in reply to a question in the

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Best with the views

# Privatisation of enterprises better than closing down

**Abu Ahmed** Guest Columnist

Parliament, the Minister for Industries informed recently that the Machine Tools Factory near Dhaka was closed down by the spending a few hundred crore Taka in the seventies. Like this govt, though no reason was plant, we had some other costly given for such a closure. The obvious reason, as known, was but prestigious enterprises in that the govt was unable to run the public sector, everyone of the factory on a profit basis and which is now either running at a loss or on the verge of closure. no longer the supply of state The whole textile sector in the subsidy to keep it going was public sector is incurring deemed fit. Nothing was known losses, and no amount of effort about what happened to the on the part of govt can make employees and officers of the the sector profitable saves its mill - whether they were disprivatisation. So is the case charged or still remained on the with the jute sector. The nation pay-roll. A loss making mill in is paying Taka 2000 crore p.a. the public sector even when as subsidy to financing the closed down does not make losses in the public sector enmuch difference to the nation in terprises and the sum is to grow terms of having an end with the bigger unless we overhaul lossloss, as with closure the latter making sectors through trimdoes not evaporate because of many contractual obligations ming their sizes and privatisawith the labour and employees. tion. In some cases of public enterprises, Bangladesh is earn-In economics, when a mill reing profits but that too due to mains closed the owner is to inmonopoly nature of the operacur the loss to the amount of fixed cost, but saved from in-It is said that the public seccurring the variable cost. But in tor-owned fertilizer factories are Bangladesh, this does not hap-

making profit, but on what criteria? Are we not supplying them with almost cost-free natural gas — the main ingredient of fertilizer production? Our national airline - Biman is also said to be making profit, but it is true only when we keep our sky closed to other airlines. In economics, monopoly profit is not considered a normal profit. profit is called normal when it is earned through a competitive system. We in Bangladesh, created big public enterprises at

the cost of tax payer's money and then shielded them from outside competition. The result that for years, consumers paid higher prices for comparable commodities available outside at much lower prices. When a public enterprise runs on an inefficient basis, the managers and employees lose a little, the nation loses much more as it is to supply subsidy to it, and back in the market, consumers are to pay higher prices for its product. In Bangladesh, the situation

is our own creation, we neither

allow private sector to grow nor

we follow a policy of gradual transfer of public enterprises to the private hand. In the sixties, the Pakistan Industrial Devel opment Corporation (PIDC) used to set up big public enterprise projects where private initiatives were lacking, but later it used to hand over them to private sector for the sake of running them on efficient basis. In Bangladesh, no such policy was followed, rather a policy was followed which put all responsibility of industrialisation on the govt sector. Today,s Bangladesh public sector is in a mess, and no cure is seen insight short of wholesale privatisation. Govt, in principle, agreed with the scheme and time and again announced the commitment publicly. But practical steps, it took towards this, were messy and inade,

quate. For two years, it could not decide whom to be entrusted with the job. In one time, there was an Inter-Ministerial Committee on Privatisation (ICOP) with the then Prin cipal Finance Secretary as its head, then govt formed a privatisation Board with a retired civil servant at the top. It was heard, for a few months the privatisation Board did not have any office. It didn't understand the term of reference. The slow progress we have seen in our privatisation process points to the fact that govt says about it but not serious about the job.

advertisement in the Newspaper saying that very soon it would sell the shares of BSRS - a credit agency in the public sector to the public. After that nothing happened till today. Did we put up the advertisement only to satisfy the participants in the Paris-based aid club to Bangladesh? The Bangladesh

govt can be fool its own people

more easily but not the donors

Last year the govt put up an

and the agencies. No amount of foreign aid should be received or given by the donor countries to fund inefficient public enterprises at home. Knowing it well that a delay in pre-nationalisation is imposing an extra cost of the nation, we are moving in a snail's pace, and when we do not understand our work, no one can make us understand from outside. As a nation, we are to remain in a cycle of inefficiency

for the foreseeable future.

#### Russian poll results alarm bankers

MOSCOW, Dec 14: A strong showing for militant nationalists and communists in Russian elections sent shockwaves around the country's banks on Monday, but fledgling financial markets showed no reaction.

