

## Country's external debt may reach \$60 b in twelve years

By M Anwarul Haq

The external debt of the country may reach an amount of 60 billion US dollars within the next 12 years. The debt burden has been projected on the basis of an analysis at the average rate of the past 14 years which was 11.5 per cent per annum.

The present accumulated debt burden of Bangladesh stands at around 14 US billion dollars.

Even assuming a very optimistic GDP growth rate of 6.5 per cent (the average of the past 12 years) — the external debt is expected to be larger than the GDP by the year 2006/7.

This was revealed in a study conducted by the External Relations Division (ERD).

The study points out that because of the changed economic climate and economic recession in donor countries, aid from bilateral sources is decreasing and from multilateral sources increasing.

Bilateral aid, which was to the tune of 71 per cent of total aid in 1971-73, has decreased consistently to 47 per cent in 1990-94. Multilateral aid conversely has grown from 29 per cent to 53 per cent over the same period.

The study observes that bilateral aid has generally come

in the form of grants rather than loans, while multilateral aid, mainly comprises loans.

"Given that multilateral aid is becoming increasingly the more important source of aid to Bangladesh, the volume of loans will also increase and the external debt of the country simultaneously grow", the study conducted by M Shahidul Alam, Md Zakir Hussain and Billam Babal of the ERD says.

While aid package, covering both loans and grants, have contributed to economic development, it has also increased the external debt liability of the country.

What is significant is that, while the country is poised for greater privatisation and denationalisation of public sector enterprises, external debt on account of public sector continues to increase steadily.

From a mere 0.5 billion US dollars in 1973-74 it increased to 4.4 billion dollars in 1980-81, spiralled to 10.6 billion dollars in 1989-90 and climbed to 12.4 billion US dollars in 1992-93.

The external debt of Bangladesh mainly comprises long-term borrowings of the government. These have been acquired at concessional terms with grace periods of 10 years, repayment periods of 20 years

and interest rates of less than 2 per cent. Most of these borrowings have stemmed from bilateral and multilateral sources.

However, non-concessional debt has also been incurred from the IMF, and several public sector corporations including the Bangladesh Biman and Bangladesh Shipping Corporation. Debt has also been incurred from creditors for the purchase of crude oil, ships, aircraft and food grains on deferred payment basis.

The increasing debt, together with expiry periods and unfavourable foreign exchange rate movements, have resulted in increased debt service.

Debt service payments on public sector debt alone rose from 19 million US dollars in 1973-74 to 505.5 million US dollars in 1992-93.

The total debt service payment in 1992-93 represented 23.7 per cent of the country's merchandise exports, 13.7 per cent of export of goods and service including workers remittances and represented 2 per cent of the national GDP.

Debt service directly out of the government budget amounted to 374.4 million US dollars or nearly Tk 1498 crore in fiscal 1992-93.

Analysis has shown that the

share of the Japanese Yen in the total currency composition of our external assistance is around 57 per cent. During the last 15 years the Bangladesh Taka has been depreciated to US dollar by 165 per cent and to the Japanese Yen by 379 per cent.

Therefore, the continued depreciation of the US dollar and Taka against the Yen and other currencies are likely to raise the debt burden and possible debt difficulties.

According to a recent classification by the World Bank, using present value of total debt service, Bangladesh is on the verge of being a severely indebted country. However, given that most of the debt is owed to multilateral creditors, if the country encounters debt difficulties, it can be prolonged.

What is more important is that, given the good economic performance, Bangladesh do not slip into debt difficulties which can cause economic hardship to all sections of society.

The ERD report notes that the experience of many developing countries in the decade of the 1980s and also up to the present for some of them, is a clear illustration of the problems that may occur.

## BSB introduces one stop-service system

By Staff Correspondent

Bangladesh Shilpa Bank has introduced one 'stop-service' system to implement the industrial projects financed by the bank within the time scheduled, according to a press release.

A task force was also formed under the leadership of the General Manager of the Loan Operation and Implementation Division at the head office of the bank to provide counseling in this regard. All concerned entrepreneurs have been requested for cooperation to implement the system.

## BIBM training course on audit, inspection ends

A 15-day course on audit and inspection in banks conducted by the Bangladesh Institute of Bank Management (BIBM) concluded yesterday, says a press release.

