

DThe Daily Star DUSINESS

your friend in need SHARIF SUMBRELLA.

Swedish co to invest \$50m in ASEAN region

STOCKHOLM, Sept 10: Swedish household appliance manufacturer Electrolux is to invest about 50 million dollars in the Association of South East Asian Nations (ASEAN) region. Electorlux announced yesterday, says AFP.

The investment is planned "in order to meet rapidly increasing demanded high quality white goods and floor care products," the company said in a press release.

"Such a major investment underscores our long-term commitment to one of the world's most expansive areas. Senior Vice President Christer Forsstroem said.

World's second largest platinum mine opens

HARARE, Sept 10: Zimbabwean President Robert Mugabe today officially performed the ground breaking ceremony at the country's 1.8 billionzimdollar (about 225 million US dollars) Hartley platinum mine, reports Xinhua.

The mine, the second largest in the world, is jointly invested by two Australian multinationals, the BHP minerals and the Delta gold, which own 67 per cent and 33 per cent of the shares respectively.

Fully production will be realized in three and a half years, producing 2.16 million tons of ore a year. The ore reserves are sufficient for more than 20 years of mining.

Mugabe said at the ceremony that his government hoped the development of the mine would promote and encourage new investments of similar magnitude in the sec-

The platinum mine, 80 kilometers southwest of Ha rare, the single largest investment in Zimbabwe in over three decades.

Gold production in China rises

BEIJING, Sept 10: Gold production in China rose 34.5 per cent in the first eight months of the year compared with the same period last year. Xinhua news agency said today. reports AFP.

It did not reveal the quantity, considered a state secret in China.

Western experts estimated China produces about 100

tons annually. Sales of gold to the state have risen considerably since the government took steps in June to counter the black market, said Cui Dewen, Deputy Director of the Meta-

Gold Administration. About 84 per cent of production was sold to the state in June and almost 100 per cent in July and August, he said.

llurgical Industry Ministry's

In the first six months of the year almost 40 per cent of gold production escaped the state monopoly.

Finance Minister says

Sylhet Pulp Mills to be complete paper unit

CHHATAK, Sept 10: The Finance Minister M Saifur Rahman vesterday said. Sylhet Pulp Mills at Chhatak would be converted into a complete paper mill in near future, reports

Speaking at a big public meeting at Chhatak the Finance Minister said, a paper mill at Chhatak would be cost effective since there already exists a pulp manufacturing unit at Chhatak.

He said the innovation of pulp making technology from green jute there will be no shortage of raw materials for

BEIJING, Sept 10: China

plans to export 10 billion dol-

lars worth of chemical prod-

ucts and to use 10 billion dol-

lars in foreign investment in

the sector by 2000, the China

Daily reported yesterday, says

The newspaper quoted

Chemical Industry Minister Gu

Xiulian as saving that a por-

tion of the local market would

funded enterprises in order to

attract foreign investment, ex-

pected to total 3.6 billion dol-

foreign companies invested

some four billion dollars in

strictions imposed on foreign

Between 1991 and 1993,

"We shall further lift re-

lars this year and 1995.

China's chemical industry.

be designated to foreign-

the proposed paper mill mak ing it economically viable.

The proposed paper mill. when set up, will have the capacity to manufacture 17,000 tons of white paper worth Taka 68 crore.

This year the existing pulp mill is expected to manufacture 17,000 tons of pulp worth Taka 48 crore, said an official press release. One ton of paper can be manufactured from the same quantity of pulp.

Cost wise the production of proposed paper mill could be increased by Taka 20 crore annually

Beijing plans to export chemical

products worth \$ 10b by 2000

funded enterprises entering

the Chinese market, especially

She was speaking at a news

for those high and new tech-

conference to mark the sec-

ond international chemical in-

dustry fair, to be held here

worth 300 million to 400 mil-

lion dollars are expected to be

signed during the fair, which

has attracted 1,940 partici-

pants, including 180 from 21

cial Xinhua news agency as

saying that the ministry had

signed all-round cooperation

agreements with four foreign

countries and 13 international

chemical companies.

