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Foreign investments in Indonesia decline

JAKARTA, Dec 27: Foreign investments approved by the Indonesian government from November 15 to December 26 stood at only 499.68 million US dollar, far lower than the 623.84 million dollar approved in the October 16-November 15 period, reports Xinhua.

The latest report of the investment coordinating board said that during the November 15-December 26 period, the government approved 44 foreign investment projects including 25 new ones and 19 expansion projects.

The decline in foreign investments is significant by the drop in Japanese investment which is due to the economic recession in Japan and shifting of investments to other countries, according to the board sources.

Meanwhile, domestic investments approved during the same period more than tripled to 10.71 trillion rupiah (5.08 million dollar) from 2.94 trillion rupiah (1.82 billion dollar).

The large increase can be partly attributed to a major investment in the construction of a cement factory in the Maluku province.

Y'slavia to give free food to pensioners, workers

BELGRADE, Dec 27: The Yugoslav government will distribute free food to pensioners and workers stricken by inflation topping 500,000 per cent this month in time for the orthodox church Christmas on January 7, reports Reuter.

Newspapers said the parcels containing meat, powdered milk, potatoes, beans, rice, oil and flour worth 40 German mark will go to virtually all pensioners, numbering about one million, and several hundred thousand factory workers.

Such staples are beyond the reach of most in the rump Yugoslav Federation of a Serbia and Montenegro, even when they can be found in the shops.

Inflation fuelled by UN sanctions, war in former Yugoslav republics, the loss of markets and printing of money by the government will be 570,000 per cent in December.

Old people are subsisting on sate pensions worth two marks a month, barely enough to buy bread everyday. Workers get about 10 mark. Without food parcels and help from peasant relatives who send farm produce, many town dwellers would starve.

BB bill auction result

Twenty nine bids for a total amount of Taka 274 crore were received at the 37th auction of the 91-day Bangladesh Bank bill held yesterday, says a press release.

One bid was accepted. Its face value was Taka 50 crore.

28 companies may be privatized

Jakarta govt won't interfere in business affairs of state firms

JAKARTA, Dec 27: Indonesian Minister of Industry Tunky Ariwibowo has stated that the government will not interfere in the business affairs of state-owned companies, reports Xinhua.

"The Jakarta Post" quoted him as saying that the boards of directors of state firms are responsible to their share-holders and not to ministers, who will only be responsible for the political matters of firms.

He said the executives of state companies should not consult with a minister if they want to make decisions on corporate affairs. Directors are required to be critical and independent when making business decisions.

Minister Tunky acknowledged that being a director of a states company is not an easy job because a state firm must not only make financial profits but is also required to fulfil other functions, including helping maintain national stability and pioneering development activities.

AFP report says: The Indonesian government has set up a team to scrutinize the performance of 28 state firms under the industry ministry to determine whether they will be privatized, the Kompas Daily said today.

Kompas quoted Industry Minister Tungky Ariwibowo as having said the team comprising officials from the finance and industry ministries will evaluate which of the 28 state firms under the ministry of industry could the partly or wholly be sold to the private sector.

"In principle, the government will only retain its equity ownership in state firms which are profitable. At the least, the state firm should be able to show a potential to record profits," Ariwibowo said.

Ariwibowo said the move was taken because the government with its limited funding capabilities could no longer provide capital injections to prop up state firms.

The 28 state firms had total assets of 9.99 trillion rupiah (4.73 billion dollar) at the end of last year, Kompas said.

The ministry recorded losses in recent years. The firms — one paper plant, one textile plant and a fertilizer plant — were all located in west Java.

It also plans to sell the majority of its shares in three other paper plants in South Sulawesi, central and east Java.

ADB approves $ 3m loan to Mongolia

MANILA, Dec 27: The Asian Development Bank (ADB) on Monday approved a three million-dollar concessional loan to Mongolia to help ease worsening poverty and unemployment in Ulan Bator, the Philippines-based bank said in a statement, reports AFP.

The interest-free loan will be used to provide lines of credit for small enterprises, and is payable over 40 years including a 10-year grace at one per cent annual service charge.

The ADB said Mongolia's transition from a centrally planned economy to a market-based one has "exacerbated poverty and unemployment problems," it said.

Mongolia will also receive a 598,000-dollar technical assistance grant from an ADB-administered Japan special fund.

Omani firm to help build oil refinery in India

NEW DELHI, Dec 27: India's state-owned Bharat Petroleum Corporation Ltd and the Oman Oil Company (OOC) have agreed to establish a 1.72 billion US dollar oil refinery in India, company officials said yesterday, reports Reuter.