The course was designed to familiarise the participants with the principles and practices of audit and inspection in banks and financial institutions. A total of 26 officers from different banks and financial institutions participated in the course.

The concluding session of the course was presided over by AHM Nurul Islam Choudhury, Director General, BIBM, and the function was marked by distribution of certificates to the participants. On the occasion Choudhury made a brief speech on the importance of the course for the bankers. He urged the participants to make the best use of their knowledge and expertise received from the course. He also expressed the hope that the participants train in the course would be able to detect the irregularities leading to frauds and forgeries and thus ensure better performance in the banking sector. Md Nurul Islam and Dr M K Roy served as coordinators of the course.

## Apex Tannery AGM Oct 15

The eighteenth Annual General Meeting (AGM) of Apex Tannery Ltd will be held on October 15. The Board of Directors have recommended 25 per cent dividend for the year 1993-94. The share transfer books will be closed from September 29 to October 15, says a press release.

## Unemployment rises in West Germany

BONN, Sept 7: Unemployment in West Germany crept higher in August after two months of falls while industrial orders rose for the second month in a row, official data showed on Tuesday, reports Reuter.

The federal labour office reported that the West German seasonally adjusted jobless number rose to around 4,000 in August, 2,573 million. It also revised its original figure for July down to 2,569 million from 2,575. Without the revision, the August figure would have represented a fall.

The non-seasonally adjusted figures showed a fall of 43,000 to 2,531 million, giving a new jobless rate of 8.2 per cent for August compared to 8.3 per cent in July.

Labour office President Bernhard Jagoda said the data confirmed that the German labour market was continuing to stabilise.

"The stabilising trend is continuing. The usual pickup in the autumn is therefore clearly noticeable," he told a news conference.

## Taiwan, Australia begin talks on beef

TAIPEI, Sept 7: Three-day talks between Taiwan and Australia under the framework of the General Agreement on Tariffs and Trade kicked off in Taipei Tuesday, with an initial focus on Taiwan's classification system for imported beef, reports AFP.

The Australian delegation, saying the standards were unfair and "discriminated against" sales of Australian beef here, asked Taiwan's negotiators to drop the system, Taiwan officials said.

Sydney's representatives also said the US-style standards here failed to apply a GATT mandate to tailor import requirements to the producing country's particular climate and breeding habits, the officials said.

## Japan likely to declare end to economic recession

TOKYO, Sept 7: Japan's Economic Planning Agency, renowned for its cautious assessment of the economy is likely to declare an end to three and a half years of recession later this week, news reports said yesterday, reports AFP.

The reports, which followed the release of a quarterly survey by the Bank of Japan showing a sharp improvement in business confidence, said the agency would use the word "recovery" in its monthly report on Friday.

The Central Bank report "confirmed moves towards a recovery detected so far," a senior agency official was quoted by J J Press as saying.

Masahiko Komura, Director General of the agency, told a news conference earlier Tuesday that the monthly report would take "half a step forward" in its judgement of the economy. Last month's report referred to growing brightness amid "movements toward pulling out the slump, though gradually."

Komura said there was little difference in how the agency and the Bank of Japan assesses the economy. But he acknowledged that the agency tended to be "somewhat prudent" — apparently referring to the cautious stance it has taken since inadvertently suggesting

an economic recovery last year.

The bank's short-term survey of economic enterprises released Tuesday showed that a tentative recovery in business confidence had accelerated, led by large manufacturers in the precision machinery, automobile and food sectors.

"The business sentiment of principal enterprises in both the manufacturing and non-manufacturing sectors continues to improve and is expected to pick up further towards the end of the year," the central bank said in a statement.

Speaking at the annual meeting of the Life Insurance Association of Japan the same

day, Bank of Japan Governor Yasushi Mieno pointed out that the recent improvement in personal consumption was leading to growing optimism.

"Optimism is gradually spreading from the income tax cuts and other factors," Mieno said, referring to tax cuts implemented in June.

Mieno suggested consumption was improving even after discounting the temporary boost to sales of seasonal products from extremely hot weather. His remarks were echoed by Finance Minister Masayoshi Takemura at the meeting.

