

BRIEFS

Tianjin attracting more investors
 BEIJING, Jan 23: The favourable investment environment of the development zone in north China's Tianjin city is attracting more and more investors from overseas, according to Yi Zhikuan, Director of the zone. In 1992, the zone approved the setting up of 461 foreign-funded firms with a total contracted fund of over 700 million US dollar, reports Xinhua.

Volatile week for Iraqi currency
 BAGHDAD, Jan 23: The Iraqi dinar has had a volatile week, almost as volatile as the ups and downs in the confrontation between Baghdad and the West. Dragged down by western air raids and missile attacks, it rose on the change in the White House and then settled back to a rate midway between the week's high and low. Traders in the streets of Baghdad said the dinar would probably fall again sharply in the Iraqi government's overtures to the new US administration come to nothing, reports Reuters.

\$54 ADB loan for Shanghai's bridge
 BEIJING, Jan 23: The Asian Development Bank (ADB) on Thursday announced that it will guarantee a loan equivalent to 54 million US dollar for the construction of the Yangpu Bridge project in Shanghai, biggest city in east China, China Daily reported yesterday. The complementary loan, which will be wholly contributed by other financial institutions, will consist of a dollar portion and a Japanese yen portion, according to a news release from the bank, reports Xinhua.

Arab Trade Fund facing obstacles
 ABU DHABI, Jan 23: Disputes and political turbulence are killing demand for a new fund created two years ago to finance inter-Arab trade that is hit by customs barriers, red-tape and lack of funds, economists said. The Arab Trade Fund Programme (ATFP) has provided only 61 million dollar in credits to member states since it was launched in 1990. Officials have put its financing capacity at one billion dollar a year, reports AP.

Coffee producers begin talks
 LONDON, Jan 23: Key coffee-producing countries on Thursday began discussing their position for next week's negotiations with importing nations on a proposed price-stabilisation agreement. It was important to show a united front to achieve progress in the coming talks with importers, said Brazil's delegation head, Joao Marques Porto, reports AP.

IFAD chief pledges increased focus on rural poor of Third World

ROME, Jan 23: Fawzi Hamad al-Sultan of Kuwait, the newly appointed President of the International Fund for Agricultural Development (IFAD), pledged here on Friday to maintain and increase the fund's focus on the rural poor in Africa, Asia and Latin America, reports AFP.

IFAD has achieved a substantial impact on its target groups — the poor, the landless farmers and rural women — since it was set up 15 years ago, but a lot more needs to be done, he told his first news conference.

The challenge ahead were

to "make IFAD more effective and how to reach out more to the poor," he said. He was tackling his new tasks with the same commitment as his predecessors in the post.

The 49-year-old Kuwaiti official, a World Bank Executive Director since 1984, said a top priority would be to secure agreement "as early as possible" among donor countries — basically the western industrial nations and the OPEC oil producers — on the financing of IFAD's activities for the next three years.

The two donor groups were deadlocked over this issue at

the IFAD annual meeting ending here Friday. But Sultan said consultations were continuing and that he planned visits soon to "the major donors".

The new IFAD President recognised that the absolute number of poor people has been rising in recent years across the developing world, despite the efforts of international development agencies.

"A lot of countries are going to heavy adjustment programmes," he noted. This required a double response — "protecting the poor against adverse effects" through a safety-net and drawing up

long-term programmes to alleviate poverty.

"Reaching out to the poorest is what IFAD should be all about," he said, stressing that "its success has been to be able to get to those people and make sure that they have the means to help themselves".