They said that under an agreement signed at Bombay this week between the two companies the six-million-tonne capacity refinery will be set up by 1997 at Bina in the central Indian state of Madhya Pradesh.

The companies will each have a 26 per cent stake in the project with the 48 per cent equity balance subscribed by the public.

The domestic Press Trust of India (PTI) news agency quoted a BOCL statement as saying the Indian government had approved the setting up of a joint venture company to execute the project.

The refinery would include single point mooring facilities and a crude oil terminal on the west cost as well as a cross-country crude pipeline.

Officials said the agreement signed at Bombay this week followed a memorandum of understanding reached among the Indian and Omani governments and the two companies.

An agreement has also been reached for supply of crude oil between the two companies, the statement said, giving no details.

The Oman Oil Company, registered in Bermuda, has also signed a memorandum of understanding with India's state-owned Hindustan Petroleum Corporation Ltd to set up another refinery in western India.

Indian Commerce Minister Pranab Mukharjee addressing a discussion at FBCCI yesterday. Special Envoy of the Prime Minister Morshed Khan, Bangladesh Commerce Minister M Shamsul Islam and FBCCI President Mahbubur Rahman are also seen in the picture. — Star photo

US corporations trade with Libya, Cuba in spite of ban

NEW YORK, Dec 27: Rules governing US trade sanctions are so loose that corporations are able to get around them to do business with Cuba and Libya, the New York Times reported Monday, reports AP.

The Times says corporations use their foreign subsidiaries to take advantage of the loopholes. And, it says, because of loosely-drawn rules the government has been forced to cancel or back down from several investigations of companies suspected of illegally doing business abroad.

The newspaper describes a government investigation of Cargill Inc, based in Minnetonka, Minn, involving allegations that it brokered shipments of sugar for the Cuban government, apparently violating the Trading With the Enemies Act.

The Times says Cargill traded with Cuba through a foreign subsidiary which was beyond the reach of US law. Cargill denies it has done anything wrong.

Another example cited involves Houston-based Brown and Root Inc, an engineering company that the Times says shifted work in Libya to a British subsidiary to evade sanctions the United States imposed in 1986. Asked if the shift was made because of the sanctions, Duncan Guy, head of operations for Brown and Root's British subsidiary, replied: "Presumably, yes."

A third example cited by the newspaper involves Coastal Corp. of Houston, an oil explorating company the Times says used a Bermuda-based subsidiary to go into business with the Libyan government.

Official at the companies told the newspaper they do not believe they violated the spirit of the sanctions by doing business with nations the United States sees as its enemies. Some added, however, that the legal loopholes raise questions about the sanctions' effectiveness.

A 1987 study found that 169 foreign subsidiaries of 80 US companies were doing at least 266 million dollar of trade with Libya, the Times said.

Subsidiaries of US companies did more than 700 million dollar of trade with Cuba in 1991.

Demand lets greenback benefit in Asia

HONG KONG, Dec 27: The greenback benefited from increased demand for US dollar by regional investors to pay for imports ahead of the new year, reports AFP.

But the yen weakened on lower Japanese stock prices and continued political uncertainty, while the Australian dollar firmed in quiet pre-holiday trade.

JAPANESE YEN: The yen touched a seven-month low against the dollar in a three-session losing streak before regaining some ground to close the week at 110.85 yen to the dollar, down 1.01 yen from a week earlier.

The yen's weakness was seen likely to persist despite Friday's rebound, which was sparked by US Treasury Secretary Lloyd Bentsen's remarks that a stronger dollar would hamper Japan's efforts to reduce its trade surplus with the United States.

After opening the week 0.21 yen lower at 110.25 yen, the Japanese unit kept sliding to close at 111.30 yen on Wednesday, its lowest finish since May 19, reflecting lower stock prices and political uncertainty.

The market was closed on Thursday for a public holiday.

AUSTRALIAN DOLLAR: The Australian dollar climbed nearly half a US cent during the week as markets shrugged off the resignation of Treasurer John Dawkins.

The local currency finished at 67.87 US cent against 0.47 US cent above last week's close, in quiet Christmas eve trading.

"Everybody's sleeping. It didn't really move that much", one dealer said.

Dawkins' resignation led to a plunge in the Australian dollar during volatile trade the end of the previous week, but it rebounded shortly after and reached a high of 68.25 US cent offshore on Tuesday.

On the Reserve Bank's trade weighted index, a basket of major trading currencies, the Australian dollar rose to 50.6 points from last Friday's level of 50.2.

