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# The Daily Star BUSINESS

DHAKA THURSDAY, MAY 4, 1995

**HYUNDAI**

CARS THAT MAKE SENSE

## SCB in Zimbabwe sacks 5000 workers

**HARARE, May 3:** Zimbabwe's Standard Chartered Bank said on Monday it had fired about 5,000 workers, mostly clerks, who went on a strike last Thursday to press for better working conditions and a bigger profit sharing allowance, says Reuters.

Bank officials said the employees, who also wanted the bank's chief executive Jim McKenna to resign alleging he had failed to address their grievances, had refused management and government orders to return to work.

"We are looking at around 5,000 new recruits to replace those who failed to comply with orders to come back to work," a bank official told Reuters.

"They are fired but are free to apply for their jobs. Those who will be rehired will face some penalties," he said.

Union officials denounced the bank management and the government for declaring the strike illegal.

"It's very irresponsible to do that. The strike is legal because all channels of resolving the dispute were exhausted," said Morgan Tsvangirai, Secretary-General of the Umbrella Zimbabwe Congress of Trade Unions.

The strikers say the bank cut workers' profit-sharing scheme by 16 million (2 million U.S. dollars) from 29 million (3.6 million U.S. dollars) this year without consulting them.

## Australia to provide aid to Sri Lanka

**CANBERRA, Australia, May 3:** Australia is to provide 284,000 US dollars (390,000 Australian dollars) to support women and children displaced by civil strife in Sri Lanka, says AP.

The minister for Development Cooperation, Gordon Bilney, announced two grants totalling that amount Wednesday.

## ADB concessional fund in danger of running out in '96

**AUCKLAND, May 3:** An Asian Development Bank (ADB) concessional fund for Asia's poorest countries is in danger of running out next year following US opposition to talks on replenishing it, a senior bank source said here yesterday, reports AFP.

ADB President Mitsuo Sato met for two hours with the representatives of 23 donor countries on the eve of the bank's 28th annual meeting here in an effort to save the fast-shrinking Asian Development Fund (ADF) from extinction.

The source, who attended the meeting but asked not to be named, said Sato wanted to know the position of each donor on commencing talks on replenishing the fund, currently at about 1.6 billion US dollars and due to run out in 1996.

Emerging markets, the ADB conference newsletter, said the luncheon meeting with Sato was to be kept secret, but that the news had leaked out to the media.

The source said Sato and western European donor countries stressed the need for opening negotiations, possibly in September but that US representatives remained opposed to such talks "at this time" because of budgetary problems.

The three-day meeting starting here Wednesday gathers central bank governors, finance ministers and other se-

nior officials from the 55 member nations of the Philippine-based ADB.

Asked about the possibility the fund might be completely scrapped, the source told AFP that, if the meeting with Sato was to be a gauge, "it could happen if the United States doesn't change its position."

He added that this would be "catastrophic" for Asia's poorest countries, which still have to catch up with the region's robust economic growth.

The ADF is directly sourced from the budget of industrialised and member countries such as the United States and western Europe. ADF funds are lent interest free to poor Asian nations with a repayment period of up to 40 years and a token service charge of one per cent a year.

## Britain's official reserves rise

**LONDON, May 3:** Britain's official reserves rose by an underlying 156 million dollars in April, seasonally adjusted figures from the treasury showed yesterday, says AFP.

Analysts had expected a decline of about 50 million dollars after the figures for March showed a fall of 95 million dollars.

On an unadjusted basis, the reserves rose by 351 million dollars in April to a total of 46.47 billion dollars, the treasury said.

cent a year.

"It takes time to negotiate," the source said, adding that the current ADF fund was equivalent to only one year of loans. He said the ADB might be forced to cut ADF concessional lending from its present 1.2 billion dollars a year if the fund was to be traced out.

He said that in theory, a US refusal to give more money to the ADF would not affect other donors, but had held them up from committing funds.

Western European nations would find it hard to justify to their parliaments, as well as "public opinion in their home countries," to give more money to the ADF if the second largest donor, the United States, is reluctant.

The United States committed 680 million dollars to the fund in 1992 but actually paid only 243 million dollars, or 36 per cent, the bank newsletter said.

Analysts said it would be harder now for the US administration to get money for international aid because of the Republican held congress.

The source said he expected a clash between the United States and borrower countries during the three-day meeting as the poorer nations were expected to push for the opening of the talks.

He said the ADB was expected to discuss the issue of dwindling loan volumes during the meeting.

