

Tk 2.74 cr credit  
programme taken  
for poor women

A Tk 2.74 crore credit programme for poor women has been undertaken to create opportunities for income generating activities, Foreign Minister A S M Mostafizur Rahman said Thursday, reports UNB.

He said the government has taken up various income generating programmes for women through GOs and NGOs and these steps constitute a significant progress towards empowerment of women.

The minister was inaugurating a three-day workshop on "South Asian Platform of Action" organised by South Asian Perspective Group at Kottia in Manikganj Thursday, said an official handout.

Appreciating NGO activities, he said, voluntary organisations are playing an important role in supplementing government efforts to protect women from various environmental crisis.

Acting chairperson of the group Khushi Kabir, Convenor Tahera Yasmin, Co-convenor Md. Ishtar Shamim also spoke at the opening function.

Renewal of radio  
licence begins

The renewal of radio licence for 1995 started from Thursday and it would continue till January 31 next year, reports BSS.

According to an official handout, the renewal can be done for five years at a time.

It said the licence of radio transistors being used at home, motor vehicles, steamer, launch and auto-rickshaw could be renewed from nearby post offices on payment of Tk 15.00.

Licences must be procured in case of unused transistors or those temporarily non-functioning. Commercial licences should be procured on payment of Tk 50.00 for those sets being used in shops, hotels and restaurants.

The handout said separate licence should be procured for more than one sets in one house.

Taka three should be paid for renewal of each licence after the expiry of the scheduled period, the handout said.

Nigeria's budget  
to be based on  
crude oil price  
\$16 a barrel

LAGOS, Dec 2: Nigeria's budget for 1995 will be based on crude oil sales estimated at 16 dollars a barrel, the government-owned Daily Times newspaper reported Thursday, says AP.

Oil provides 80 per cent of government earnings and more than 90 per cent of foreign exchange revenue for the West African nation.

This year's budget of 4.87 billion dollars was based on a crude oil price of 14 dollars a barrel, though actual sales averaged 17 dollars a barrel.

The government has yet to publish the report of a commission that found that 12.2 billion dollars made from extra oil sales during the Gulf War has not been accounted for.

Nigeria produces 1.9 million barrels of oil daily, and exports 1.5 million of that.

In 1984 the government amended the Insurance Act, 1973, to enable the private insurance companies to do insurance business side by side with the Sadharan Bima Corporation (SBC) and Jiban Bima Corporation (JBC).

Consequent to this amendment, permissions were accorded to four companies and one Cooperative Society in 1985, six companies in 1986, two companies in 1987 and three companies in 1988 for general insurance business. According to the insurance act and rules, the capital requirement for general insurance companies was fixed at Taka six crore and for life insurance companies at Tk three crore. Fifty per cent of the capital was to be subscribed by the sponsors before they start business and 50 per cent was to be raised by selling shares to the general public at par within a period of three years of the starting of business. Out of 15 companies, nine companies are yet to raise their capital by selling their shares to the general public though the time limit fixed by the insurance rules has expired long ago.

The government has recently amended the Insurance Act and the Insurance Rules raising the capital requirement to Tk 15 crore out of which six crore is to be subscribed by the sponsors and the rest is to be raised by selling shares to the general public within a period of three years of starting of business. It is understood that the capital has been raised to restrict the number of new comers in the business.

Last year the government invited applications for granting permission to float more insurance companies though the Insurance Act does not provide for inviting such applications. According to the Act any party can apply for permission to float an insurance company any time and the government reserves the right to give permission or refuse such permission without assigning any reason.

This advertisement created an impression in the mind of the public that perhaps the government will not entertain any application for floating insurance company for next few years and so 40 applications were received in response to this advertisement. As the government considered that if permission is given to many companies at a time then some of them may not be viable.

An insurance company is not a trading company which utilizes its capital for purchase of goods and services and then earn profit by selling these goods and services at a premium. Capital of an insurance company is nothing but a security

## Clinton welcomes ratification

US Congress okays Uruguay  
Round trade accord

WASHINGTON, Dec 2: The US Senate voted Thursday to approve the GATT agreement, enabling the United States to become a founder member next month of a new global free trade organisation, reports AFP.

The Senate voted by 76 to 24, well more than the 51 majority needed to approve the accord in the 100-member chamber.

All that remains is for President Bill Clinton to sign the Bill enabling the United States to implement the agreement under which tariffs will be cut by an average 38 per cent worldwide.

The vote came immediately

after the General Agreement on Tariffs and Trade accord passed a more difficult procedural vote where a three-fifths majority was required.

After Clinton's signature, the United States will become a founder member of the new global free trade watchdog, the World Trade Organisation, due to be set up in January.