"We are going to have a totally unworkable situation in parliament, with too many horses pulling in too many different directions," said Miljenko Horvat, head of CitiCorp

"They (nationalists and communists! may form a coalition to block everything and to be obstructionist. But this is part and parcel of democracy," he told Reuters.

But Russia's financial markets showed no signs of fright after early unofficial results showed a crushing defeat for reformers. One senior foreign bankers said they had reacted as though they were "somewhere in the Caribbean":

A senior Kremlin official said reformers were set to win only half as many seats as nationalists and communists.

The official said the Liberal Democratic Party (LDPR) of Radical Nationalist Vladimir Zhirnovsky would top the poll by a long way, with the main pro-government party, Russia's Choice, struggling to come sec-

If confirmed, the result would be a major setback for Yeltsin, despite his apparent triumph in winning a referendum on a new constitution strengthening his own powers.

The rouble slipped to 1,231 to the dollar from Friday's 1.229 on the Moscow interbank currency exchange, dealers said

### Demand for Bangladeshi shrimp on the increase

KHULNA, Dec 14: The demand and price of Bangladeshi shrimp in the international market have increased due to its cultivation of high yielding variety, reports UNB.

According to the shrimp cultivators, shrimp production in the southern region has increased considerably and the quality has also been improved to attract the world markets.

The improved quality of shrimp is being fetched about 10 per cent higher price in the international markets, the sources said.

About Taka 350 crore has been earned by exporting 1.25 crore kgs of shrimp through the Mongla Port during the last financial year

During the first six months of the current financial year Taka 172 crore has been earned by exporting shrimp through the port. This year it is expected that the production of shrimp will break the previous records.

Meanwhile, a large number people of small land holdings have come forward to cultivate shrimp instead of other crops.

#### PDB earns Tk 13.69 cr as revenue

Another report adds: Power Development Board has earned Taka 13.69 crore as revenue from Khulna region during last month, official sources said.

The officials also disconnected at least 1988 lines for non-payment of arrear bills, sentenced two people for unauthorised use of electricity and realised Taka 66,550 as fine from 23 persons for taking connections illegally during the same period.

Further drive is underway to punish the illegal consumers of electricity, the sources added.

Local people alleged that a section of PDB employees are involved in giving illegal connections on the basis of monthly gratis.

They said when they go to the officials for electricity con nections they are being harassed in the name of various formalities indirectly inviting them to take illegal connections under special arrangement.

Finding no other way they are forced to take illegal connections, they alleged.

#### Grameen Bank to get Tk 16,95 cr

Norwegian grant Norway will provide Taka 16 crore 95 lakh as grant to Grameen Bank phase IV project, reports BSS.

An agreement to the effect was signed between Bangladesh and Norway at ERD in Dhaka

yesterday. The money will be given for financial support to the

Grameen Bank projects. The primary aim of the

Grameen Bank is to raise income and the quality of living of the most disadvantaged sections of the rural community by providing access for them to collateral free credit as landless people.

Md. Sirajul Islam, Joint Sec retary. Economic relations Division. Ministry of Finance and Tore M Toreng, Resident Representative, Royal Norwegian Embassy in Dhaka signed the agreement on behalf of their respective governments.

'Arabs need minimum level of

economic synchronisation'

### FAO to help export rice

Food and Agricultural Or ganisation (FAO) will cooperate with the government to export rice from Bangladesh, reports

The assurance came when the Assistant Director General of FAO. AZM Obaidullah Khan. called on Food Minister Mr Shawkat Ali at his office yester-

Obaidullah Khan, who is also the Regional Representative of FAO for Asia and Pacific, appreciated the government's present food management system and structural improvement in all areas.

He also discussed the country's present food production and existing distribution system and possible export of rice from Bangladesh.

FAO Representative in Bangladesh Peter John Myers and Food Secretary Dr Tawfique-Elahi Chowdhury were present on the occasion.

#### Smith New Court analyst visits DSE

Parvati N Banati, investment analyst of the Smith New Court Far East Limited, one of the world's biggest investment companies in securities market, visited the Dhaka Stock Exchange (DSE) yesterday, reports

Banati exchanged views with the Chairman of DSE. Kurshid Alam and discussed the present situation of foreign investment in Bangladesh. She proposed that her company would put forward suggestions to DSE to help develop the securities market in Bangladesh.