## Japan considering reducing interest rates on yen loan to Third World

**TOKYO, May 3:** Japan's foreign ministry is considering reducing interest rates on new yen loans to developing countries to ease the debt repayment burden following the yen's surge, a newspaper said Tuesday, reports AFP.

Currently Japan has offered annual interest rates in a range from one per cent to five per cent on yen loans in accordance with per capita gross domestic product of recipient nations.

Under a planned revision, the highest rate of five per cent will be lowered to 4.2 per cent, the same rate offered by the semi-official export-import bank of Japan, the Mainichi Shimbun said.

The bank recently cut interest rates on yen loans to other countries to 4.2 per cent per annum in line with a reduction in long-term prime lending rates.

Officials declined to confirm the news report, saying that the ministry had yet to start discussing the issue.

The ministry has received scores of requests from debtor nations, particularly from Asia, which holds more than 78 per cent of Japan's total low-interest loans.

As of the end of 1993, Indonesia topped the loan list, with 2.46 trillion yen (30 billion dollars), followed by India with 1.4 trillion yen and China with 1.3 trillion yen.

## India's exports rise

**NEW DELHI, May 3:** India's exports rose to 26.2 billion dollars in fiscal 1994-95 from 22.1 billion dollars the previous year but imports also grew, Commerce Minister Palaniappan Chidambaram said Tuesday, reports AFP.

He told a news conference here that the fourth year of the free-market reforms begun by Prime Minister P V Narasimha Rao had seen an unprecedented rise in exports, spurred by sharp gains in output.

"Our export performance is excellent," he said of the 18.3 per cent rise in the financial year which ended on March 31. The minister declined to indicate the export target for the 1995-96 financial year to be set in June.

Imports rose from 23.2 billion dollars in fiscal 1993-94 to 28.2 billion dollars during the last financial year. Chidam-

baram said. "The trade deficit is not at all worrisome and within the manageable limit," he said.

Chidambaram said a major reason for the "phenomenal" rise in exports was that customs authorities had worked round the clock to clear a backlog of shipments especially during the end of the fiscal financial year.

Commerce Secretary Tejendra Khanna said India's exports to the United States and Europe were likely to increase further, adding that India was also tapping new markets for textiles in Latin America and Africa.

India's exports have risen steadily since New Delhi launched its market reforms in 1991, ending more than four decades of socialistic-style insulation and easing foreign trade procedures.

## Prospects seem bleak in US-Japan auto talks

**VANCOUVER, British Columbia, May 3:** Prospects for a breakthrough in long-stalled auto talks between the United States and Japan appear bleak with the two countries at loggerheads over a key point, reports AP.

The issue is whether Japanese automakers should commit to extending their three-year-old "voluntary purchasing" plans designed to increase the sale of US-made parts to Japan.

The Japanese have blasted this approach as managed trade and said they don't intend to extend agreements made during then-President Bush's trip to Japan in 1992.

But the Clinton administration just as adamantly is insisting that without purchasing commitments, the United States won't be able to make significant progress in the biggest trade problem it faces with Japan.

Autos and auto parts last year accounted for nearly 80 per cent of the record 66 billion dollar US trade deficit with Japan.

US Trade Representative Mickey Kantor and Japanese Trade Minister Ryutaro Hashimoto were scheduled to meet Wednesday for what could be the climactic showdown in the arduous two-year negotiating effort. But given the lack of progress during two days of lower-level talks this week, there was not much likelihood that the two would be able to achieve a breakthrough.

Still, Kantor insisted to reporters after arriving in Vancouver late Tuesday night that some progress was being made in resolving differences.

He said the current discussions reminded him of an old Woody Allen joke about being forced to choose between two forks in the road, "utter despair and total annihilation. I don't think we are at that point yet."

In addition to new purchasing commitments, the US side was demanding an increase in the number of dealerships in Japan offering US vehicles for sale.

## US review under '301 special' Trade Act announced

**UNDATED, May 3:** United States Trade Representative Michael Kantor announced today the Administration's decision with respect to this year's review under the so-called "special 301" provisions of the Trade Act of 1974 (Trade Act), according to USIS.

This decision reflects the considerable progress made over the course of 1994 and thus far in 1995 in resolving intellectual property problems with many countries. It also reflects the increasing general level of protection for intellectual property in other countries resulting in part from the accelerated implementation of the WTO Agreement on Trade-Related aspects of Intellectual Property Rights (the TRIPS Agreement).

Ambassador Kantor's decision includes the following specific actions:

For "priority watch list" countries:

The Administration announced that "our-of-cycle" reviews would be conducted with the following countries:

By October:

Greece: We seek enactment of a broadcast law and vigorous action against unauthorized broadcasting of US films.