The agreement, hammered out over seven years, adds to the international trade regime areas such as agriculture and services not previously covered in GATT's almost 50-year history.

"This is a decision we are making today that's going to have a positive impact

around the world," Senate Republican leader Bob Dole said shortly before the vote.

Dole, whose support was crucial to approval of the agreement, gave it his backing last week only after wrestling concessions from the administration to ensure protection of US sovereignty.

Another report adds: President Bill Clinton hailed the ratification of the GATT agreement by the US Congress Thursday as a victory that would carry the country forward into the 21st century.

Clinton said he welcomed "this victory for Americans tonight, a bipartisan victory that really gives our country

the boost it needs to move forward to the 21st century."

He was speaking outside the White House, flanked by congressional leaders and cabinet members after the Senate voted to approve the GATT accord.

"Our country is moving in the right direction, reaching out to the rest of the world and looking to the interests of our own people," Clinton said.

The US President stressed the bipartisan nature of support for the agreement, and the ceremony was attended by Bob Dole, the Republican leader in the Senate where the Republicans won a majority in the November 8 legislative elections.



US Secretary of the Treasury Lloyd Bentsen (L) joins with a bipartisan group of 13 Senators on Capitol Hill on Wednesday as he lobbies for the US Senate to pass the GATT trade agreement. Behind Bentsen is US Trade Representative Mickey Kantor (C) and Arkansas Senator David Pryor (R). — AFP photo

## Vietnam boosts growth rate to 8 pc

HANOI, Dec 2: Prime Minister Vo Van Kiet has given Vietnam's faltering bureaucracy until the beginning of next year to clear away obstacles to foreign investment and trade, a report said yesterday, reports AFP.

At a meeting of the cabinet last week, Kiet ordered all departments to submit plans by January 1 on how to clear away some of the red tape stifling Vietnam's reforms efforts, the Vietnam investment review said.

The Prime Minister, a driving force behind economic reforms that have boosted Vietnam's growth rate to eight per cent this year, has been waging a constant battle against entrenched civil servants.

Despite the efforts, foreign businesses and aid donors frequently complain at slow government procedures and corruption.

Bureaucratic problems meant that of 1.8 billion dollars last year only 400 million dollars have been spent so far, a conference in Paris heard last week.

At the conference to outline aid pledges for this year, the United Nations Development Programme (UNDP) released a report calling for a firm round of administrative reforms to follow the new market and price policies that have transformed Vietnam since they were launched in 1987.

There was a "significant lag" between the formulation of policy by the government and its implementation by civil servants, UNDP report said.

The last session of the Na-

Tokyo's current  
account surplus  
drops by 19 pc

TOKYO, Dec 2: Japan's current account surplus dropped by 19 per cent in October from the same month last year to 8.9 billion dollars, in the third straight month of decline, the Finance Ministry announced Friday, reports AP.

The current account is a broad measure of a country's international economic flows, including trade, services and tourism.

At the conference to outline aid pledges for this year, the United Nations Development Programme (UNDP) released a report calling for a firm round of administrative reforms to follow the new market and price policies that have transformed Vietnam since they were launched in 1987.

Kiet listed seven areas in need of urgent attention including:

-- A clean-up of state budget procedures, particularly those related to infrastructure projects which are lagging behind schedule.

-- Streamlining foreign investment rules to ensure that the 10 billion dollars of licensed money is actually disbursed.

-- Clarification of Vietnam's complex and constantly changing trade rules.

-- A simplification of visa procedures.

-- Clarification of laws on land use and construction permits to allow more rapid development of property and infrastructure.

-- Rules on the settlements of complaints against government workers.

-- Rules on registering new businesses.

'Tourism industry  
needs expansion'

Commerce and Information Minister M Shamsul Islam Thursday stressed the need for expansion of tourism industry for putting greater push to the national economy as well as flourishing rich cultural heritage, reports BSS.

He said that through united and integrated efforts by both public and private sectors the attractive and multi-dimensional industry of tourism could be made booming.

He was speaking as chief guest at the inaugural function of the tourism week organised by 'Kushlira Services Limited' a private sector tourism enterprise at Shyamoli in the capital.

Referring to tourism policy announced by the present government the minister pointed out that the authorities have already taken proper steps to correctly projecting the cultural heritage of Bangladesh and to make the spots of historical interest and natural beauties more attractive for expansion of tourism in the country.

UK customs to  
axe 4,000 jobs

LONDON, Dec 2: Britain's customs service is to axe 4,000 jobs, about 16 per cent of the workforce, over the next five years as part of a cost cutting operation, the Customs Department announced yesterday, reports AFP.