Signalling a recovery in consumption, the nation's supermarket sales in July showed the first upturn in two years. New car sales in August meanwhile expanded 12 per cent from a year earlier, the strongest growth in four years.

Other key economic indicators have also been showing upbeat signs. Industrial production in July, for example, was only down by 1.7 per cent, a much smaller margin than the projected fall of three per cent.

The Bank of Japan survey showed the diffusion index for large manufacturers had improved to minus 3 points in August, down from minus 50 points when the last survey was carried out in May.

## Russia to supply \$180m weapons to S Korea

SEOUL, Sept 7: Russia will supply 180 million dollar worth of weapons, including tanks, to South Korea as part of its debt repayment, the defence ministry announced here Tuesday, reports AFP.

This is part of an agreement reached at week-long talks in Moscow on the repayment of 387.5 million dollars in principal and overdue interest Moscow owes South Korea. A ministry spokesman said.

## Suharto to ministers

### Make efforts to keep inflation at below 10pc

JAKARTA, Sept 7: Indonesian President Suharto Wednesday ordered his ministers to do their best to keep the country's cumulative inflation rate, already at 6.85 per cent, below 10 per cent, reports AFP.

The President has issued instruction to his ministers that they make efforts to control the inflation rate for this year below 10 per cent. Information Minister Harmoko told journalists after a routine monthly cabinet meeting on the economy.

Harmoko said inflation in the month of August stood at 0.89 per cent, compared with 1.37 per cent the previous month.

The August figure brought the cumulative inflation rate for the first eight months of 1994 to 6.85 per cent, he said.



Environment and Forest Minister Akbar Hossain speaking as chief guest at a discussion meeting on 'Environment consciousness' at Ideal School and College in the city on Tuesday. — PID photo

## Arabs resume talks on free trade today

ABU DHABI, Sept 7: Arab states are to resume on Thursday to discuss proposals, for setting up a free trade zone which would form the nucleus of a common market, reports AFP.

The economy ministers of nearly half the Arab League's 22 members will meet in the Egyptian city of Alexandria to discuss a 10-year time-table for the zone, for which the Cairo-based league has arrived out a feasibility study.

The ministers will meet the Arab Economic Unity Council (AEUC), which was established in the early 1970s to boost flagging inter-Arab trade and investment with the aim of creating a common market in the region.

The council will discuss an economic strategy for the next 10 years, which includes an overall Arab free trade zone.

"A study in this connection has been completed with the help of the Arab League," the AEUC Secretary General, Hassan Ibrahim, was quoted as saying by the United Arab Emirates news agency Wam. Gulf officials said the study

on the free zone proposed that the remaining league members join AEUC for the project, which coincides with growing talk of a Middle East market encompassing Israel and, possibly, Iran and Turkey.

Arabs have not ruled out trade dealings with their long-time foe Israel but most of them have voiced fears of

merging their economies with the Jewish state on the grounds its industrial muscle would enable it to dominate their markets.

Israel and Western countries have called for a regional market after full peace is established in the region.

"The establishment of an Arab free zone will pave the

way for a common market. This in turn will facilitate work for any future economic system in the Middle East," said a Gulf economy official.

Arab states signed a free trade zone accord 20 years ago but most of them have not implemented it, mainly because of political differences. Snell rifts have led to more customs barriers and hit trade among member states.

According to the Abu Dhabi-based Arab Monetary Fund (AMF), inter-Arab trade has remained below 10 per cent of their total trade over the past two decades.

The trade plunged to its lowest level in the wake of the 1990 Iraqi invasion of Kuwait after wealthy Gulf states shut their markets to products from Jordan, Sudan and other members they accused of backing Baghdad.

Experts cite other factors for low trade among Arabs, including the small production base, lack of trade financing bodies and problems associated with the infrastructure, transport, marketing, storage and red tape.

## Thai-Myanmar accord on gas purchase price

BANGKOK, Sept 7: Thailand and Myanmar have agreed to a purchase price for natural gas sent here via the Yadana pipeline, a petroleum authority of Thailand (PTT) official said Tuesday, reports AFP.

Thailand is to pay between 2.50 dollars and 3.00 dollars per British thermal unit (BTU) for fuel from Myanmar's oil and gas enterprise, the official said.