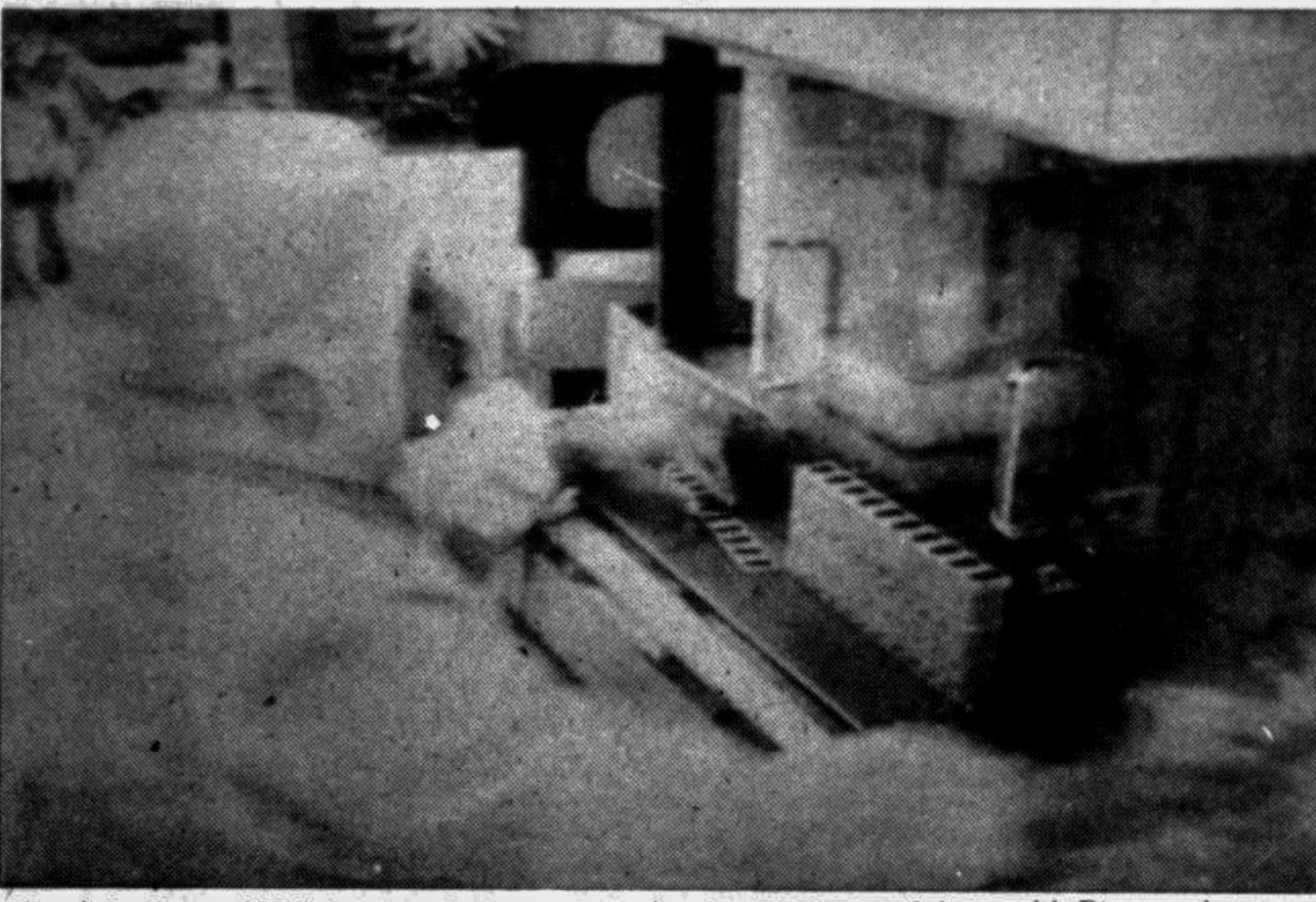
But this requires resources, which is why the replenishment now being negotiated is a priority issue, he said.

Questioned on his view of poor rural women as a target group for IFAD aid, he said he was in favour of "specific types of projects to meet the needs

of specific groups."

"I don't think there are magic solutions to development problems. There simply are no short-cuts," he said. "We need to make our process more effective. Almost every international organisation is learning by doing".

Asked whether countries that did not support the international coalition's action against Iraq — including Jordan, Sudan and Yemen — would qualify for IFAD aid, Sultan said: "We are supporting the rural poor" who are "everywhere in the world".