Saudi Arabia: We look for continued enforcement against copyright piracy.

By mid-December:

Turkey: To ensure that Turkey is modifying laws and practices to provide modern copyright, trademark and patent protection and enforcement.

The Administration will review the status of bilateral talks with Japan over patent scope issues in mid-December as well.

The Administration placed three additional trading partners on the priority watch list: Korea, the EU and India.

For "watch list" countries:



A two-day distributors conference of Danish Condensed Milk BD Ltd and Danish Milk BD Ltd was concluded at a local hotel yesterday.

# Regional economic cooperation in Asia key to maintain stability: Saifur

(Following are extracts from a keynote paper on "Asia: Development Agenda," presented by Finance Minister, M. Saifur Rahman, at a seminar in Auckland, New Zealand, yesterday. It was organised in connection with the 28th annual meeting of the Board of Governors of the Asian Development Bank.)

Asia today is undergoing, what Charles Dickens would have described as, "the best of times" as well as "the worst of times." Much of this ancient continent is throbbing with new life enjoying growth rates perceptibly higher than the rest of the world. Hopes are so high that many believe that the twenty first century will be the Asian era. Nevertheless, Asia today contains the deepest pockets of hardcore poverty. About 71 per cent of world's poor live in Asia; about 47 per cent in South Asia alone. The quiet violence of poverty has exacerbated environmental strains. With large scale degradation of land, widespread pollution, tragic environmental disasters, pervasive deforestation, growing loss of bio-diversity, and multiplication of urban nightmares known as megacities, most of Asia is on the brink of environmental disaster. Many Asian countries are sitting on the top of veritable volcanoes of social and political discontent. The ever-increasing number of jobless educated youth, especially in South Asia, is a potent force for socio-political destabilization. The real challenge before Asia in the twenty first century is to reconcile the contradictions that threaten to tear her apart. The intensity of Asian dilemma varies from region to region. It is, however, most explosive in South Asia and some transitional economies of Asia.

Dark shadows of poverty haunt South Asia and some transitional economies in Asia. The experience of East Asian countries supports the hypothesis that rapid economic growth can be an effective antidote to poverty. Economic growth, however, is a necessary but not a sufficient condition for alleviation of poverty. There is no single remedy for poverty because it is a multi-faceted problem. The poor are not homogeneous. The wide heterogeneity of poverty clearly indicates that a multiplicity of measures by diverse institutions are needed to ad-

dress the problems of poverty. Safety nets for the target groups are sometimes useful but are too costly for many countries. Various types of social investment programmes for improving education, health, nutrition and family planning can make a significant contribution to poverty alleviation. Markets, governments, people's organizations and civic groups will have to work in concert to alleviate poverty. An overwhelming majority of the poor in South Asia are young and impatient with their lot. The rates of unemployment in developing Asian countries like Bangladesh (about 37 per cent) far exceed the catastrophic heights of joblessness during the Great Depression (about 18.2 per cent in the USA). Furthermore, the effects of massive poverty do not remain confined to the family, the community and the state to which the poor belong. Poverty silently crosses political boundaries carrying in its wake drugs, diseases, terrorism. "Those whom you leave behind," rightly warned poet Rabindranath Tagore "will drag you backwards." The endemic poverty in South Asia and some transitional economies in Asia is not only a reproach to world conscience but also a potent threat to global stability. The curse of hunger that receded with the advent of green revolution has not disappeared altogether. Growth of agricultural production is sluggish in many areas of South Asia. Continuous research and investment in the agriculture sector is needed to ward off the Malthusian nightmare hovering over much of Asia.

The new international order based on the realities of globalization, information, highways, as well as the recently concluded Uruguay round has posed new opportunities and challenges to Asia. Globalization has opened new windows of opportunities for resource-poor countries. For a nation with educated and skilled manpower, lack of natural resource is no longer a handicap but an advantage because it gives the entrepreneur the freedom to choose the best raw material from the world market. The tide of free trade has swept away the cobwebs of big government. Structural reforms to provide the level field for all economic agents have significantly en-

hanced the efficiency of these economies. Nevertheless, there is in the Asian psyche a deep distrust of the foreigners who once caused devastating deindustrialization in different parts of Asia. These historical fears are reinforced by the hostile trading environment where non-trade barriers offset most of the benefits of tariff reduction. The globalization of financial markets is a natural corollary of liberalization of goods market. There has been no doubt an upsurge in short term capital flows into a few South and South East Asian countries, but these may leave as quickly as they come. Countries that fail to consolidate their domestic economy and yet expose themselves to external financial markets may ultimately have to face destabilizing jolts as evidenced by the recent crisis in Mexico.