#### Bangladesh to receive \$ 50m ADB loan

pen as the govt is to continue to

pay the employees the wages

and salaries as per the prior

contractual obligations and also

upheld by ILO conventions-

based labour laws. However, the

normal depreciation cost on the

machineries goes on pilling up

in the govt account till the

whole plant is either dismantled

or sold off to another party in

the private sector. Machine

Tools Factory, one of the pres-

tigious enterprises in the public

sector, was established by

MANILA, Dec 14: The Asian Development Bank (ADB) today approved a concessional loan of 35.914 million special drawing rights (equivalent to 50 million US dollar) to Bangladesh for a drainage rehabilitation project in the southwest of the country. reports Xinhua.

The Manila-based bank said more than 125,000 rural households in Khulna and Jessore of Bangladesh will benefit from the project as it leads to the increase in employment and agricultural production.

The project also includes a number of specific activities to help ensure beneficiary participation: the formation of water management associations, information campaigns, preparation of a land acquisition plan. as well as design of a benefit monitoring and evaluation programme.

The loan is repayable over 40 years, including a grace period of 10 years, with an annual service charge of one per cent.

#### New President, Chairman of Bank of China

HONG KONG, Dec 14: The Bank of China, the country's main foreign currency regulator, has appointed a new president and new chairman to lead ambitious reforms of its banking system. Hong Kong media said Tuesday, reports AP.

The appointments of Wang Qiren as chairman and Wang Xuebing as president have not been officially announced, but were widely reported in Hong Kong's independent and Chinafunded newspaper.

. They will replace Wang Deyan, 63, who has held both post's for about eight years but had been expected for some time to retire, the reports said.

Wang Qiren, 52, a vice director at China's Hong Kong and Macao Affairs Office, has more than 20 years banking experience. He will take over as chairman Monday, the independent daily Ming Pao said.

The Beijing-backed Hong Kong Commercial Daily said Wang was recommended for the job by vice Premier Zhu Rongji, China's economic Czar, who also heads the central People's Bank of China.

Wang Xuebing, 41, is the former head of the Bank of China's New York branch, Ming Pao said.

His appointment is thought to reflect attempts to put younger professionals into top banking jobs.

If enacted, reforms recently approved by China's Communist Party would transform the Bank of China and three other specialized banks into com-

mercial banks. Previously, these banks have followed official dictates, lending money to state companies and public works projects that often were not profitable.



Rehable. The small tractors manufactured by the Hamburg firm of steel are to be found at almost all airports around the world. They solve transport problems in no time at many railway stations. - IN photo

## Oman willing to help OPEC

MUSCAT, Dec 14: Oman said Monday it was willing to cut its oil production to help the Organization of Petroleum Exporting Countries raise oil prices, reports AP.

Oman is the leader of the socalled Independent Petroleum Exporting Countries and has in the past consistently maintained production levels and prices on par with OPEC's.

Saeed al-Shanfari, Minister of Petroleum and Minerals, told the official Oman News Agency

that the country is ready to reduce its production "on condition that prices improve and do not collapse."

The minister made the comment after a meeting with OPEC President Abdullah al-Attiya. who arrived earlier Monday to urge oil producers outside the cartel to reduce production in an effort to raise oil prices from a five a five-year low.

Shanfari said he discussed "new ideas" for cooperating and coordinating with OPEC to support the price of oil. He said without elaborating that his "viewpoints were identical" with

Attiva's. 800,000 barrels per day.

In July, Oman increased oil production 50,000 barrels per day to its current rate of

Oil exports are the backbone of Oman's economy, and lower oil prices have cut into state revenues. The government recently called on its departments to cut their budgets by 15 per cent in 1994.

#### US firms can start bidding in Vietnam

HANOI, Dec 14: American companies can begin bidding in the next week or two on hundreds of millions of dollar worth of proposed development projects in Vietnam funded by international institutions, senior US officials said Tuesday, reports AP.

It will mark the first time for US companies to do business in Vietnam since the country fell to Communist North Vietnam of April 30, 1975, when the US Embassy was closed and a trade embargo imposed.

President Clinton announced September 13 that he was easing the trade embargo to allow such bids, but his order had not been put into effect.

