The Daily Star
BUSINESS

DHAKA THURSDAY, MAY 9, 1996

S Asia fastest-growing developing region : WB

Following its neighbours to the East, South Asia was the fastest-growing developing region over the past decade, with GDP growth averaging 5.1 per cent, reports BSS.

The once-closed economies in the region also showed some of the largest advances in integration with the world economy, the World Bank says in a new report, Global Economic Prospects and the Developing Countries 1996, released yesterday.

The report projects continued long-term growth for the region averaging 5.4 per cent in the next decade, reaching close to six per cent in later years the implied per capital GDP growth of 3.7 per cent represents a marked improvement both on the past ten years and in terms of poverty reduction. This outlook assumes that recent slippages in meeting fiscal deficit targets will be corrected, something that could raise overall savings and investment rates by 4-5 percentage points for the region as a whole.

To realize their untapped potential, the countries in South Asia must continue to pursue the reforms initiated in the early 1990s. "South Asian policy makers must grapple with tough challenges if they are to sustain the rapid pace of growth and integration of recent years. These include dealing with infrastructure bottlenecks, fiscal deficits, and inefficient public sectors, as well as further reducing trade and investment barriers and extending the scope of competition in domestic product markets," says D Joseph Wood, World Bank Vice President, South Asia region.

South Asia Forecast Summary
Percentage Annual Growth

Indicator	1986-95	Baseline 1996-2005
GDP	5.1	5.4
Consumption per capita	2.4	3.1
GDP per capita	2.9	3.7
Export volume	9.2	7.3
Median inflation	9.1	6.4
Current account/GDP	-2.1	-2.3

Goods and nonfactor services, GDP deflator

Performance : India, which accounts for 80 per cent of the region's GDP, continued to draw substantial benefits from the trade and investment liberalization undertaken after the 1991 balance of payments crisis. In the fiscal year ending in March 1995, India maintained growth at 6.3 per cent, and growth is expected to remain in a 5.5-6.0 per cent range in the fiscal year.

Exports from India grew around 20 per cent in dollar terms while manufacturing output growth averaged more than 10 per cent in the past two years.

South Asia Exports of Goods by Country

	Merchandise Exports US dlr millions 1994	Average Annual Growth 1981-93	Effective Market Growth 1981-93a
South Asia	$38,922	7.5	4.7
Bangladesh	$2,661	8.8	4.9
India	$25,000	7.1	4.3
Nepal	$363	9.7	5.1
Pakistan	$7,370	10.1	6.1
Sri Lanka	$3,210	8.2	6.1

Growth in trading partners' markets as they relate to country's exports

In Pakistan, growth in GDP improved to an estimated four per cent in the fiscal year ending in June 1995 and has further improved in the current year, but inflation remained high.

In Bangladesh, political crisis and violence reduced investor confidence and held back GDP growth to 4-5 per cent.

In Sri Lanka inflation edged higher, and continued civil strife dampened private sector dynamism and held growth in GDP to an estimated five per cent.

Integration in the global economy and growth go hand-in-hand : International trade activities in South Asia remained vigorous thanks to trade reforms, exchange rate adjustments, and buoyant world demand. The boom of recent years in South Asia's trade continued with both exports and imports rising by 10 to 15 per cent. International trade moved a modest step forward with a preferential regional trading agreement. But trade between the South Asian countries remains at a low level, comprising only five per cent of the region's total trade.

One of the main messages of the report is that integration and growth go hand in hand. Fast growth tends to promote a more open economy, while integration ends to promote higher growth, through the channels of better resource allocation, greater competition, transfer of technology, and access to foreign savings.

The close association between growth and the speed of integration can be seen in the case of South Asia. The report features a speed of integration index derived from changes between the early 1980s and 1990s in four indicators: The ratio of real trade to GDP, the ratio of foreign direct investment to GDP, institutional investor credit ratings, and the share of manufactures in exports.

The speed of integration index is the simple average of changes in the four indicators over the period. On the basis of this index, developing countries are grouped on a continuum ranging from "fast" to "moderate" to "weak" to "slow" integrators. Here, the region compares favorably.