Gu was quoted by the offi-

countries and foreign regions.

Foreign trade contracts

nology products." Gu said.

from September 16.

Out of the 17,000 tons of pulp expected to be produced this year in the pulp mill 5.000 tons will be manufactured from green jute and the remaining 12,000 tons from materials like bamboos and woods.

At present the pulp produced at Chhatak is used at the Karnaphuli Paper Mills to make paper.

The meeting was also ad dressed, among others, by BNP leaders, Kalimuddin Milon a former MP, and Ashiqur Rahman Ashiq.

"With these companies we

are now discussing some 120

cooperation projects," she

said. "Five or six of these in-

volve more than 50 million

Among the chemical pro-

jects given priority by Beijing

are pesticide projects, which

focus on researching and de-

veloping new products

Ethylene and aromatics plants

in the petrochemical sector,

non membrane caustic soda

plants and radial tyre projects.

tor was 96.8 billion yuan (11.2

billion dollars) in the first half

of the year, up 6.9 per cent

from the same period in 1993.

. In 1992, China's chemical

industry accounted for 10 per

cent of total industrial output.

Output in the chemical sec-

dollars each."

Hafiz Jute Mills earns Tk 1.36 cr profit

CHITTAGONG. Sept 10: Hafiz Jute Mills Limited has earned a profit of Taka one crore thirty six lakh in the last financial year, reports BSS.

This was disclosed at a review meeting of the mills with Jule Minister ASM Hannan Shah in the chair at the mills board room here today. Officers and labour leaders of the mills were present at the

Last year Hafiz Jute Mills produced a total of 11322 metric tons jute goods with its 2625 staff. The mills has 437 looms for producing hessian. sacking and twine

Hannan Shah also went round the different sections of the mills.

Earlier, the minister also visited Gul Ahmed Jute Mills and expressed his dissatisfaction to see low grade raw jute stock in the mill's godown.

Malaysia no more interested in expanding rubber cultivation

KUALA LUMPUR, Sept 10: Malaysia, once the world's largest natural rubber producer. Friday said it was no longer interested in expanding rubber cultivation and would instead invest in plantations in Indonesia, reports AFP.

"Rubber planting needs a lot of land, but its price could not be controlled and fluctuated according to the market situation. Prime Minister Mahathir Mohamad was quoted by Bernama news agency as saying in Jitra, in his northern home state Kedah.

Malaysia, instead, planned to shift future investme rubber and oil plantati s in Indonesia, which still had vast land and enjoyed lower production cost - cause of cheaper labour, he said.

He said an acre (0.4 hectares) of land, if planted with rubber, could support a single farmer, whereas the same land deployed for industries could support up to 200 people.

Taxi drivers' banditry!

BEIJING, Sept 10: Taxi drivers in the South China city of Haikou frequently assault passengers to force more money out of them, with groups of drivers involved in some eases, the Economic Information Daily said on Friday, reports Reuter.

It said Haikou, capital of Hainan province, has few buses, forcing many of its citizens to rely on taxis as +heir main method of transport and giving drivers the opportunity to export money. ~

In late August, a driver refused a demand by a passenger house his meter and summoned other drivers over his two way radio who then beat up the passenger.



A discussion on the export possibilities of agricultural products in Bangladesh was held at Dhaka Sheraton recently. Organised by Japan International Cooperation Agency (JICA), it was participated by (from left to right) Dr Hasanullaman, Kozo Yanakoha, H Suzuki, Dr Altaf Ali, Dr Mahfulul Haq and Dr Fazle Rabbi.

Delhi likely to be forced to cut spending or borrow from market

NEW DELHI, Sept 10: Indian officials said a pact lim iting the government's ability to borrow from the central bank would force it to cut spending or borrow from the market, reports Reuter.

