

Researcher sees probability of more food in Africa

WASHINGTON, Nov 11: A leader of the "green revolution" that has brought dramatically higher food production in Asia and Latin America said on Thursday that its benefits could be spread to Africa too, reports AP.

Norman E Borlaug won the Nobel peace prize in 1970 for his work on developing new, higher yielding varieties of wheat. Borlaug, 80, now works with a group improving production in six African countries: Nigeria, Ethiopia, Tanzania, Benin, Ghana and Mozambique.

The emphasis is on maize and sorghum, staple African food crops.

"The research is there," he told a forum on the future of African farming, sponsored by the World Bank. "We have to show farmers that we can double, sometimes triple their yields."

Kevin Cleaver, director of the bank's Africa Technical Department, pointed out that Africa's food production has been growing by two per cent a year since most of its countries won independence. But population has been growing by about three per cent, so that African produces less and less of the food it needs. Imports are increasing seven to 10 per cent a year.

Cleaver said the bank is starting a new policy of bringing more private enterprise into processing and marketing farm products.

Dry-cured Spanish pork to gain access to US market

WASHINGTON, Nov 11: The US Department of Agriculture has issued a final ruling that will allow such dry-cured pork products as Serrano hams to be imported into the United States, says USIS.

The department said that the dry-cured pork products will have to be processed to specifications that ensure against the possible introduction of certain livestock diseases, such as swine vesicular disease and African swine fever.

The department reported November 7 that the final ruling will become effective on December 5.

The Department of Agriculture will continue to confiscate hams or pork products that international travelers attempt to bring into the United States without an import permit. The department said that the Spanish Ministry of Agriculture will supervise all animal importation and meat processing involved with producing dry-cured ham products for exportation to the United States.

Dry-cured pork products like Serrano hams are high-valued specialty products that delicatessens, restaurants and caterers buy for resale. They are not expected to have a substantial impact on the overall US market because they are much more expensive than US hams and also have a much higher salt concentration and significantly different taste.

Aussie consumer confidence climbs 3.7 pc in Nov

SYDNEY, Nov 11: Consumer confidence in Australia climbed 3.7 per cent in November, the first increase in four months, according to a survey released Thursday by Westpac Banking Corporation and the Melbourne Institute, reports AFP.

The index, which measures the confidence of Australian consumers, rose 3.9 points to 109.8.

The index compiled by Westpac and the Melbourne Institute of applied economic and social research fell sharply in October following smaller falls in each of the previous three months.

Westpac Banking Corp economist Nigel Stapledon said consumer confidence rose due to a raft of good economic news which "led to a large increase in favourable opinions about the longer-term outlook for the economy."

Employment had climbed strongly, the annual inflation rate stayed under 2.0 per cent and retail sales were robust.

The mix of positive factors appears to have allayed some of the fears raised by actual rises in interest rates and continuing speculation of further interest rate rises to come, Stapledon said in a statement.

Govt sells out 72000 tonnes of coal

Star Report

A sudden surge in demand has led to the sale of about 72,000 tonnes of coal out of a total stock of 135,000 tonnes lying at 17 govt depots for years.

Sources in the Ministry of Commerce said that the coal was sold at auction through tenders on November 3 at the depots.

There was good response from the buyers at the auction-tenders who offered much higher price than the minimum of Taka 1200 per tonne fixed by the government, sources said.

The total stock of 47,000 tonnes at two depots at Aliganj (Narayanganj) were sold at the rate of about Taka 1700 per tonne. At three other depots in Chandpur, Kulara and Chuadanga, the whole lot of coal totalling around 8000

tonnes were disposed of at the price of Taka 1800 tonne.

Some 17,000 tonnes at the depots Chittagong, Khulna, Faridpur and Parbatipur were also sold at the price up to Taka 600 per tonne.

The government expects to dispose of the remaining stock — some 63,000 tonnes — by the end of next month.

Officials said that seven depots in Aliganj, Chandpur, Kulara, Faridpur, Parbatipur and Chuadanga will be closed down soon after the delivery of the coal to the buyers.