Despite these obstacles, there has been a growing trend towards migration of labour within Asia itself. The international migration of unskilled and semi-skilled workers from South and South East Asia to the Middle East accelerated in the early 70s during the oil boom. More recently, labour from surplus countries is also moving to the rapidly growing Asian economies where labour shortages are felt in a number of occupations. Immigration policies are sensitive and involve controversial issues relating to illegal cross border movements, human rights, health and labour safety standards. These problems must be dealt within a cooperative framework if the region is to take full advantage of its human resource potential to mutual benefit of both sending and receiving countries. Formulation of internationally accepted protocol should prevent some of the existing abuses as well as better distribute the gains of a freer movement of labour.

An issue that is closely related to trade, investment and technology transfer is that of regional economic cooperation in Asia. This has become a distinctive feature of this region, particularly within East and Southeast Asia. Continued regional cooperation is clearly a key factor in maintaining stability in Asia, much needed for the sustained economic growth. It provides the conducive framework within which military expenditure may be drastically reduced in favour of urgent development priorities. It is also

the only way to harness common resources to mutual advantage and increase the volume of intra-regional trade. Another persuasive argument in favour of regional cooperation is that it fosters further multilateral liberalization by reducing the number of negotiating parties. My country, Bangladesh, has always been a staunch champion of regional cooperation and played a pioneering role in establishing the South Asian Association for Regional Cooperation (SAARC). There are obviously many challenges and constraints to regional cooperation but given the political will exercised through concerted efforts by all concerned, these can be overcome to pave the way to successful regional cooperation to the benefit of all our people.

The experience of East Asian countries clearly suggests that free enterprise provides the most effective mechanism for unleashing human creativity and for flowering of entrepreneurial ability. The removal of barriers to operation of market and putting the policy fundamental right are necessary but not sufficient conditions for growth.

The recent economic experience of Bangladesh is a case in point. Structural reforms in Bangladesh in last few years significantly strengthened macro-economic balance. Over the past four years exports have been growing faster than imports, revenues are rising faster than current expenditure, inflation rate is one of the lowest in Asia, the external current account deficits are falling, national saving doubled as a percentage of GDP and foreign exchange reserves exceed 8 months' total imports. Despite sound and prudent macroeconomic management, and market-friendly reforms, Bangladesh has not as yet achieved the desired level of growth. Stark deprivation continues to haunt at least thirty per cent of its population.

Of late there has been new debates on the efficacy of foreign aid. Markets would not be able to provide urgently needed physical and social infrastructure in much of developing economies. The countries which experienced East Asian miracle were also, at the initial stages of their development, recipients of significant external assistance. The anecdotal evidence on

the misuse of foreign aid does not tell the whole story about aid's constructive role. Instances of sub-optimal use of aid are attributable not merely to incapacity and rent seeking in the developing countries but also to compulsions of donors themselves. First, official development assistance is often allocated on political considerations. 75 per cent of the world's poor receive only 25 per cent of official development assistance (ODA). About 40 per cent of aid is earmarked for strategically important countries. Twice as much ODA per capita goes to high military spenders compared to countries with moderate military budgets. Ironically democratic governments tend to receive less aid than authoritarian regimes. Only 7 per cent of ODA is earmarked for human priority concerns. Tied aid and technical assistance recycle much of the assistance back to donors themselves. Despite these limitations, aid had played a catalytic role in the development process of many countries. Bangladesh is a case in point. External assistance in Bangladesh has succeeded in promoting an effective population planning programme, in increasing agricultural production, in construction of urgently needed rural infrastructure and in alleviation of poverty. What is needed is not the phasing out of aid but an entirely new approach to aid based on productive partnership among the nations of the world.

Theoretically, direct foreign investment (DFI) could be an attractive alternative to ODA. In reality, direct foreign investment is a sort of zero sum game due to scarcity of resources: If some developing countries get access to DFI, others do not. The flow of DFI to developing countries is impeded by the fall in supply of resources as well as the unwillingness of investors to put their money in areas with unsatisfactory physical infrastructure which in turn requires considerable investment. The recent growth of foreign direct investment and portfolio investment flows has been restricted to a very small group of larger and richer developing countries. Small developing economies like Bangladesh do not have easy access to global capital markets. Additional resources will, therefore, have to come to a large extent from

