since its scope is very wide, it is virtually impossible for the private sector to be immune to government decisions and actions.

Policies for the private sector must try to achieve a fine balance between supporting private firms, while at the same time imposing a strict discipline upon them. Has the government been able to strike this balance? In particular, has it given too little support, or has it not been tough enough?

First, consider the areas where the government has not been tough enough. In theory, private and public firms tend to operate under different conditions. This difference in the operating regime tends to provide radically different incentives for becoming efficient. However, once the operating regime becomes identical for both public and private firms, there is little reason to expect that one form of ownership would be more efficient than the other.

I would like to argue that this is exactly what has happened in Bangladesh. There are a set of policies, which to a degree, replicate the generally unique operational environment facing the public sector for private firms. The result of which is economic and financial inefficiency. An important conceptual reason for private firms to be more efficient than their public counterparts is that in contrast to the latter, the threat of closure hangs upon the former forever. However, once the threat of closure is removed private firms can afford to rest on their laurels, relax efficiency standards, and in general become less productive.

It is my opinion that the policies of all the governments that Bangladesh has had to date, have removed the threat of financial ruin for many firms and consequently allowed them to become inefficient. Consider the jute industry. There is little debate that the fall in demand for jute has created excess capacity in the industry. Facing up to harsh reality would have implied disinvestment on a large scale with high cost firms going out of business, leaving only the more efficient firms in place. However, that has not happened because large subsidies to the industry has saved many of the dinosaurs from facing extinction.

Consider next how government policy has dealt with our repulsive default culture. The lack of action against defaulters and waiver programmes on a large scale have made debt virtually a free gift for many. Converting loans into de facto handouts has artificially lowered costs for many firms, which in turn has removed the necessity for them to undertake difficult efficiency measures. Of course, not all defaulters are "willful", and many may have legitimate causes for dishonouring their repayment obligations. However, this fact suggests that loans ought to be classified and rescheduled on a case by case basis. Indiscriminate waiver programmes only give inefficient and unproductive firms an unjustified life-line. Thus, an important reason for private sector inefficiency in Bangladesh is that for many private firms the link between reward and effort has been severed — a luxury traditionally reserved for public enterprises.

The quality of governance is undoubtedly one of the factors responsible for the poor performance of the private enterprises. Governance implies not only policy making, but the implementation of policies as well. Thus governance ranges from macro-financial policy making to the clearance of goods at the ports.

Now let us consider the instances where the government has failed to give adequate support. This is a very broad area, and I will just skim over the key features. The donors have recently congratulated the government for its macro-financial management. Yet, some economists are pointing out that its fiscal, monetary, and exchange rate management policies may have been too contractionary. In other words, the government may be choking the industrial sector. The deteriorating law and order situation is all too well known. Infrastructure is poor: there are frequent power failures, badly set up industrial estates, an inefficient and corrupt customs, and many other problems. In the labour front, the government by indirectly encouraging pay bargaining on a national level is destroying industrial competitiveness. The list goes on.

It is evident that the government — not just this government, but all the others that we have had, must take some of the blame for what has happened to the private sector. In some instances too much support has been given to the industries, in other instances too little has been provided.

So what is the solution? Professor Sobhan says that government must become more efficient — not necessarily to replace the private sector, but to work with it more effectively. It is hard to disagree with such a proposition. However, the key question is, what is degree of efficiency that the government must attain? Must we have the likes of Park Chung Hee or Lee Kwan Yew to have even a modicum of hope?

It would be nice to have the kind efficient government that the Republic of Korea or Singapore have had. However, we have never had an efficient government in our history, and judging by the quality of the opposition at the moment — we are not likely get one in the near future either. However, it is my firm conviction that this government, with all its limitations, can still make a very significant contribution to industrial development in Bangladesh. Towards achieving this end, the Government must be clear about what it can do, and what it cannot do.

The government must not over-extend itself: Instead it must concentrate on things that it can do and it must do them well. The government may view the scope of its activities in three ways.

First, there are some policies that the government can carry out without having to make vast improvements in its efficiency levels. These are the areas where the government must really excel itself. For example, it is well within the capacity of this government to fine tune the economy with good demand management policies. Of course, there may be some resistance from the donors. But the major battles have already been fought with our benefactors and the government can now do much within the constraints set by them. As another example, the government should be able to improve our infrastructure, even at its present efficiency level. Better industrial estates can be set up, our ports can be modernised, roads in under-developed areas may be built and so on.

Second, there are some areas where the level of Government efficiency has to improve drastically for it to make a significant contribution. Examples of these areas are, improving loan recovery, making power supply more stable, do something about corruption at customs, etc. The government has to make an honest assessment of its abilities. It has to has to ask itself whether it is likely to make any real progress in these areas.

Recently there have been some market-oriented reforms in areas traditionally reserved for the government. These market-based solutions are extremely innovative and may be used to bypass government inefficiency. For example, to get around an inefficient customs, the Indonesian Government contracted out duty assessment and revenue collection to a private agency. The agency promises to deliver a fixed sum of money to the government, while keeping the balance of tax revenues for itself. So far it has worked quite well.

Similarly, a market-oriented solution to the problem of industrial power outages is to encourage the development of private power consortiums to supply industrial estates. In the area of loan recovery, debt trading and debt-equity swaps have been used to address the Latin American debt crisis. While these measures have been applied for international debt, there is no reason why they cannot cover national debt as well. I hope the government will give serious consideration to implementing these innovative market-based measures to work-out the difficult problems which are stifling our industrial development.

Finally, turning our attention to the third area of government activities, there are some things that governments in general tend to do badly, e.g., operate industry and wage bargaining on behalf of the private sector. These are the areas from which he government must withdraw itself. The role of the public sector in development has been addressed earlier, so I will concentrate on the issue of wage bargaining.

One of the main enticements that we have offered to potential foreign investors is cheap labour. While our labour is still relatively inexpensive, wages in countries such as Vietnam, Laos, and Cambodia are also very low, giving a potential foreign investor a choice of where to set up shop. We must therefore be particularly careful that wages are always linked to productivity. One way of ensuring this link is to keep pay bargaining at the unit level, i.e., between the management of a firm and its collective bargaining agent.

Unfortunately all the governments that we have had to date have tried to politicise wage bargaining and thereby create a dichotomy between the benefit package and productivity. For example, the erstwhile President Ershad once at a political rally suddenly announced that gratuity payments for the BJMC workers would be doubled. This outrageous offer created demands among private sector employees for similar treatment. More recently, the present government appears to be courting SKOP and caving in to their demands. To keep our industries competitive, pay bargaining must remain at the firm level. The government, directly or indirectly, must not seek to influence private sector wages.

To summarise, I am delighted that Professor Sobhan has now accepted that the private sector can play an important role in industrial development. While I do not share his optimism about the public sector, he has rightly emphasised the need for better governance. An efficient government must clearly be one of our goals. However, efficient governments cannot be bought off the shelf and we must do our best with what we have. The government must be very clear about its abilities and recognise its limitations. I am optimistic that in some areas, even with all its limitations, the government can still do a first-rate job. In other areas the government will need help. In this regard it may give serious consideration to some market-based measures. As long as we have faith, the markets will not let us down. (Concluded)