Around 550 anti-smuggling officers, a number of border-control staff and those in general administration will be among the casualties as well as 2,000 officers who collect Value Added Tax (VAT).

Customs currently employs some 25,000 staff.

But the head of customs, Valerie Strachan, said the job cuts would not lead to fewer drug seizures or collection of less revenue. She said there would be no cuts among staff at large ports and airports, including Heathrow, Gatwick and Dover.

The cuts in the customs service are part of an ambitious programme announced Tuesday by Chancellor of the Exchequer Kenneth Clarke to cut 24,000 civil service jobs in the next four years to bring numbers to below 500,000 by 1998 — the lowest level since 1945.

Chinese external  
debt may rise  
this year

BEIJING, Dec 2: China's hard-currency reserves totalling 43.7 billion dollars at the end of October, an increase of 106 per cent compared with the start of the year, the state administration of foreign exchange control reports, says AFP.

An agency official, quoted by the official China Daily Thursday also said that China's external debt is expected to rise this year to around 100 billion dollars, compared with 83.5 billion dollars in 1993.

The increase in foreign-exchange reserves are mainly due to the unification of exchange rates, which took place in January, and a new currency system obliging Chinese institutions to sell hard currency to the banks, the official, Guan Tao said.

Aussie economy  
booming

SYDNEY, Australia, Dec 2: Prime Minister Paul Keating's Labour government faces a problem that most national leaders would envy: a booming economy growing faster than that of any other developed nation, reports AP.

The Australian economy, which only a year ago still lingered in the doldrums of recession, may be overheating and heading for a boom-bust cycle, economists, executives and the conservative opposition say.

If that's true, Keating will be compelled to give up 1996 tax cuts he promised the public when he was elected last year. In fact, Keating is already sending signals that higher taxes are on the way.

Interest rates may also be boosted to restrain the economy, another move would rub voters raw by increasing mort-

gage lending rates. Keating must call a general election by May 1996. With the opposition at a record low in the polls, there has been speculation Keating would take advantage of that to call an early election in the first months of 1995.

But if Keating's government has to load tax hikes rather than cuts on the public, and raise interest rates, he probably will want to wait and let tempers cool off.

The clearest sign of an overheated economy emerged this week with economic growth hitting a rate of 6.4 per cent a year, the highest in the developed world, coupled with low inflation of about 1 per cent a year.

Six months ago, the government had forecast a 4 per cent growth rate.

Growing incomes boost  
Americans' savings rate

WASHINGTON, Dec 2: Incomes are growing so rapidly that free-spending Americans aren't keeping up — and therefore the savings rate is improving, new figures show, reports AP.

A flurry of reports Thursday points to a remarkably strong economy with "no dark clouds," said one private analyst.

A day after reporting that the economy expanded in the third quarter more rapidly than earlier estimates, the Commerce Department released data that suggest the fourth quarter got off to a quick start.

Americans' income surged 1.4 per cent in October, the biggest jump in eight months and the ninth straight gain, the department said.

With millions more Americans employed and being paid more, analysts expect a strong

Christmas shopping season that got off to a brisk start last week.

Spurred by a big gain in average hourly earnings and bonus pay for auto workers, the income advance easily outpaced consumer spending — which rose 0.7 per cent in October for its strongest showing since a 0.9 per cent rise in August.

"These are very strong numbers," said economist Eugene Sherman of the Wall Street firm of M A Schapiro and Co. "It's a very positive figure on the income side, so much so that people saved more money. And you know how much Americans hate to save."

"Everything is doing remarkably well," he added. "There aren't any dark clouds."

Analysts said new sales figures show the Christmas season began strongly for retailers,

helping to overcome a weak early November when warmer weather held down clothing purchases. Many analysts predict a 6 per cent sales increase for the holiday season.

In other reports: — Construction spending rose 0.9 per cent in October, the second straight gain, although the advance was limited to non-residential and government spending. The Commerce Department said residential spending, nearly half of construction outlays, fell.

— The Labour Department said the number of Americans filing the first time for state unemployment benefits dropped last week to the lowest level in two months.

— American manufacturing surged in November to its strongest level in 10 years and its 15th straight month of growth.



Ken Aspinall, High Commissioner of Australia in Bangladesh, paid a courtesy call on Salman F Rahman, President of the Federation of Bangladesh Chambers of Commerce and Industry at the FBCCI office in the city on Thursday. They discussed various issues relating to promotion of bilateral trade, investment possibilities and economic cooperation between Bangladesh and Australia. Alhaj Kh Rashiduzzaman Dudu, Vice President, FBCCI, and S M Al-Hussainy, Secretary General, FBCCI, were also present on the occasion.