Two senior Thai government officials are to fly to Yangon on Friday to sign a memorandum of understanding (MOU) fixing the price, the

PTT official said. France's total and its US partner, Unocal, which developed the Yadana offshore field, will also sign the price agreement, the official said.

The selling price for the Yadana pipeline gas has been a contentious issue for nearly two years, with Thailand's electricity monopoly, the recipient of the fuel, initially refusing to pay more than 2.50 dollars per BTU.

The Yadana field has commercially feasible reserves estimated at nearly six trillion cubic feet.

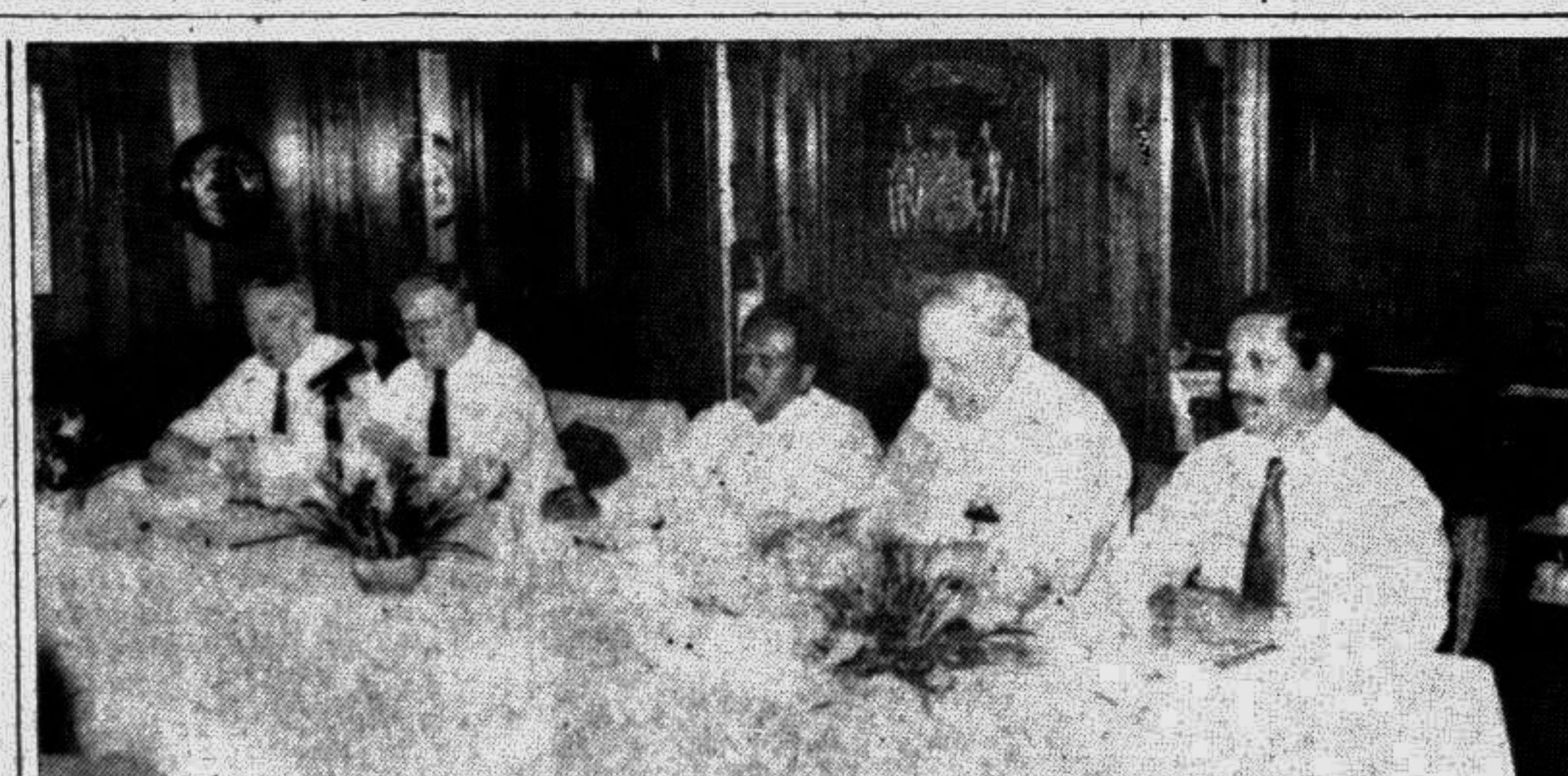
## Taiwan to renew trade talks with Australia, New Zealand

TAIPEI, Sept 7: Taiwan is to renew trade negotiations with Australia and New Zealand here this week, an official said here yesterday, reports AFP.