The coal stock at the depots were imported by the government a few years ago. Later, the government allowed free import of coal under private sector and abolished the Directorate of Coal on April 1 this year. Since then, the gov-

ernment has been trying to clear the stock through tenders or auctions for which a committee was also formed.

Open auctions of the government's coal began in June this year — but the bids were much below the minimum price fixed.

However, demand of coal increased recently with the beginning of production at the brick fields all over the country for which the authorities could sell a substantial amount at a higher price.

Sources said that the import of coal from Meghalaya by private sector has been decreased this year due to reduced extraction of coal in the said Indian state. This is another reason for sudden surge in demand of government's coal.

India opens railways to private sector

NEW DELHI, Nov 11: The Indian government announced plans yesterday to open railway projects to private bidders and sell 11 loss-making textile and paper factories, reports AFP.

Guage conversion, electrification, bridge construction and procurement of passenger coaches, freight wagons and other vehicles would be open to the private sector, the government said in a statement.

This would benefit the railways from the healthy competition which would develop among the bidding firms and groups, it said.

A three-member team from the railway ministry has been charged with drawing up guidelines for private sector participation by the end of the month.

India has one of the world's most extensive railway networks.

The government also said that the board for industrial and financial reconstruction has identified 11 textile and paper plants to be put on the auction block.

The only state-owned firm

on the list is Cawnpore Textiles Ltd, which has accumulated losses totalling 2.8 billion rupees (93.7 million dollars).

The other 10 firms are private concerns.

'Russia to repay all debts'

CAIRO, Nov 11: Russia will repay all its debts despite its economic difficulties Russian Deputy Prime Minister Oleg Davydov said here Thursday.

Davydov also told AFP that the billions of dollars in Russian debts are currently being discussed with the club of Paris high groups government creditors.

"Russian debts will be paid penny by penny. If we agree to repay the debts, we must fulfill. Davydov said.

Russia is in a transition period and we (are doing) our best to know the possibilities of our economy Davydov said adding that all countries have difficulties, even the United States has difficulties."

Third World women get lion's share of small business loans

WASHINGTON, Nov 11: Women get the lion's share of tiny bank loans often less than 25 dollars used for small businesses in the Third World, but a report given to the World Bank Thursday questions who actually controls the money, reports AP.

The so-called micro-loans, originated by the Grameen Bank of Bangladesh, are used in 40 countries, the World Bank said, and are particularly popular in Malawi and Malaysia.

Over 90 per cent of the Grameen Bank loans now go to women largely because women have such a good repayment record, Anne Marie Goetz, co-author of the report, said.

"Men have the reputation of more easily evading repayment, she said. "Women have ways of pressure within the household, including sexuality, to get the money for repayments."