How many new insurance cos should  
be allowed to start business?

By AAG Kabir

deposit. An analysis of the premium income of the existing sixteen general insurance companies will show that there is no correlation between the capital and the business turnover. The premium income of the five companies which have raised the capital from Tk three crore to six crore varies from Tk 5.98 crore to Tk 17.34 crore whereas the premium of the ten companies which have not yet raised their capital beyond Tk three crore varies from Tk 4.94 crore to Tk 17.87 crore. The highest dividend distributed by one of the existing companies stood at Tk 126 lakh in its ninth year.

Even if a new company declares a dividend of Tk 120 lakh in its fifth year then percentage of dividend calculated for a capital of Tk 15 crore shall be eight per cent. Thus the maximum dividend which a shareholder of a new company may get is eight per cent. He can get more than this by keeping his capital in the form of FDR. The shareholders of a new company who may not be able to declare Tk 120 lakh as dividend shall be loser by investing in the insurance business. The worst loser will be the member of public who may buy shares of new companies.

The increase of the capital from Tk six crore to Tk 15 crore shall put the new companies in a more disadvantageous position than the existing companies in the matter of obtaining commitment from schedule banks and financial institutions to the effect that any portion of public issue of shares remaining unsubscribed shall be subscribed by the concerned banks and financial institutions. Before giving commitment the bankers or financial institutions will naturally like to be satisfied that they will get a reasonable return on their investment. The reason for the failure of the majority of the existing companies to sell share to the public within a period of three years was that they could not obtain guarantee from bank and financial institutions for their inability to

assure dividend at least equal to the then bank's lending rates. The new companies will thus face the same problem unless the number of new companies is kept very much limited.

Granting of permission to float several companies in a single year is likely to create the difficulty of selling their shares to the public in one year. This has been amply proved by the fact that none of the seven companies floated in 1986 could sell their share to the public within the prescribed period of three years. Only one of them sold its share on the seventh year. Others are still marking time.

The new companies will face another problem of serious nature and that is about the experienced manpower. To start an insurance company at least 50 trained and experienced insurance men are required. Now, where from these will come? If the existing 20 companies spare 40 persons and the SBC spares 10 then one new company can start functioning. If the existing companies spare more than two on an average and the SBC more than 10 experienced hands in one year then both will suffer. The SBC will be in real difficulty to manage its affairs if more than 10 or 11 officers leave in one year. The floating of private insurance companies from 1985 onward had already an adverse effect on the managerial side of the SBC because the private companies persuaded the really efficient hands to leave the job of SBC and join them. As the situation now stands, the SBC can hardly spare experienced persons without adversely affecting its day to day work not to speak of efficiently handling their job. Out of the existing 20 companies a few do not have their managing directors of requisite qualifications. Insurance is a statutory business i.e. insurance business is regulated by detailed law and rules. The existing laws and rules were made before the Second World War when most of the countries followed a

'laissez-faire' policy with regard to industry and commerce. Even in those days the government thought it fit to regulate insurance business by law in order to safeguard the interest of the insured and the insurers. The managing director is like a licensed driver of a car. Since we cannot think of allowing a car to be driven by a person who has not obtained a driving licence, a person not having requisite experience should not be permitted to be appointed as managing director. Any relaxation in the matter of requisite qualification of managing director will put the viability of the existing as well as new companies at stake.

The government should not adopt a policy like those of the developed countries in general and the United States in particular where few new companies start business and few companies get liquidated each year. The economic activities of a developed country can easily absorb the shock of liquidation of few insurance companies but the economy of a least developed country like Bangladesh cannot absorb the shock of liquidation of even a single company. If an insurance company fails then hundreds of industries and business houses will face ruin. So the government should not adopt such a policy on insurance and banking.

Floating of the new companies will no doubt solve unemployment problem to some extent but if in the process some of the existing companies get liquidated or are compelled to reduce their staff due to shrinking of business then such employment will be a very very limited one. It is also argued that since about 49 companies were doing business in the then East Pakistan, the government should allow a good number of new companies to start insurance business. The fact is that out of 49 companies only ten were based in the then East Pakistan. The others were either international companies doing business worldwide or companies based in the then West Pakistan doing business in both the wings of the country. So 39 out of 49 companies were in fact branch offices and not companies in real term.

Considering all the facts, the government shall be well advised not to allow floating of more than three or four companies this year and adopt a policy of not allowing more than one company to be floated in each of the subsequent years. This will be in consonant with the growth of industry in the country.

(Writer was the Controller of Insurance, Government of Bangladesh from 1987 to 1989)