HONG KONG DOLLAR: The Hong Kong dollar, pegged to the US dollar at around 7.8, firmed to 7.72 from 7.725 previously.

SINGAPORE DOLLAR: The Singapore dollar was largely unchanged against the US dollar at 1.5935 from 1.5937.

Dealers said demand for the Greenback was subdued for most of the week. The pre-Christmas festive mood partly contributed to the dull session on foreign exchange markets.

MALAYSIAN RINGGIT: The ringgit ended the week 211 points lower than the US dollar at 2.5705 from 2.5494 previously.

Dealers attributed the local currency's fall to strong demand for the Greenback from regional investors, especially those in Singapore, to pay for imports ahead of the new year.

NEW ZEALAND DOLLAR: The New Zealand dollar closed here Friday worth 55.85 US cent, down on the previous week's closing of 56 US cent.

With New Zealand effectively closing up for the Christmas new year holidays, dealers say trading in the Kiwi has been very quiet.

PHILIPPINE PESO: The peso appreciated to 27.681 to the dollar on Friday, up from 27.921 previously.

SOUTH KOREAN WON: The won strengthened from 810.40 won to 808.30 won on expectation that the US dollar would lose ground because of increasing supply of dollar from export shipments concentrated toward the end of the year.

THAI BAHT: The Bank of Thailand's Exchange Equalisation Fund (EEF) fixed the official mid-rate at 25.46 baht to one US dollar, compared with the previous week's close of 25.43 baht to a dollar.

TAIWAN DOLLAR: The Taiwan currency declined to 26.659 to the dollar, down 3.9 Taiwan cent from the previous week's finish of 26.62.

INDONESIAN RUPIAH: The Indonesian currency strengthen over the week against the Greenback, closing the week's trading Friday at 2,107 rupiah, or two rupiah higher than the previous week's finish.

Jesse Jackson for an end to US trade ban against Cuba

HAVANA, Dec 27: Visiting US civil rights leader Jesse Jackson called for an end to the 31-year-old US trade embargo on Cuba, saying "This is clearly a period to break down walls and build bridges, reports AFP.

Jackson, a former Democratic presidential candidate and preacher who now leads the Liberal Rainbow Coalition Lobby, led a Christmas service here in a Protestant church.

"We must break this 30 years cycle of hate and pain," Jackson said. "That requires bold leadership."

US President Bill Clinton has said he has no plans to change US policy toward Cuba until there are clear signs of democratic opening and improved respect for human rights.

But Jackson pointed out that recent "Cuban economic reforms are substantial," and added, "now that the Cold War is over, the fighting must be over and the embargo must be over."

Yemen, Oman pledge to combine efforts for stable oil prices

SANAA, Dec 27: Yemen and Oman yesterday pledged to combine efforts to stabilise crude oil prices, which have plunged to record lows this month, the official Yemeni news agency Saba reported, reports AFP.

Omani Oil Minister Said Bin Ahmad Al-Shanfari, beginning a tour of non-OPEC oil producing countries, discussed the situation in the oil market with his Yemeni counterpart Saleh Abu Bakar Bin Hussainun in Mukalla, central Yemen.

The ministers expressed their countries' "desire to combine their efforts to maintain crude oil prices," Saba reported.

They stressed "the need for producer countries inside and outside OPEC to take steps to stop the fall in prices," the agency added.

Shanfari is due to travel later to Egypt, Syria, Russia, Noway and Britain.

Before leaving Oman yesterday Shanfari said he would explain the importance of an offer made by the six-nation Gulf Cooperation Council (GCC) last week to cut oil output provided other producers worldwide pledged to do the same.

He said he would urge officials in the countries he visited to "Cooperate with all countries which export crude".

On Wednesday Oman, Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates for the first time said they were "ready to reduce oil production if all producer countries inside and outside OPEC agree and pledge to take steps worldwide to lower production".

Prices have fallen to historic lows of 12.8 dollar per barrel this month, more than eight dollar below the benchmark set by the organisation of Petroleum Exporting Countries.

Developing states getting deeper into debt despite flow of finance

By Daya Kishan Thussu

More money is going into the developing world than ever before and yet for the poorest countries there is no relief from the debt crisis.

According to a new World Bank report, the flow of finance to developing countries had soared to a record 157 billion dollar 1992 and will have risen by another 13 per cent in 1993.

While official aid has been declining, the flow of private capital has jumped more than two and a half times since 1990, it says.