The agreement between the Finance Ministry and the Reserve Bank of India sets limits on ad-hoc treasury bills that the government can float when it runs out of revenue to spend and cash to back up regular treasury bills.

"It is a historic occasion. Reserve Bank of India (RBI) Governor Chakravarti Rangarajan told a news conference after signing the agreement with Finance Secretary Montek Singh Ahluwalia.

Ad-hoc bills are used by the government to borrow from

the central bank. They add to the central bank's reserves, fuelling credit that generates demand and inflation in the economy. The RBI will have the

power to automatically reduce the level of ad-hoc bills by auctioning regular treasury bills in the open markets or selling fresh government bonds to increase the government's cash balance.

Generally interest rates on borrowings from the central bank are below rates on bills issued in the open market.

Under the agreement, the government will phase out access to ad-hoc treasury bills over three years. McLend to buy share

of Union Carbide AFP adds: An Indian com-

pany signed an agreement here Friday to buy out the stake of US giant Union Carbide Corp. in its Indian subsidiary to help build a hospital for victims of the 1984 Bhopal gas disaster.

The accord was signed on behalf of Union Carbide by Sir Ian Percival, the trustee of the Bhopal Hospital trust set up by the multinational and officials of the India firm, McLend Russell India Ltd.

Sir Percival said in a statement here that McLend Russell would purchase the 50.9 per cent stake of Union Carbide Corp. in Union Carbide India Ltd. for some 96 million dollars at a price of 175 rupees (5.80 dollars) a share.

US economy to escape recession for two more years

WASHINGTON, Sept 10: sion was too early to call," said least two more years, economic forecasters predicted in a survey released Saturday, reports AP.

If so, the latest monthly forecast by Blue Chip Economic Indicators would be good news for President Clinton, whose expected second-term bid in 1996 would economy.

Most of the economists hazarding a prediction in the early September poll contended the next recession will not arrive until after the ballots are "None expected a recession

to begin next year and only one in five now believe a recession will begin in 1996,"Eggert added. "However, it should be noted that four out of 10 panel members said the next reces-

The US economy probably will Robert J Eggert Sr., an escape another recession for at economist who conducts the monthly surveys and edits the Sedona, Ariz, newsletter.

The most recent recession lasted eight months, ending in March 1991.

The consensus of the 51 panelists predicts the gross domestic product will grow 3.6 per cent this year and 2.7 per cent in 1995, unchanged be boosted by a still-growing from the results of the August poll. The 1995 growth rate would approximate the average annual advances in the last 10 years, Eggert said.

> The GDP, the total output of goods and services produced in the United States, expanded by three per cent in 1993.

The Blue Chip forecasters represent banks, businesses, forecasting services, universities and Wall Street firms.

Although the consensus calls for 3.6 per cent expan-

sion for the entire year, it foresees economic growth slowing to a 2.2 per cent annual rate during the quarter ending September 30 and 2.8 per cent from October through December.

The GDP grew at a 3.8 per cent rate in the second quarter and 3.3 per cent in the

Much of the slowdown was attributed to five interest-rate increases engineered this year by the Federal Reserve to keep inflation from accelerating. and to improvements in productivity.

Indeed, panel members are forecasting relatively benign inflation this year and next.

"The consensus forecast of the year-over-year per cent change in the Consumer Price Index in 1994 was unchanged (from the August Survey) at 2.7 per cent." Eggert said.

mass cremation each year to make room for those to come. Policy framework for sustained growth and poverty alleviation in Bangladesh

by Sadiq Ahmed

(Following is the remaining part of the article published on page 6 of our yesterday's issue) E Privatization and Public