Motorola Corp of USA is now the biggest silicon chip producer of the world. Picture shows a woman worker in a Motorola factory located in Kuala Lumpur. — Star TV photo

German President says EC should give freer access to Third World agro products

BONN, Jan 23: In a call for more open world trade, German president Richard von Weizsaecker said on Friday the European Community should give agricultural produce from developing countries freer access to its markets, reports Reuters.

"We cannot avoid national, European and world-wide liberalisation of markets for agricultural products," he said at a farm fair in Berlin.

"We cannot expect impoverished developing nations, in which 40 per cent of the gross national product and 80 per cent of workers depend on agriculture, to accept a continuation of past policies which shut off our markets and suppress competition".

He criticised new EC rules which slap punitive duties on banana imports from South

America to protect more expensive growers in dependencies or former colonies of EC states.

"Neither producing countries overseas nor German consumers can understand the current protectionist EC banana-import regime with which it wants to protect its home market," Weizsaecker said.

Speaking at the 67th annual Green Week Farm Fair, he said EC policies had also forced Ecuador to cut its vital oil exports by a quarter.

"We can imagine how the EC would react if something similar were to happen here," the President added.

Weizsaecker said it was vital to complete the stalled six-year Uruguay Round of negotiations to lower world trade barriers. They were originally

due to end two years ago.

"It is a serious failure and equally an alarming warning for the world economy that despite all promises the round is still not finished," he said.

Germany attacks French move to block accord

AFP report from Berlin: German President Richard von Weizsaecker, at the risk of reviving a damaging row with France, sharply attacked French moves to block and agreement in the Uruguay Round of world trade talks.

Speaking only a day after France praised its own hard-line posture, which has blocked the accord, von Weizsaecker described the failure to reach an agreement as a "serious omission and an alarming warning for the world economy".

Canada's recession over

OTTAWA, Jan 23: Canada's economic recession is over and recovery is firmly in place, Statistics Canada said Wednesday, reports Xinhua.

Philip Cross from Statistics Canada said economic indicators are all showing that the economy is improving and everybody will welcome that.

The Statistics said export in the country was up 20 per cent last year and housing starts were on rise too. A total of 172,000 more new homes were built last December alone, the highest increase since the recession began three years ago, it said.

The Statistics also said consumers are finally spending again. Also on Wednesday the Statistics released the figures of inflation rate. The annual inflation rate in 1992 was 1.5 per cent, down from 5.6 per cent in 1991.

Clinton to relax deficit reduction targets

WASHINGTON, Jan 23: President Bill Clinton, in his first official act on economy, told Congress Friday he would relax deficit-reduction targets that would have triggered automatic spending cuts, reports Xinhua.

The 1990 budget law says the President must declare Friday whether he will revive an old formula that automatically triggered huge budget cuts if annual deficit targets were exceeded.

"As provided by the law, the President has Friday notified the Congressional leadership of technical adjustments to be made in calculating the national deficit," said a statement by spokesman George Stephanopoulos.

He added that Clinton will soon put before the Congress a real economic programme aimed at reducing the deficit

Russia gives mixed report on privatisation campaign

MOSCOW, Jan 23: Russia's privatisation minister has given a mixed mid-term report on the sell-off of state-owned firms, which has raised more cash than the government planned but sold far fewer firms, reports Reuters.

Interfax news agency on Friday quoted Deputy Prime Minister Anatoly Chubais as saying that only 19 per cent of Russian firms had been sold in the first year of the government's big privatisation campaign.

Moscow had originally planned to sell 50 per cent of all firms and enterprises last year in what it describes as the biggest sale of state assets in the world.

Western advisers say the amount of money raised is much less important than the number of firms sold.

Dollar mixed in New York, down in Europe

NEW YORK, Jan 23: The US dollar fell Friday against all major currencies except the yen, which suffered from reports of an impending interest rate cut by Japan's central bank, reports AP.