Kenneth M Quinn, deputy assistant secretary of state for East Asian and Pacific affairs, told a news conference that the Treasury Department has written the regulations and "I think they are likely to be put into effect this week or next."

Both he and Assistant Secretary of State Winston Lord denied that Clinton's order allowing the bids had been put on hold because of allegations that Commerce Secretary Ron Brown took a bribe to ladip lift the embargo.

"It take a line time for the Treasury Department to work out all the details and they want to get it right," said Lord. "They've been moving with as

much speed as possible." "This is the single most complex step that's been taken to modify 'the embargo," said Quinn. "There are many questions about it and so they had to review all of those. They're in the final review process."

#### AMMAN. Dec 14: Arabs need But many fear Arab to achieve a minimum level of economic synchronisation in the light of growing global trade openness and peace in the Middle East, a Jordanian government minister said, reports subsidised.

Reuter. Finance Minister Sami Gammo also said Jordan's economic prospects largely hinged on implementing agreements with Israel and the Palestinians in ongoing Middle East peace

"We will seek to realise a minimum mechanism of Arab complementary as this is the only guarantee for maintaining Arab economic identity in light of this openness sweeping the world," Gammo told parliament late on Sunday.

Many officials and diplomats foresee a future common Middle East market emerging from the US-led Arab-Israeli peace talks begun in Madrid in October

economies will be swallowed up by Israel, perceived by many ordinary Arabs as an economic superpower even though most of its industries are heavily

Gammo, in a speech unveiling the 1994 budget, said Amman would 'actively participate in directing and drawing up the regional economic map. ...we will fully coordinate

with Arab countries in looking into the issue of the Arab economic boycott imposed on Israel after the peace process crystalises itself into something clearer."

the boycott, imposed on Israel after the 1948 Middle East war. until it withdraws from Arab territories seized in 1967. Washington and Israel have

Arabs insist they will not lift

Jordan, Gammo said, "will also maintain close economic and political coordination with the PLO and the Palestinian self-rule authority to plan for future links in a way that safeguards the interests of the two."

boost the peace process.

Under an Israeli-PLO deal reached in September, Israel should have started withdrawing troops from the occupied Gaza Strip and the West Bank town of Jerieho today, but wide differences have delayed the

The deal has cast doubt over Jordan's future economic links with the West Bank, which it ruled from 1950 until 1967.

It is engaged in separate economic talks with Israel and the Palestine Liberation Organisation to minimise the effects of the deal on its debt-ridden economy.

## Australian economy in upswing

been pressing them to ease the

boycott as part of measures to

CANBERRA, Dec 14: The Australian government has substantially lifted its forecasts for economic growth and employment prospects in the current financial year, Prime Minister Paul Keating said today, reports AFP.

Keating told a private meeting of the labour caucus here the economy was in a national upswing and the treasury was forecasting 170,000 new jobs well over budget forecasts would be created this year, a labour spokesman said.

"We're in the saddle of a national economic upswing," Keating said, confirming reports that the treasury had revised upwards budget growth estimates for gross domestic product (GDP) in the 1993/4 year from 2.75 per cent to more than three per cent.

Reports Tuesday said the forecast for inflation is expected to be revised downwards for a second time to below three per cent from the original forecast of 3.5 per cent.

The improvements are set to produce a lower budget deficit than the forecast 16 billion dollar (10.7 billion US dollar), and the current account deficit was also expected to be smaller as a proportion of GDP.

The upbeat Treasury forecast, given to Treasurer John Dawkins, appears to confirm other strong economic indicators and his own recent observation that the Australian economy had taken off "like a jumbo

# Int'I support to developing nations' agri sector on decline

International support to developing-country agriculture including research and technology has been declining since the early 1980s. This trend appears to reflect complacency among Organization for Economic. Cooperation and Development countries regarding the food and agriculture situation in developing countries. Is such

complacency warranted?

International real food prices continued their long-term decreasing trend during the 1980sand early 1990s, food surpluses continue to be of concern to the European Economic Community and the United States, and there is reason to believe that the former Soviet Union and Eastern Europe will expand food production and possibly reduce food consumption during the next 10 years and perhaps even beyond. Yields of wheat, rice and maize continue to increase in Asia and parts of Latin America, and a few African countries have shown their ability to rapidly expand food production in response to

favorable policies and tech-

nologies. World stocks of cereals are at a level of about 300 million tons or 19% of annual consumption. Although lower than the mid-1980s, this is considerably higher than the levels immediately prior to the food crisis of the early 1970s. All together, reason for complacency. But unfortunately, such complacency is grossly inappropriate.'