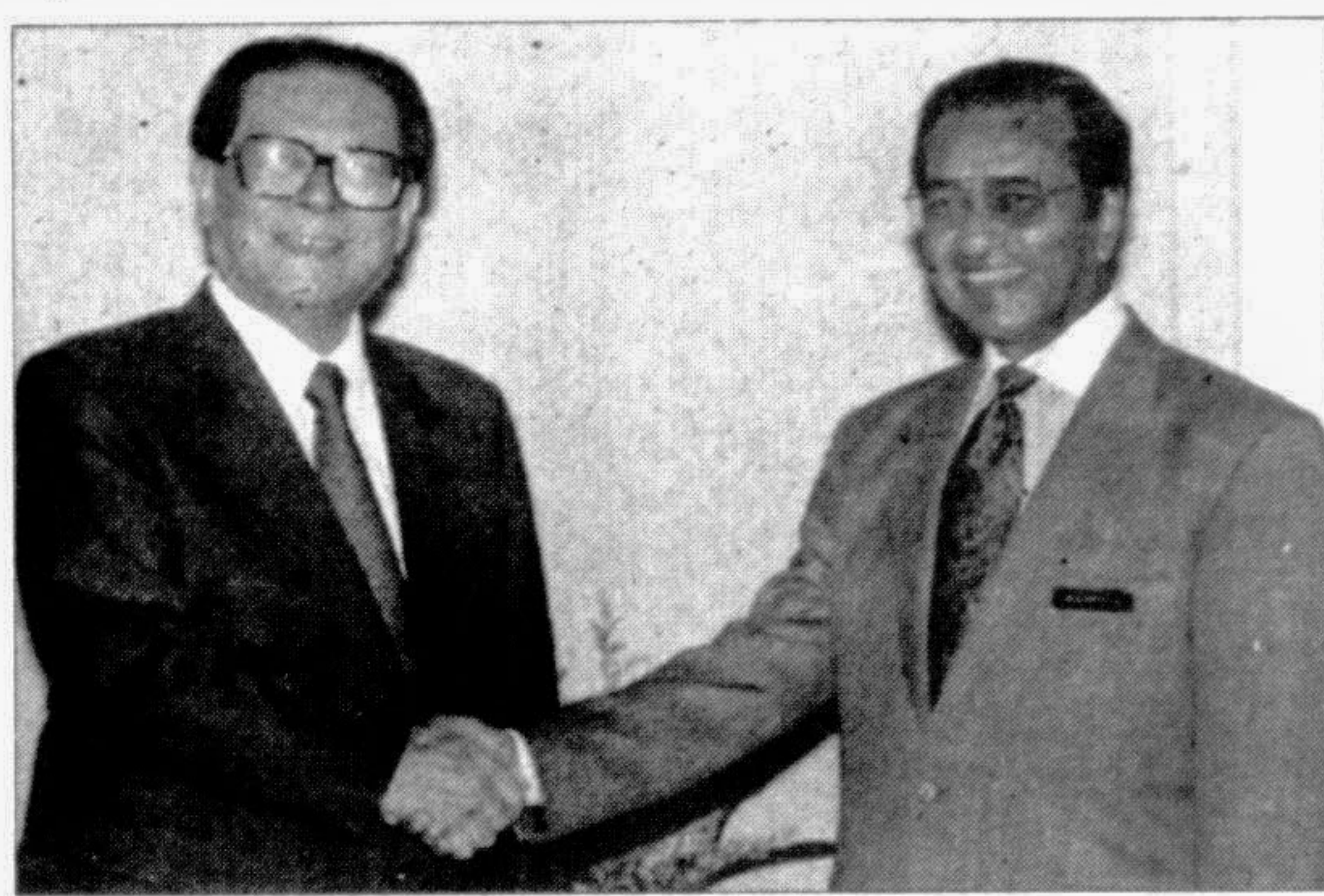
The study was made by Ms Goetz and Rina Sen Gupta, both of the University of Sussex in Brighton, England, and was presented at a meeting on gender issues in developing nations, sponsored by the World Bank.

Goetz and Gupta analyzed 253 loans granted to women in five villages of Bangladesh. They found that only in about one case out of every three, 38.2 per cent, did the women have full or significant control of the money.

Women had partial control of one loan out of every four.

In one out of five cases, 21.7 per cent, the women who got the loan had no idea what their men did with the money. Or, if they knew, they did no work on the activities it was used for, such as carpentry or peddling a rickshaw.

The authors said their findings corroborated an earlier study that found women kept all the cash when the loan was less than 1,000 Bangladeshi taka — officially 25 dollars — but less than half the total when the loans were greater than 4,000 taka — 100 dollars.



Malaysian Prime Minister Mahathir Mohamad (R) shakes hands with visiting Chinese President Jiang Zemin before their meeting at Mahathir's office on Friday. Jiang is in Malaysia for a four-day official visit. — AFP photo.

Clinton's Asia visit aims at unveiling growth potential

WASHINGTON, Nov 11: Hoping to increase prosperity at home, President Clinton is reaching out to the "young, vigorous" economies of Asia to expand trade ties that he says offer untapped potential for growth, reports AP.