Following East Asia, South Asia recorded the highest speed of integration of the developing regions. Nepal, Pakistan, and Sri Lanka fell in to the "fast integrators" category, while India and Bangladesh are ranked as "moderate integrators."

While South Asia's formerly closed economies are progressively becoming a part of the global trade system, there is considerable potential for furthering integration, the report says. South Asian countries have reduced tariffs from more than 60 per cent to about 45 per cent, but tariffs in the region remain far higher than in other regions.

Over the past two decades, the change in the ratio of trade to GDP, an important measure of integration, has edged forward only slightly in South Asia. Changes in ratios of trade to GDP matter, the report says, because competition in global markets exposes exporters to new technologies, designs, products, and management techniques, and provides access to imports that were previously unavailable.

Favourable outlook for growth: Though not without risks, the external environment for South Asia in the coming decade is expected to be favourable. World trade is projected to grow by nearly seven per cent in the near term and at a little over six per cent in the longer term. Several sectors where South Asia has comparative advantage — clothing, textiles, processed foods, and beverages — are set to expand because of the liberalization under the Uruguay Round. Geographic proximity to the dynamic economies in East Asia will also help trade.

Furthermore, with South Asia currently receiving only three per cent of private capital flows to developing countries, there is significant untapped potential for help in financing the growth of the region. The relatively low cost of English speaking labour throughout the region and the large size of domestic markets are likely to attract foreign direct investment in the years to come. Aided by already buoyant capital inflows, most South Asian countries have replenished their foreign exchange reserves, with India's amounting to several months worth of imports.

But policies matter, the reports says, and important downside risk in the projections is that the trend toward lower fiscal deficits that began in 1991 seems to be flattening out in Indian and Sri Lanka. The outlook also depends on policies toward the private sector, in particular its role in easing infrastructure bottlenecks. Given illustrative estimates of infrastructure investment that can reach up to 500 billion US dollar in the next ten years, a positive and credible policy toward foreign direct investment is critically needed. The countries also need to ensure good governance, characterized by transparency and public accountability, to enable a business environment conducive to long-term development.

Six BJMC units in Khulna earn profit

KHULNA, Mar 8: Six jute mills out of total 12 in Khulna division under the Bangladesh Jute Mills Corporation (BJMC) earned profit in spite of heavy loadshedding in the current financial year, reports UNB.

Those made profits are — Star, Alim JJI, Crescent, Rajshahi and Kawmi Jute Mills. The amount of profit is Taka one crore. There are 30 mills under BJMC in the country.

According to official sources, each mill of this division experienced 250 hrs loadshedding, daily average one to two hours, during the current fiscal year. But, these mills somehow managed to earn profits by minimising wastages.

Five of the 12 mills which earned profit are situated in Khulna district, the sources added.

Workshop on Grameen Credit ends in Nepal

A week-long workshop on Grameen Credit Discipline was held in Nepal from April 26 to May 2 to facilitate replication of the Grameen Bank's credit strategy in the Himalayan kingdom, reports UNB.

Nepal Rastra Bank and Grameen Trust of Bangladesh jointly organised the workshop, said a press release of the Trust here yesterday.

The workshop was attended by 26 participants from India and Nepal, including those from Nepal Rastra Bank and the projects under the Grameen Trust-funded Grameen Bank Replication Programme in India and Nepali.

The Nepalese government is promoting the Grameen model as part of its poverty alleviation programme in rural areas. A Grameen Bank Replication Programme Network Nepal (GNN) was formed earlier on April 26 for better coordination of the Nepal-based Grameen projects.

Participants at the workshop held group discussions and undertook field trips with a view to building capacity and raising efficiency in Grameen-type rural credit programmes.

Papers on different phases of the Grameen Bank's credit programme were presented at the workshop.

Seminar on wind energy today

A seminar on the utilisation of wind energy will be held at the German Cultural Centre in the city at 9 am today (Thursday), reports UNB.

German Ambassador to Bangladesh Bruno Weber will be the chief guest at the seminar and Vice Chancellor of Bangladesh University of Engineering and Technology (BUET) Prof M Shajhahan will present as special guest.

German wind energy expert Benjamin Jargstorf will present keynote paper at the seminar jointly organised by Bangladesh Atomic Energy Commission and German Cultural Centre.