Population growth will outstrip growth in food production in Sub-Saharan Africa for a long time to come, unless much more is done to accelerate agricultural growth. Between now and the year 2000, the population will grow at more than 3% per year while food production is likely to grow at 2% or less per year. By the year 2000, the production shortfall is estimated to increase to about 50 million tons of grain equivalent, up from the current level of about 14 million tons. It is extremely unlikely that the region will have the necessary foreign exchange to import such large amounts of food. It is equally unlikely that African govern-

ments will be able to count on enough food aid to make up the difference. If current trends continue, the World Bank estimates that by the year 2020. Africa will have a food shortage of 250 million tons, which is more than 20 times the current food gap.

Asian food demand is estimated to grow at an annual rate of 2% between now and the year 2000, whereas food production is estimated to grow at 1.3% per year. Much of the production shortfall is likely to be dealt with through expanded imports and perhaps through expanded regional production in response to price increases.

In Latin America, by contrast, growth in food production is anticipated to exceed food demand growth: food production is estimated to grow by 3% annually between 1990 and the year 2000, while food demand is estimated to grow by 2.5% About 700 million people are

food insecure; for them the food

crisis has arrived. For the 10 to

12 million pre-school children

By Per Pinstrup-Anderson who died last year from hunger and diseases of hunger and malnutrition, the food crisis came and went. One-third of the pre-school children of the Third World were unable to grow to the full potential Growth faltering is associated with high disease and mortality risks. While small may be beautiful, the process leading to

smallness is not. The food security prospects for Sub-Saharan Africa are particularly worrisome. Poverty is expected to increase rapidly in the coming years and Sub-Saharan Africa's share of the world's poor is expected to double from the current 16% to about 33% to the year 2000. Furthermore, the number of underweight children is expected to increase in the 1990s in Sub-Saharan Africa even under the most optimistic assumptions made by the United Nations.

Large extensions of land are degraded and the degradation continues at a rapid rate. High rates of deforestation continue and the principal reasons for environmental degradation: poverty, high population growth, and limited access to appropriate agricultural technology are not being effectively

Complacency is not in order. Clearly, Thomas Malthus underestimated the power of science to expand food production. The mass starvation that was predicted to occur in Asia in the 1970s and 1980s did not materialize because science was effectively put to work to expand crop yields. However, past yield increases came about because people with foresight made appropriate decisions. Failure to expand investments in agricultural research and technology development during the 1980s and early 1990s indicate that such foresight no longer prevails. Given the long lag time between investment in agricultural-research and the resulting production increases, failure to invest today will show up in production shortfalls and environmental degradation 10 to 20 years from now. We must not wait until a global food crisis is upon us or until the last tree has fallen before making

these investments. Much of the action needed has been delineated by a number of Food and Agriculture Organization conferences and publications, by the United Nations Conference on the Environment and Development and Agenda 21, the International Conference on Nutrition, and the World Summit for Children. The upcoming International Population Conference, FAO's 50th Anniversary Conference, and International Food Policy Research Institute's new initiative for a 20-20 Vision on Food, Agriculture, and the Environment will further add building blocks to the development of a common vision for food, agriculture, and the environment, and a consensus for action to bring about such a vi-

sion. Failure to act may prove Malthus right.

(The author is Director General of the International Food Policy Research Institution in Washington.)

### US SC limits seizures of property in drug cases

WASHINGTON, Dec 14: The Supreme Court limited a major weapon Monday in the war on drugs, ruling that people must get a hearing before their real estate may be seized as linked to illegal drug sales, reports AP.

The 5-4 ruling marked the second time in recent months that the court has reined in the government's power to take over property it contends was involved in a drug crime.

"At stake in this and many other forfeiture cases are the security and privacy of the home and those who take shelter within it," Justice Anthony M. Kennedy wrote for the court.

cludes a clause requiring that authorities may not take people's property without due process of law. Last June, the court ruled

The federal constitution in-

that seizures of drug-related property are subject to the eighth amendment to the constitution, which protects people against excessive fines.