Still getting over jet lag from his last round of travel, Clinton departs Friday for the Philippines and Indonesia, where he will attend the second annual Asia-Pacific Economic Cooperation summit with 17 world leaders.

Clinton, referring to his Democratic Party's devastating election losses, acknowledged Thursday that many Americans are insecure about their economic future and wary of expanding global trade.

"For too many of our people, trade still appears to be a gale force wind, just another threat ready to blow away the prospects of a stable job at a good wage, just another problem adding to the already unstable, uncertain condition of their lives," he told an audience at Georgetown University's School of Foreign Service.

But the president argued that expanding US trade with Asia and other nations would serve to strengthen the nation's economic position, saying, "the young, vigorous economies of Asia and the Western Hemisphere offer enormous untapped potential for our people to prosper."

Already, he said, one-third of US exports go to the Pacific Rim, and Asian markets have created more than 2 million American jobs.

Clinton was host for the first APEC summit last year in Seattle, where leaders endorsed the principle of free trade without specifics. The goal this year is to create a free-trade zone among the nations by some date in the 21st century.

"Next week, we'll move from a common vision to a common direction," Clinton said. "We'll work to set concrete goals to open the way for doing business in Asia, taking down tariff walls, eliminating non-tariff barriers, simplifying

procedures and standards to smooth the flow of goods."

He said it was a demonstration of his commitment to expanding trade that he was travelling to Indonesia when he is still a little bit jet-lagged from his recent trip to the Middle East and a flurry of campaign travel.

He said he wanted to dispel any misimpression among Asians who "wonder whether we're ready to withdraw from the region" because of stiff economic competition. "Nothing could be further from the truth," he said.

The president pledged to raise concerns about human rights abuses in the region during his visit, saying, "I don't think we have to choose between increasing trade and fostering human rights and open societies."

"I will do everything I can to be frank in terms of our differences, as well as our potential partnerships with the Chinese, with the Indonesians and with others," Clinton said.

South Korea remains hopeful of trade with North Korea

MANILA, Nov 11: President Kim Young-sam of South Korea predicted Friday that North Korea will one day welcome direct trade with his nation, even though it is now rejecting it, reports AP.

Last week, Kim lifted a half-century ban on direct investment and trade with North Korea, and South Korean businessmen welcomed the move saying it would quickly benefit both countries.

But North Korea — an isolated, hard-line Communist country — has officially rejected the breakthrough. Pyongyang said it doesn't want to do business with its capitalist arch-enemy.

That response didn't bewilder Kim, who is on a three-day official visit to the Philippines, or leave him pessimistic.

"It is not very surprising that North Korea refused to accept our offer," he said at a news conference. Acceptance would amount to recognising South Korea's sovereignty, but the North regards South Korea as a colony of the United States.

"North Korea knows very well that it is only the Republic of (South) Korea that can provide it with substantial help. We will continue to offer such ideas and options," Kim said.

North Korea does little to discourage indirect trade between the North and South through a third country. That business soared to 232 million dollars in the first eight months of 1994 from one million dollars in 1983 — despite the two countries' nuclear dispute.

Pyeongyang also has been contacting South Korean businessmen in Beijing to discuss investment, and inviting conglomerates in the South to visit North Korea to talk about trade.

Last month, the United States and North Korea signed an accord that will freeze the North's programme — which may have been building nuclear bombs — and eventually open it to inspection.

In return, Pyongyang will receive billions of dollars in financial aid, much of it provided by South Korea, and diplomatic relations with the United States.

Kim, whose visit to the Philippines ends Saturday, met with President Fidel Ramos Friday to discuss regional and bilateral issues such as trade and investment.



Model displays a heart-shaped diamond on Wednesday, worth approximately five million US dollars, which will be auctioned at Sotheby's in Geneva on November 16. — AFP photo

Bad loan problem of our commercial banks: Causes and remedies

by Chowdhury Khaled Saifullah

A financial system provides services that are essential in a modern industrial society. Its prime objective is to move scarce resources in the form of credit from savers to those who borrow for consumption and investment. Banks are uniquely important because of their ability to create money.