A key finding of the reports is that there is a shift from mainly sovereign to private borrowers. It says: "Private-to-private flows now account for nearly 60 per cent of net flows."

Despite this optimistic picture developing countries are getting even deeper into debt. The total debt of all developing countries increased by 15 per cent between 1989 and 1992.

Only a few countries are benefiting from this new money. Particularly the rapidly industrialising countries of Southeast Asia and Latin America, and the big economies of China and India with temptingly large markets.

The poorest countries, most in need of help, are slipping ever backwards, crippled by debt and unable to attract private investment. The debt of the poorest countries has increased, says the Word Bank, from 137 billion dollar in 1986 to 179 billion dollar in 1992.

For these "Severely Indebted Low Income Countries (SILICs in World Bank jargon), the "debt overhang" continues, Ronald Johannes, principal author of the 1993-94 World Debt Tables, told journalists in London.

The tables, the most authoritative source of data on Third World debt, suggest that for more than 20 such countries, most in sub-Saharan Africa, debt has tripled in the past decade and any benefit from debt forgiveness has been outweighed by the increase in arrears.

For some of the worst affected countries, like Sudan and Somalia, the debt service charges are more than 2,000 times the value of their exports.

Out of Africa's 51 countries, 20 have debts in excess of their Gross National Product (GNP). The continent's poorest country Mozambique, has debt equivalent to 426 per cent of its GNP.

In comparison, the debts of Brazil and Mexico — the two largest debtor nations among the developing countries — are less than 50 per cent of their GNP. Given that African economies are much smaller than those of Latin America, debts on this scale pose proportionately a far greater burden for people.

At a time when direct foreign investment is growing in the developing world, in sub-Saharan Africa it is actually declining from and already low level.

With the end of the Cold War, Africa has lost it strategic importance for the big powers. Western bans and Western-dominated international lending agencies have a vested interest in assisting the large Latin American and Asian economies with huge potential markets for Western goods.

Attention has also turned towards Eastern Europe, which is now receiving Western aid at the expense of the poorest countries. In stark contrast with the attitude to the Third World, the West has written off half of Poland's debt.

An additional problem has emerged with the demise of the Soviet Union. Not only has important source of aid for some developing countries dried up they are now being pressured by Russia to repay their debts.

A new survey from the Paris-based Organisation of Economic Co-operation and Development (OECD) says the aid to the developing world from the North has been declining by about 2 billion dollar per year since 1990. It adds: "The growth of resource flows has been captured by only a few countries — many of the poorest are increasingly aid dependent."