official sources. It is obvious that domestic resources and the anticipated flow of direct foreign investment will not be sufficient to combat poverty in South Asian and some transitional economies of Asia. Hence, there is an urgency for a steady flow of ODA to these regions. Unfortunately, the growth of ODA as a percentage of the gross national product (GNP) of the traditional donors has remained at less than 0.35 per cent half of the United Nations target of 0.7 per cent of GNP. Flow of concessional funds from the IDA and ADB also is plummeting. There is, therefore, a strong rationale for the bilateral and multilateral donors to raise their ODA allocations to the Asian region. In this context, aid conditionalities also need to be approached from the perspective of the recipient countries. Thus in democratic setups, internal articulations rather than external impositions should be the real basis of policies on issues such as human rights, governance, environment, etc. Similarly, the developing member countries (DMCs) should be left alone to decide the timing and pace of agreed upon reform measures. Otherwise, serious backlash and undesirable socio-political fallout may be the outcome at the end of the day.

In this context, the ADB has a unique role to play in the Asia's development given its expertise, experience and multilateral character and regional focus. It is not only a planner and banker of useful projects and programmes but also a catalyst and advisor on economic policy-making in the region. However, these roles are not mutually exclusive. For example, ADB will not have the adequate leverage for catalytic action and economic policy making if its main role as project and program planner and banker diminishes. Similarly, there is also a need for ADB to have a proper mix of these roles for each DMC, depending on the country's specificities at a given point in time. It is, therefore, imperative for the owners of this Bank to strengthen it on the lines suggested above.

No amount of aid can substitute a country's own efforts to break the vicious cycle of poverty. However, the internal efforts for modernization in many developing countries could not crystallize because of

wrong policies. Inspired by the initial success of planned economies and guided by Keynesianism which glorified interventionist role of the state and Structuralism that distrusted the markets, South Asian states opted for big governments with overwhelming concentration of power in the hands of the national government and an elaborate maze of rules and regulations. The perversities and futility of big government became evident from the success of market-friendly East Asian countries and colossal government failures in South Asia and transitional economies.

The process of rectifying the failures of omission and commission has already started in South Asia and transitional economies in Asia. Regulations have been minimized, public sector enterprise are being privatized and the size of the government has been gradually reduced. The experience of some countries suggests that it is easier for the government to intervene badly than to intervene well. Developing countries need, not merely less government, but better government. Marked economy cannot function in an institutional vacuum. It presupposes a strong government that can ensure the rule of law, accountability, transparency and predictability in its day to day operations.

Good governance has to grow from within, it can not be imported from outside. Disenchantment with the governmental system is not unique to developing countries, it is equally widespread in the industrial societies who are also struggling to reinvent the government. Good governance emerges through a process of trial and error. Given the wide diversity of political forms, each society should be allowed to find its own way.

Historical experience shows that there is no viable substitute for democracy. It is not, however, a one shot affair. It is a long and arduous process. Even democratic institutions in nation-states have turned out to be too big for the small. There are always social groups who are left out wholly or partially from the political process: the children, the aged and the women. Affirmative actions are needed to offset the discriminations against the underprivileged. Legal systems have to be changed to protect the rights of the disadvantaged

groups. However, legal actions are not sufficient by themselves. The disadvantaged groups will have to be empowered through both formal and nonformal education. Bangladesh has, therefore, undertaken special measures like the Food for Education and Stipend for Female Children to encourage the education of women and children.

Thomas Jefferson used to say that governments degenerate when all powers are concentrated in the hands of the one, the few, the well-born or the many. The remedy for this degeneracy, in his opinion, lies in breaking up the democratic majority into institutions where "every one" could count and be counted upon. Democratic government should, therefore, strengthen the power not of the many but of every one within the limits of his/her competence. Two measures are urgently needed to strengthen and nourish democratic institutions at grass-roots level. First, more authority needs to be transferred from national to local governments. Secondly, an environment should be created where people's organizations, NGOs and civic groups are enabled to play their due role. A few innovative NGOs in Bangladesh have already made significant contribution to formulation of new strategies for poverty alleviation. However, NGOs can at best supplement the government, they can never be the substitute for government.

The real challenge before the governments today is to harmonize the functioning of the big and the small and to weave the national government, local governments, people's organisations, NGOs and other independent civic societies into a cohesive system. Reforms will have to be carried out with the mandate of the people. This is not easy to achieve. The implementation of the unfinished agenda for South Asia and transitional economies in Asia is a long-drawn process. However, people want instantaneous prosperity and not the status quo of social repression and economic deprivation. Unlike the economists, the politicians do not have the luxury of a long run. The politicians very often meet their Waterloo in the short run. Even a week is a too long time in politics. We have no choice, we have to act now or face the grim realities.