Sector Reforms The poor performing nationalized commercial banks is just one example of the diffi-, culties with the public sector enterprises. Once again, there is substantial international evidence that on average public commercial enterprises are likely to be less efficient and financially weaker than private enterprises. The evidence of poor performance of the Bangladeshi non-financial public enterprises is also overwhelming. For example, the financial losses of all stateowned enterprises (including railways) are estimated at about Taka 20 billion in FY93. which is 2 per cent of GDP. The opportunity cost, in terms of the loss of earning potential of the assets in the public enterprise, is even more telling. For example, capital employed in these enterprises is estimated at about Taka 440 billion. A 10 per cent rate of return, not an unreasonable expectation, should have yielded some Taka 44 billion per year, instead of a loss of Taka 20 billion in FY93. The substantial financial burden on the economy imposed by the public enterprise sector is obvious and needs to be addressed speed-

The most important need is to implement a rapid privatization strategy based on a strategic redefinition of the relative roles of the public and private sectors. Past lacklustre progress with privatization

suggests the need for bold and forceful steps. Despite two successive rounds of divesture in the mid-1970s and in the 1980s, some 225 non-financial

state enterprises, four large commercial banks, three insurance companies, two agriculture banks, and three development banks remain in the public sector. Political opposition will be most intense here and the challenge for policy is to develop a credible program that is transparent and also protects labor interests.

Some enterprises will remain in the public sector for strategic reasons. These enterprises will need to be made fully autonomous and held a accountable for performance.

Privatization will need to be accompanied by trade and enterprise deregulation as mentioned above to ensure the efficiency of the privatized enterprises and avoid monopolistic practices. At the same time, where market structure prevents effective competition, proper regulatory policies are needed to protect consumer interests. These are especially important for private investment in infrastructure (power, telecomms).

F. Financial Markets

Problems in the financial sector are perhaps among the major difficulties which constrain private investment. Key financial sector problems include: low financial depth; large share of non-performing assets; and very low compliance with outstanding debt servicing obligations. Much of this is the result of the dominance of nationalized commer-

cial banks with bureaucratic controls over activities and very poor accountability for performance. Past problems with the abuse of financial sector resources are well known. A deregulated financial en-

A Thai woman of Chinese origin sets skulls in the sun to dry on Friday in a Bangkok cemetery

in an annual ritual prior to the Chinese lunar festival. Because the cemetery has limited

space, the remains of people buried in temporary graves are dug up, dried and burned in a

vironment is essential for efficient financial intermediation. Along with the experience of Bangladesh, international evidence on why subsidized and regulated credit mechanism is most likely to create substantial resource misallocation and lead to abusive practices is fairly clear. Steps that are being taken

to address the financial sector problems are slow and hesitant. Bold and sweeping reforms are needed. The foremost is the need to privatize the nationalized commercial banks. Interest rates and credit allocations should be fully deregulated to reflect market signals. These should be combined with prudent regulations and effective supervision by the Central Bank to prevent abusive practices. Compliance with debt service obligations will need to be substantially strengthened with adequate sanctions imposed on defaulters.

G. Labor Market Issues

Given Bangladesh's abundant supply of labor, productive use of this resource is the key to future growth. Productive employment opportunities is also the most sustainable means of reducing poverty and improving income distribution. Productive employment op-

portunities will require policy reforms on both the demand and supply side of the labor market. On the demand side. along with the reforms mentioned above which aim at stimulating private investment and economic activity, distortions that reduce incentives for labor absorption need to be eliminated. These include regulatory policies that artificially seek to raise wages above productivity and reduce labor mobility. Perhaps, even more importantly, political patronage of labor disputes will need to be discouraged and eventually discontinued.

On the supply side, proper and adequate training will be essential to improve labor productivity and income growth. Along with improvements in the quality and coverage of the formal schooling system. efforts are also needed to improve specific job-related skills. In this later task, proper coordination between the public and private sectors is necessary to ensure the job-relevance of training and efficient use of training facilities. Within the context of a

market-based wage and employment determination, there is still a need for some prudent regulations to preserve worker's welfare regarding safety, fair treatment and satisfactory resolution of labor disputes. The present arrangements are unsatisfactory. Safety standards are often deficient and unevenly monitored, and the system of labor

dispute resolution is ineffective. These problems will need to be addressed.