Gold prices fell worldwide. On the New York Commodity Exchange, gold bullion for current delivery settled at 328.60 dollar a troy ounce, down 60 cents from Thursday, Republic National Bank of New York quoted a late bid of 328.50 dollar, down 80 cents.

On European markets, the dollar dropped below the 1.60 barrier against the German mark but gained against the yen, largely in response to reports of interest rate fluctuations. There were unconfirmed reports that European central banks dumped dollar to support their currencies in the European Community's system of fixed exchange rates.

A Japanese news service reported that the Bank of Japan would probably cut its discount rate by up to 0.75 percentage point.

OPEC, Riyadh hold talks on oil output issue

PARIS, Jan 23: OPEC President Airo Parra of Venezuela, seeking cuts in oil production to offset a dizzying fall in crude prices, met Saudi Oil Minister Hisham Nazer on Friday and said their talks were "very pleasant and positive," reports Reuters.

Parra declined further comment, saying only that Nazer had interrupted a private holiday to see him.

In an interview with Reuters, Parra said the only short-term remedy for weak oil prices which he ascribed to overproduction, the world economic slowdown and a mild winter in the northern Hemisphere, was to reduce output.

"Short-term, the only remedy is to cut back — to adjust," he said.

The OPEC chief stopped over in Paris at the start of a tour of key oil producers. He is due to go to Iran on Saturday.

His talks with Nazer will enable him to take Saudi ideas on a new accord among mem-

India's garment sector urged to take advantage of liberalisation

NEW DELHI, Jan 23: The Minister of State for External Affairs, Salman Khurshid, Friday urged the garment industry to take full advantage of the new liberalised policies to maximise foreign exchange earnings through export of garments, reports PTI.

Inaugurating the 10th India Garment Fair-93 here, he commended the garment industry for consistently performing well in exports in recent years and underlined the vast potential for further raising the export in this sector.

Speaking on the occasion, the chairman, Apparel Export Promotion Council (AEP), Ashok Chugh, urged the government to give autonomy to export promotion councils to enable them to play an effective role to boost export.

He said over the years the garment industry had grown significantly.

A VIEW FROM THE PRIVATE SECTOR - I

Initiative from business fora should strengthen co-operation within SAARC

By Latifur Rahman

President, Metropolitan Chamber of Commerce and Industry

If the people of South Asia have been afflicted by poverty, deprivations, etc, economic co-operation among the countries of this region has been hampered by historically derived apprehensions and distrust. The inherited apprehensions and distrust have worked as a very significant barrier to contacts and co-operation between the business communities. The decision to keep trade out of the SAARC at the initial years appears to be the manifestation of such apprehension. Since then, there has been some improvement but it is the fall-out of the initiatives of the people and the trend in the global economy. Like the people's initiatives for fostering co-operation in the fields of human rights, democracy etc, initiatives by business fora are necessary to strengthen economic co-operation and firm up strategies which will make optimal use of the factor advantages of each country in the region and help foster balanced development.

In a world characterised by globalisation, there is no other alternative but to promote economic co-operation so that the poor people can benefit from the potentials of regionalisation of trade in South Asia. It is through regionalisation of trade that the South Asian countries can join the main-stream of global economy, as has been the case with East Asian countries. The question, therefore, is not whether to foster business co-operation but how to do it more equitably and quickly without strengthening historically derived misunderstandings and hostilities which have done enough damage to the economic welfare of the people. Since the wheels of the regional co-operation at the government levels move slower, it is necessary for the non-governmental bodies to come forward and deliberate on schemes which can contribute to economic co-operation.

In any scheme of regional economic co-operation, expansion of trade among member countries is the prime objective. It yields economic benefits through exploitation of the economies of scale in production through enlargement of the size of the market. The efficiency of allocation of resources is greatly enhanced through specialisation in production among participating countries. However, it will be advisable to remember for the long-term interest of the trading block, as

also for the member countries that theoretical expectation of the benefits of expansion of trade neglects some of the very practical problems which may arise if adequate care is not taken.