In recent years the financial system came under a stress when, due to anarchy in the area of loan disbursement, a large portion of the total debts in the lending portfolio of the financial intermediaries became nonperforming. Most of the commercial banks are at risk with huge assets when many borrowers are unable or unwilling to service their loans. The effect of bad debts are being masked by using financial engineering. The rising proportion of nonperforming loans has limited the volume of credit that banks can extend to new clients. The reduced ability of our financial system to direct credit toward profitable borrowers has undermined economic development.

That banks remain open and continue to accept deposit and make loans does not mean that they are solvent. A bank is liquid as long as it can meet day to day operating expenses and

withdrawals. Because it is highly leveraged, a bank can remain liquid long after becoming insolvent. Public ownership of banks and implicit or explicit deposit guarantees make depositors less likely to withdraw funds and thereby help an insolvent bank to remain liquid and stay in business.

Roots of bad loan problems

The problem of large scale bad debt has been attributed to the following causes:

Technical and Cosmetic mismanagement.

Inadequate legal and accounting environment.

Lack of adequate follow-up.

Inadequate staffing.

Most commercial banks do not have sound credit policies and they disbursed substantial amount of loans without proper analysis of potential risk. Poor lending policies often lead to excessive risk concentration, the result of making a high proportion of loans to a single borrower or to a particular group. Mismatching the lending portfolio with the deposit portfolio in terms of interest rates and maturities is another form of technical mismanagement. In the past banks were engaged

in cosmetic mismanagement and charge interest on nonperforming loans for increasing paper profits. A small portion of income was retained for provisions against loss. Dividends and bonuses were also given by raising income through capitalization of unpaid interest and thereby sacrificing capital adequacy.

The existing legal and accounting environment of the country cannot adequately support modern financial processes. The legal framework is outdated and the laws concerning liquidation of collateral securities are poorly enforced. In modern banking credit, analysis is done through the use of capital budgeting techniques which require accounting data. Unfortunately the standard of our accounting practices is very poor. Accounting information are kept confidential and what is available are often unreliable.

Lack of adequate follow up has also contributed to the bad debt problems. The banks have evolved a continuous system for monitoring their advances by adopting certain techniques. These generally include scrutinizing monthly and quarterly returns. The moni-

toring and follow up system may be improved by introducing efficient information system, arranging periodical meetings with borrowers, watching conduct and operation of accounts, exercising financial and managerial controls in the business units.

Any system can work only if there are the right personnel to implement it, that is why the management should give more emphasis on building up necessary expertise and organisational framework for credit management function in banks. Analysis skills are virtually nonexistent in our commercial banks.

Measures under FSRP

With a view to achieve a perceptible improvement in the credit management system of the banking sector, the govt has initiated a wide ranging regulatory measures under Financial Sector Reform Project (FSRP). Important measures of the scheme include flexible interest rate structure giving market forces more influence, amendment of the Bank Companies Act 1991, recapitalisation and classification of loans, improved supervisory and regulatory control of central bank.

Lending involves risk of de-

fault. Banks can reduce credit risk by developing their own expertise in the selection of borrowers. FSRP has suggested the commercial banks to make certain internal changes to the lending process to improve the loan portfolio. The new system of assessing risk designed by FSRP is known as Lending Risk Analysis (LRA). FSRP has given more emphasis on business risk than analysis of security risk to reduce bad debts. LRA provides a systematic procedure for analysing and quantifying the potential credit risk. Bangladesh Bank has directed the commercial banks to use LRA immediately for evaluating credit proposals amounting Taka 1.00 crore and above.

Under the new system of provisioning banks are to classify their lending portfolio according to the specific guidelines provided in BCD circular letter No. 34 dated 16/11/89, where emphasis is given upon objective analysis, depending on the age of non-performing loans. This has eliminated the practice of making accounting profits.