H. Sectoral Policies

Along with the above econ omy-wide policies, some sector-specific policy reforms are also necessary. In agriculture, policy progress has been pretty strong with substantial deregulation, including private supply of services such as irrigation, and removal of subsidies. The main challenge now is to deepen these reforms by removing price distortions resulting from trade policy restrictions, further deregulating domestic marketing of inputs and outputs, more effective flood control measures, and more effective infrastructure (rural roads) and research and extension services.

In energy and infrastructure, the biggest challenge is to resolve the difficulties in the power subsector. The state electricity enterprise — the Bangladesh Power Development Board - is not only the biggest loss making enterprise (Taka 7.8 billion loss in FY93). it is also very inefficient as indicated by system losses in excess of 40 per cent of gross generation. The reform objective should be to provide reliable power supply at economic prices and without requiring subsidies. The elements of the reform strategy would need to include both a restructuring of existing facilities and a greater role for the private sector

reforms. The telecomms services in

through appropriate ulatory

Bangladesh are grossly inadequate and international services are very expensive. Sweeping changes are needed to modernize telecomm facilities. which is essential to support export growth and diversification. Achieving this dynamism will require privatization of telecomm services and full reliance on private sector for service provision. The Government's role should be to provide appropriate regulations for competition and con sumer protection.

In the gas subsector, the main task is to fully benefit from the tremendous potential that is available. This will require privatization of the stateowned gas enterprise - Petrobangla — and stronger efforts to attract foreign investment in gas exploration and development. In the social sector, despite

recent progress, there is still a long unfinished agenda. Popalation growth rate, which has come down from 2.8 per cent in the 1970s to 2.2 per cent now, is still too high and needs to be substantially reduced. Social indicators remain quite weak by international standards. Along with rapid economic growth, further reduction in the population growth rate and improvements in education and health standards will be critical for poverty reduction. While the public sector will need to take the lead role here through expenditure programmes, the private sector's role could also be expanded substantially. The role of NGOs

is particularly important. The internationally acclaimed performance of such NGOs as the Grameen Bank and the BRAC in supporting poverty alleviation and human development programmes are indicative of the potential.

1. Improving Governance

Improved governance is essential to ensure satisfactory implementation of the above policies, to reduce inefficiencies economywide, and to minimize abusive practices. While economic deregulation by itself will help improve governance by reducing the scope for rent seeking behavior, it alone is not enough. Establishing transparency of decision making, accountability and respect for rule of the law is essential.

Transparency of decision making requires openness, information sharing and debate on key public issues and policles. The progress in recent years toward a democratic political system is a big move forward in this regard. The strong emerging role of the media is also very encouraging. However, there is also a need to develop proper capacity in the government to analyze issues and disseminate them.

Accountability perhaps is the biggest challenge and an area that is very weak in Bangladesh. While the move toward a democratic political system is a positive step in this regard as well, this needs to be complemented with accountability at all levels of the government as well as the private sector. Examples of abuse and lack of accountability are

plenty. These include loan defaults, non-payment of taxes and service charges, land-related frauds, non-compliance of contractual obligations. bribery and grafts linked with public services and public investments, etc.

Improving efficiency and establishing accountability in the government will require a major overhaul of the public administration system, involving downsizing, redefinition of responsibilities and functions, linking compensation practices with performance, and sanctions for non-performance or abuse. Involving beneficiary participation in development project planning and implementation will also help iniprove public sector accountability. In the private sector, reform of the legal framework mentioned above will be needed to improve account-

Strengthening the rule of the law will be needed to enforce accountability in both public and private sectors. In particular, an independent judiciary is a key requirement for establishing accountability of the government.

(The author is a leading

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