

BRIEFS

IMF sees lower economic growth
WASHINGTON, Dec 9: The International Monetary Fund (IMF) is set to slash its forecast of world economic growth next year as hopes for solid recoveries in Europe and Japan fade...

Russia to raise price of gas in '93
MOSCOW, Dec 9: Russia plans to raise its regulated price of natural gas but hold the line on oil next year in a plan to cut inflation and boost industrial production...

Malaysia's GNP may fall in '93
KUALA LUMPUR, Dec 9: Malaysia's economic growth is expected to slow to 7.5 per cent next year as it grapples with the adverse effects of five years of rapid expansion and declining foreign investment...

Dollar ends mixed gold falls in NY
NEW YORK, Dec 9: The US dollar ended narrowly mixed Tuesday in light trading as the currency markets awaited an upcoming meeting of Germany's central bank...

Communal clashes to discourage foreign investment in India

BOMBAY, Dec 9: India's prospects of attracting badly-needed foreign investment to back its economic reforms are likely to be undermined by the latest Hindu-Muslim clashes, bankers and businessmen said here, reports Reuters. But officials discounted fears that India's oil supplies may be threatened because of retaliation by Islamic oil-producing states...

India has term contracts of five million tonnes of crude from Saudi Arabia, four million tonnes from Kuwait and three million tonnes from Iran, as well as smaller quantities from some other Gulf suppliers, industry sources said. Iranian Foreign Minister Ali Akbar Velayati on Monday summoned the Indian Ambassador in Tehran to condemn the demolition of a 16th century mosque by Hindu fanatics in Ayodhya...



BONN: A farmer feels strangled by the deal between the EC and the US on cuts in agriculture subsidies during a farmer's protest in Bonn Dec 8. Tens of thousands of protestors jammed the centre of Bonn with tractors seeking to hike pressure on the European Community and the German government only three days before the Edinburgh summit.

China facing crisis to fund farmers

BEIJING, Dec 9: The cash-strapped Chinese government is facing a rural crisis because it cannot pay cash for grain, causing growing discontent among the country's 900 million farmers, an official newspaper said Tuesday, reports AFP. The State has been handing out IOUs to farmers in many areas since the late 1980s, but this year would be the worst year on record, the China Daily said...

Belgium supports France on EC-US farm deal

BRUSSELS, Dec 9: Belgium threw its weight behind France Tuesday in criticizing last month's EC-US farm agreement and demanded extra concessions for farmers before the European Community could back the deal, reports AP. Prime Minister Jean-Luc Dehaene also criticized EC negotiators for being clumsy in negotiating the deal and said they goofed making a deal on farming while ignoring the 14 other areas in the world trade talks...

Farmers protest in Bonn to scrap US-EC farm deal

BONN, Dec 9: Tens of thousands of angry farmers on Tuesday hiked pressure on Chancellor Helmut Kohl three days before the European Community summit, jamming Bonn with tractors and blockading ministries with blazing straw bales and truckloads of sugar beet, reports AFP. The protest, aimed at forcing the EC to scrap the subsidy-cutting deal arduously negotiated with the United States, was one of the biggest displays of muscle by Germany's farming lobby...

Debt repayment limits will lead Manila to anarchy

MANILA, Dec 9: The Philippines will suffer four-digit inflation, lose foreign aid and see its economy thrown into anarchy if the government unilaterally limits foreign debt repayments, the finance secretary said Wednesday, reports AP. The debt cap strategy is a very risky strategy and the experience of countries who have used the debt cap in the past has shown that not only is it risky but in their particular cases, it has resulted in economic anarchy for their countries...

Future of Maastricht Treaty remains uncertain

BRUSSELS, Dec 9: Prospects that the European Community can salvage its Maastricht union treaty and avoid a crisis of confidence remain uncertain ahead of an EC summit at the weekend, diplomats said here today, says AFP. 'We're on a razor's edge,' said Luxembourg Foreign Minister Jacques Poos during a two-day meeting of foreign ministers here on Monday and Tuesday to debate problems that will be discussed in the summit...