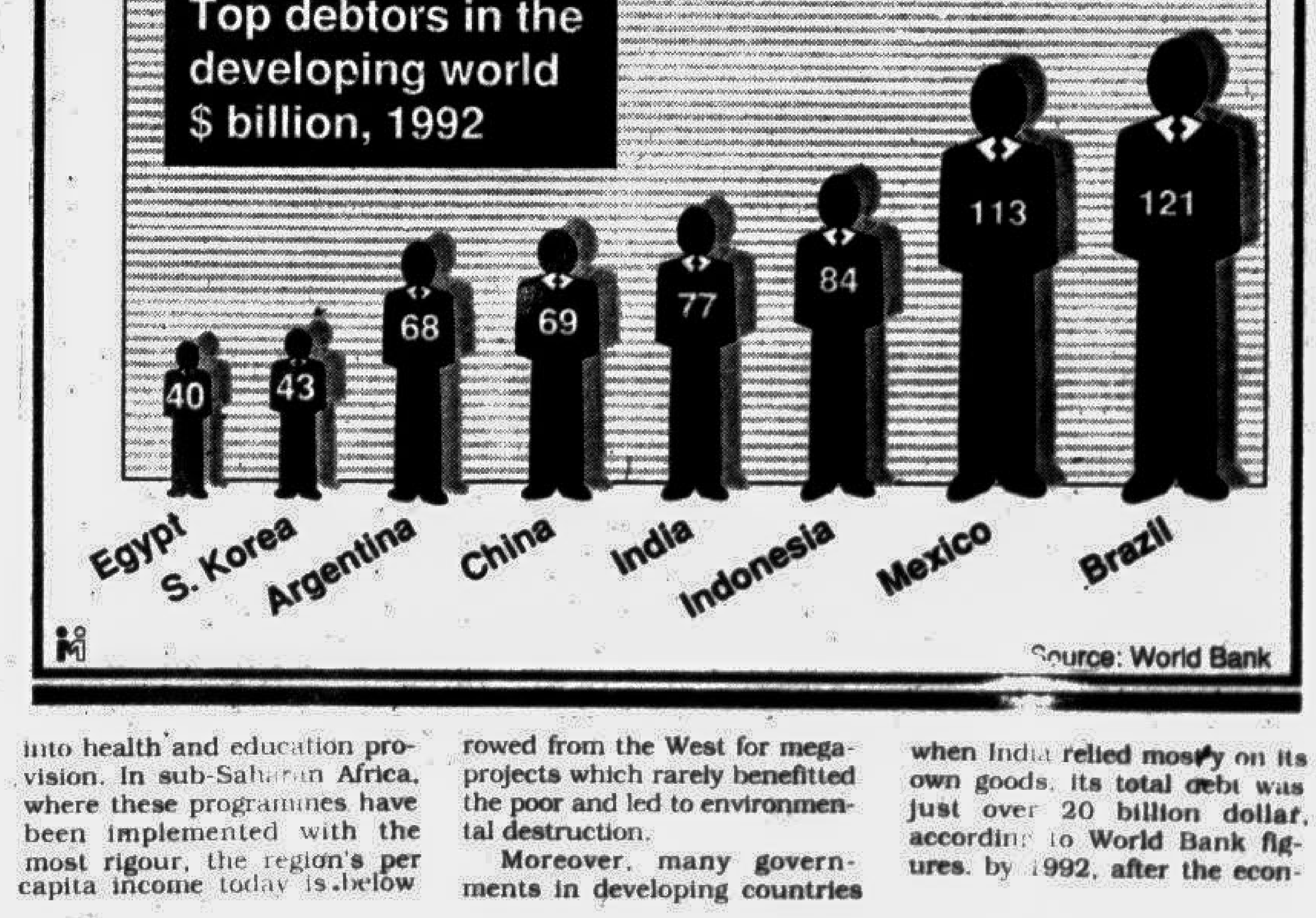
Many developing countries are still caught in a vicious circle of debt. Foreign capital is needed for development to produce exports in order to earn the much-needed foreign exchange. But foreign exchange earnings go back into servicing debt. This is stunting growth in some of the world's poorest areas.

African nations have cut back on basic necessities to pay debt servicing charges to private bans and public agencies in the North. Yet, the debt burden gets heavier. The outflow of funds to service these debts has crippled the continent's economic development. Along with debt, poverty has increased. More is spent in Africa on servicing debt than on health and education.

To compound matters, the prices of coffee and cocoa, Africa's two key export earners, are currently at their lowest level in 18 years. In desperation, governments are borrowing more from the World Bank and the International Monetary Fund (IMF).

As a condition of new loans, these institutions are imposing on the governments "structural adjustment" programmes, aimed at opening up their economies. Freeing up the market and reducing the role of the state is seen as the basis for sound economic development from which eventually everyone will benefit. In practice, it means a free rein for multinationals and a forced change over from producing food for domestic consumption to cash crops for export.

Drastic reductions in public expenditure have brought unemployment and cut deep into health and education provision. In sub-Saharan Africa, where these programmes have been implemented with the most rigour, the region's per capita income today is below the 1970 levels.



As life becomes even more difficult for the ordinary people, the ruling elites in the Third World are not complaining much. In many cases, they borrowed from the West for mega-projects which rarely benefitted the poor and led to environmental destruction.

Moreover, many governments in developing countries have been forced to borrow to get out of a balance of payments crisis caused by importing expensive high technology and luxury goods for the use of rich people. For example, in 1980, when India relied mostly on its own goods, its total debt was just over 20 billion dollar, according to World Bank figures. by 1992, after the economy was liberalised under IMF regulations, it had increased nearly fourfold, to over 76 billion dollar.

Slashing public welfare measures does not affect the elites anyway. They use their own cars, private hospitals and schools. Small wonder then that the Third World has failed to unite to demand debt reduction or to abandon IMF/World Bank prescriptions.

In her 1991 book Odious Debts, Canadian economist Patricia Adams argued that much of the 1.7 trillion dollar debt of the developing world was contracted by illegitimate regimes and therefore cannot be legally binding on poor nations.

She wrote: "The Third World should repudiate its debts not through appeals to charity but by recourse to due process of law. Declaring debts odious will compel the lenders — in order to recover some of the billions they have lost — to seek redress by suing, pursuing and, where possible, seizing the booty of the unrepresentative Third World Elites which borrowed so recklessly in the name of their people."

As Africa gets deeper into the debilitating debt, perhaps it is time this arguments received attention from the World Court.
—*Gemini News*

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