With the aim of developing a sound banking system some provisions of Bank Companies Act 1991. Negotiable

Instrument Act and Artha Rin Adalat has been amended. With the technical assistance of FSRP the development of on-site and off-site supervision and inspection system including modernisation and strengthening of the existing reporting system is under process. Establishment of Credit Information Bureau (CIB) is an important step towards achieving qualitative improvement in the credit delivery system of the commercial banks.

However the effectiveness of the credit bureau depends on the speed and accuracy of the participating institutions in respect of supplying their credit information.

The success of our financial sector reform eventually depends on the people resource who implement it. A large number of lower and mid level officers are being trained in modern banking practices. But to attain the long term goal of developing an efficient banking system, more attention should be given towards recruitment, selection, utilisation, retention and development of human resources with right aptitude and ability.

(The writer is an officer of National Bank Ltd. Credit Division, Head Office.)

Bank's lending continues to fall in Japan

TOKYO, Nov 11: Japanese bank lending in October contracted for the fifth consecutive month, extending the record for an uninterrupted decline, the Bank of Japan said yesterday, reports AFP.

The central bank said lending by all banks dropped 0.2 per cent from a year earlier, the same as in September. Lending fell 0.3 per cent in August, 0.4 per cent in July and 0.2 per cent in June.

A bank official said lending would continue to see-saw as the downward cycle of the broader economy bottoms, which corporate demand remaining sluggish.

He did not expect a fully fledged rebound in corporate demand and bank lending to begin until sometime next year.

Lending by 11 city banks in October fell 0.6 per cent from a year earlier, following a 0.4 per cent decline in September.

Long-term credit bank lending dropped 0.9 per cent, after falling 0.4 per cent in September, while trust bank lending shrank 3.8 per cent, compared with a 3.5 per cent drop last month.

Lending by regional banks, however, rose 1.5 per cent, following a growth of 2.4 per cent in September.

Washington's economic growth estimated at 3.8 pc

WASHINGTON, Nov 11: US economic growth should hit 3.8 per cent this year, according to a blue chip indicator poll of 53 economists released yesterday, reports AFP.

Their projection was 0.1 higher than last month, but their estimate for inflation, expressed in terms of consumer prices, remained unchanged at 2.7 per cent for 1994 and at 3.4 per cent for 1995.

Eight out of 10 economists revised upward their economic growth forecast after the government announced a larger than estimated, third-quarter Gross Domestic Product (GDP) at 3.4 per cent, as well as wage increases and sustained job creation — 195,000 in October.

Economic growth, measured from fourth quarter to fourth quarter, should reach 3.4 per cent.

The economists' 1995 economic growth prediction remained unchanged at 2.7 per cent. A reduced trade deficit and sustained investment capital were the reasons given for the slowdown.

China, Mexico and Singapore will be the principal markets next year for US exports, the economists said, forecasting an overall 10.2 per cent hike in exports and 8.4 per cent rise in imports.

In the long term, however, experts said this year's strong growth in company stocks should weigh down the economy, with consumer spending falling off because of higher interest rates and increased personal debt.

Average treasury bond interest rates for 1994 remained unchanged at 4.2 per cent, while average yields on the bond market increased to 8.0 per cent in 1994 and 8.2 per cent in 1995.

Japanese dominate media turnout for APEC

JAKARTA, Nov 11: Japanese media, which overwhelmed the Indonesian capital with the arrival of Foreign Minister Yohei Kono Thursday, will account for almost a fifth of the foreign media at this year's APEC summit, reports AFP.

Indonesian officials say almost 3,000 journalists have been registered to cover the ministerial meeting of the Asia-Pacific Economic Cooperation (APEC) forum starting Friday followed by an informal summit next week.

The media contingent covering the meetings of the 18-member group is almost equally divided between Indonesian and foreign journalists.

But the Japanese contingent alone amounts to almost 300, including local staff and reporters from neighbouring Southeast Asian countries in addition to those arriving with Prime Minister Tomiichi Murayama on Saturday.

The prize for the biggest single reporting team in the Japanese press corp goes to the commercial television network Tokyo Broadcasting System which has no fewer than 48 people registered.