AFTA may not derail open, multilateral trade

KUALA LUMPUR, Dec 9: A proposed free trade zone among six South East Asian Nations is unlikely to derail the region's open and multilateral trade, economists said, reports Reuters. 'Intra-ASEAN trade, no doubt, will grow in absolute terms under the AFTA, but it is unlikely to assume increased importance in relative terms,' Mohammed Ariff, an economist at the University of Malaya, said at an economic conference...

INVITATION TO A DIALOGUE

Policies of desubsidisation: penalising our productive farmers

Rehman Sobhan, Star Guest Columnist

The productive small farmer

One of the best and least noticed examples of efficient private enterprise in Bangladesh is the productivity of our farmers and particularly the small farmers. Land farmed in households cultivating units of less than 2 1/2 acres account for 64 per cent of land under cultivation. Our farmers have, since the liberation of Bangladesh and this current crop year, nearly doubled food grain production giving us an additional 10 million tons of rice and wheat. This output has enabled us to feed the additional 35 million people added to our population between 1971 and 1992 without increasing food imports...

conditions attached to particular loans offered to the Government of Bangladesh. The Asian Development Bank concluded the Food Crop Sector Loan (FCSL) with the GOB in 1988/89 which committed the government to completely eliminate all subsidies on fertiliser sales and to sell off all stocks of irrigation equipment held by BADC. Both measures were to be completed within 1990. Whilst subsidies on urea sales have been completely eliminated, the government only managed to completely eliminate subsidies on MP and TSP within the last year. The GOB has still not managed to liquidate its stocks of irrigation equipment. The dates for meeting the GOB's obligations to ADB under the FCSL thus periodically had to be extended which has generated some friction between the GOB and the donors...

on agricultural inputs in the Bangladesh context makes little economic sense, is politically insensitive and morally questionable. It defies economic commonsense because our farmers remain one of the most productive segments of the population. Commonsense economic would have suggested that if this class of producers had demonstrated their efficiency then they should be both rewarded and stimulated to produce more, not punished for this is the knowledge that however much prices of inputs are raised farmers will, out of the need to survive, go on buying such inputs. Subsidy costs are in fact a charge on the national budget. Subsidies on fertiliser which peaked at around Tk 134 crore in 1979/80 were reduced to Tk 36 crore by 1985/86 and has by this financial year been eliminated. This reduction was in effect paid for largely by the small farmers who absorbed virtually the entire cost of this desubsidisation by paying higher prices for fertiliser. However, total public expenditures (TPE) in this same period 1980-91 rose from Tk 4,301 crore to Tk 13,780 crore, a three fold increase. Current expenditures on...

on input subsidies which comes to about two per cent of TPE, could be compensated by cuts in the enormous quantity of waste which runs through most of the Tk 13,000 crore of total public expenditure. The restoration of subsidies would make political sense because our farmers are the democratic majority of the population. The majority of the population derive their livelihood from cultivation. To tax this class, whilst we waste public resources on a large and not very productive administrative establishment, subsidies non-performing public and private industries and write off and condone debt liabilities running up to Tk 10,000 crore for at best 2000 or 3000 families, is a politically untenable situation in a democracy. I am not aware when and how the government and elected representatives of our Jatiyo Sangsad have explained this extraordinary misallocation of public resources to the majorities of their electorate who are the victims of this misallocation. Finally, desubsidisation must be seen as morally untenable. Any society which taxes the poorest but also the most productive segment of their population, living exposed to the vagaries of nature and the market, denied education, adequate health care, who work long hours — husband, wife and children — to barely keep alive whilst a small proportion of the population prosper from government patronage and a gross misallocation of public resources, puts itself outside the pale of humanity. Good governance is about restoring a sense of justice, as much as about promoting production. A society whose policies are both unjust and inefficient, has much to answer for both to their citizens and to their conscience. This applies as much to their intellectual mentors from the multi-lateral agencies who presumably also have consciences and also have to explain the illogic of their advice to their constituencies in the developed world, who vote funds to these institutions in the belief that they are helping the poor of the developing world...