Trade liberalisation has a built-in tendency to give rise to sub-regional polarisation. Because of great diversity in levels of development among the SAARC countries, gains from trade liberalisation to the participating countries will tend to be uneven. The positive effects of trade creation and industrialisation have a natural tendency to accumulate in the advanced countries of the region because of infrastructural, agglomeration advantage, better forward and backward linkage and high income levels. Trade liberalization among the members of a trading block may thus aggravate inequalities among them and as such, requires provisions for certain privileges to the disadvantaged countries.

In the SAARC region, India with the vast human and natural resources, its high level of technological capacity and its very huge size would become the main centre of economic power in the liberalized trading regime. In no other trading bloc, is any single country so dominant in its economic power, trade share and depth of its economic capacities. It would, therefore be, desirable that in the framework of economic co-operation some mechanisms have to be designed for the smaller and weaker economies — like Bangladesh, Nepal, Bhutan and Maldives — so that initial trade liberalisation does not unduly generate controversies. The intention is not to restrict India's share in the regional trade, but to point out that special care needs to be taken for the LDCs of this region to make co-operative efforts a successful venture.

It should not be forgotten that the EEC planned, market integration for nearly 30 years and as late as this year (1993), it is venturing to be an integrated one market. The SAARC countries, obviously, cannot afford to take that long, but economic imperatives should not be allowed to create social and political problems among different countries which may adversely affect long-term prospect of gainful economic collaborations.

Since 1947, countries in the region introduced import

substitution industrial policies by each which gave rise to inefficient industrial structure in the region. It is for this reason that the levels of exports of the South Asian countries suffered and fell far below those of the East Asian countries. This will be seen from the table below:

	1985	1990
South Korea	28.5	27.4
Thailand	18.9	28.6
Malaysia	48.5	67.6
Indonesia	21.2	22.9
Bangladesh	6.9	6.6
India	4.5	6.6
Nepal	6.6	6.0
Pakistan	9.2	12.2
Sri Lanka	22.2	24.0

Source: Asian Development outlook 1991

To/From	China	NIEs	South-East Asia	South-Asia	Pacific Island	Japan	World
NIEs	2.132 (8.04)	32,543 (12.39)	23,251 (8.86)	4439 (1.69)	34 (0.01)	30149 (11.43)	262568
South-East Asia	1,807 (2.07)	19,055 (21.74)	4,073 (4.66)	1464 (1.67)	42 (0.05)	21567 (24.66)	87467
Asia	155 (0.59)	2,017 (7.22)	854 (3.06)	906 (3.24)	8 (0.03)	2594 (9.28)	27945

(Figures in parentheses are percentages of world total)

(a) Export performance of the South Asian countries is indeed very poor compared to those of the East Asian countries. Intra-regional trade constitutes a very small proportion of total exports from South Asia. As can be seen in Table 2 above while exports of South Asian countries among themselves ac-

count for only meagre three per cent of their total exports, South East Asian countries export five per cent of their total exports among themselves, and the NIEs export among themselves as high as 12 per cent of their total exports. It may be observed that higher the stages of development attained by a set of countries, the higher is the economic integration among themselves. This empirical evidence indicates that with advancement of economic development of the South Asian countries, intra-SAARC trade is expected to rise.

(b) As is evident from the below matrix, South Asia is least integrated with Asian countries through international trade. South Asian countries export only 23 per cent of the total exports to Asian countries, as against 54 per cent by East Asia, and 42 per cent by NIEs.

What is disconcerting is the fact that trade among the SAARC countries is limited to only a few commodities and is also characterized by huge trade imbalance.

Source: Asian Development Outlook 1991 (End of Part I)

The article is based on a paper presented at a seminar on "Co-operation Among SAARC Countries" held in Calcutta earlier this month. It was organised by the Associated Chambers and Industry of India. The concluding part of the article will appear tomorrow.