In the three-day talks beginning Tuesday, Australian was expected to urge Taiwan widen its market and lower tariffs on beef, dairy products and other agricultural items, said Tsai Lien-Sheng, a Section Chief of the Board of Foreign Trade.

New Zealand would also make similar requests in three-day discussions starting Wednesday, Tsai said.

Both countries, Taiwan's leading beef suppliers, also want access to the squid markets, he said.



Timothy R Titus, (2nd-L), Managing Director, Partnership and Outreach, US-Asia Environmental Partnership, seen speaking at a discussion meeting of the American Bangladesh Economic Forum (ABEF) on US-Asia Environmental Partnership at the Dhaka Sheraton on Tuesday. Environment and Forest Minister Akbar Hossain (C) also participated at the discussion.



Communications Minister Oli Ahmed formally inaugurated construction works of Dhaleswari Bridge — one to link Keraniganj of Dhaka with Sreenagar of Munshiganj on Tuesday. Deputy leader of the House Prof A Q M Badruddoza Chowdhury, Information Minister Barrister Nazmul Huda and Amanullah Aman MP are also seen in the picture. — PID photo

## India, Singapore may sign 12 major agreements

SINGAPORE, Sept 7: Singapore and Indian businessmen will sign deals worth several hundred million dollars this week during the official visit of Indian Prime Minister P V Narasimha Rao, Singapore officials said yesterday, reports AFP.

"In all we expect to sign 12 major agreements, Tay Thiam Peng, Director for International Operations at Singapore's Trade Development Board (TDB) said.

The agreements will cover projects ranging from construction of a township near New Delhi to aquaculture, cooperation in warehousing and setting up of a liquefied petroleum gas facility, TDB officials said.

Rao arrives here today for a three-day official visit.

The visit is being billed as a major diplomatic even underlining the government policy of encouraging local companies to expand abroad.

Singapore also wants to expand economic ties with India

to balance off booming trade and investment links with China, analysts said.

"We will continue to develop our strength as the natural gateway for India to East Asia," said Balagopal Nair, a deputy director at the TDB.

Bilateral trade expanded nine per cent last year to 2.6 billion dollars (1.7 billion US) with much of the growth coming from new Indian exports.

Twenty-six per cent of Indian imports were re-exported by Singapore to East Asian countries.

But Singapore investments in India in terms of equity totalled only 667 million rupees (22 million US) at the end of last year, ranking the republic 16th on the list of major investors in India.

Nair said India could tap Singapore strengthen marketing while Singapore could use Indian expertise in engineering to undertake large infrastructure projects in third countries.

In 1993, Vietnam achieved GDP growth of 8.0 per cent and record low inflation of 5.2 per cent.

## Hanoi on track to achieve 8.5 per cent growth in GDP

HANOI, Sept 7: Vietnam is on track to achieve its target of 8.5 per cent growth in gross domestic product (GDP) this year, the government's top statistician was quoted as saying today, reports Reuter.

Le Van Toan, head of the General Statistics Department, said growth so far was stable in the 8.0 to 9.0 range despite damage to crops from bad weather, the official Vietnam news reported.

He confirmed that inflation during August was 0.9 per cent, which his office said earlier put the figure for the first eight months of 1994 at 8.2 per cent.

Toan told a conference in Ho Chi Minh city that Vietnam, which is seeking to keep annual inflation below 10 per cent for the year, should beware of sudden price rises in the remaining months.

In 1993, Vietnam achieved GDP growth of 8.0 per cent and record low inflation of 5.2 per cent.



The World Bank Mission chief in Bangladesh Pierre Landell Mills (R) at a meeting with Energy and Mineral Resources Minister Dr Khandaker Mosharraf Hossain in the city on Tuesday. — PID photo