PDB revenue collection

Revenue amounting to Tk 14 crore 95 lakh 86 thousand was collected by the Central Zone of Power Development Board during the month of April '96, says a PDB press releases.

Of the total amount, Tk. five crore 36 lakh 86 thousand was collected in Sylhet Circle, Tk four crore 95 lakh in Mymensingh Circle and TK four crore 64 lakh in planning & Development Circle of the zone.

Ex-Barings chief executive disciplined

LONDON, May 8: Former Barings chief executive Peter Norris was disciplined Tuesday for his role in the bank's collapse, being told by regulators that he cannot work as a corporate director or manager for three years, reports AP.

Norris, 41, was also ordered to pay 10,000 pounds (15,000 dollars) toward the Securities and Futures Authority's costs in investigating his activities.

In an agreement with the SFA, Norris admitted that he broke the rules when he "failed to act with due skill, care and diligence" when trader Nick Leeson broke Barings by gambling on Asian futures markets.

Regulators cleared Norris of the more serious charge that he was no "fit and proper" to work in the securities industry.

Leeson, the only person who has thus far faced criminal charges in the case, is serving a 6 1/2 year prison sentence in Singapore. He was based there with Barings and lost some 830 million pounds (1.25 billion dollars) by betting the wrong way in volatile markets.

Executive General Manager of Australian Trade Commission for Middle East and Indian Ocean region Charles Jamieson (3rd-L) called on Ali Hossain (4th-L), President, Dhaka Chamber of Commerce & Industry on Tuesday at the chamber office. They discussed various issues relating to bilateral trade promotion specially the current and future trade relationship between Australia and Bangladesh.

Speakers at day-long workshop

Blend natural resources, modern technology to protect environment

Speakers at a day-long workshop here yesterday laid emphasis on blending natural resources and modern technology for creating an environment-friendly atmosphere, reports UNB.

Greater emphasis should be given on natural, resources management like watershed management and forestry, Agriculture Secretary Akhter Ali said while opening the workshop on Environment : Education Training in Agriculture at the Department of Agriculture Extension (DAE).

About 100 agri-experts, representatives from UN agencies and Bangladesh Agricultural University (BAU) participated in the workshop jointly organised by Graduate Training Institute (GTI) of BAU, DAE and FAO.

The Agriculture Secretary stressed integrating different components of farming, strengthening programmes like Integrated Pest Management (IPM), using bio-fertiliser, recycling of organic wastes, using more surface water and natural irrigation and drainage patterns so the flora and fauna are least disturbed.

Describing modern agriculture as number one polluter to the environment, he said, we need to use these modern technologies for increased production to feed our ever increasing population.

A number of countries in this region are mostly dependent on agriculture for their livelihood, he said adding that the high destiny of population in these areas have obligated to opt for updated techniques of farming including use of chemical fertiliser, pesticide, irrigation water and the like.

Stressing the need for Environment Impact Assessment (EIA), he said EIA studies throughout the country are immediately needed mainly keeping the agricultural scenario in view.

Ali said this type of study would help substantially the policy makers to take legislative measures to minimise damage to the environment or maximise beneficial impacts.

He said expansion of farming, or changes in the existing farm systems, cannot help but change the environment.

Some change is inevitable, but it is necessary to ask whether a particular farms system is sustainable or whether it will place intolerable pressures on environment and how exactly it will affect the ecosystem, other farming system, human settlement and different social groups.

Global economic integration accelerates dramatically

Global economic integration accelerated dramatically over the past five years, with key developing countries leading the way. But too many developing countries are failing to open up to the world economy, creating severe disparities and the threat of a permanent gap between fast and slow integrating economies, reports BSS.

This finding highlights a World Bank report 'Global Economic Prospects and the Developing Countries 1996', released yesterday.

"This outcome can be avoided, or at least moderated," says Masood Ahmed, World Bank Director for International Economics. "But it will require concerted action by the entire international community."

From 1985 to 1994, the ratio of world trade to GDP rose three times faster than during the previous decade, and foreign direct investment (FDI) doubled as a share of global GDP.

Developing countries have been key participants — and a major source of strength — in this new economy. Over the past decade, the overall ratio of trade to GDP in developing countries rose 1.2 per cent a year, while the fraction of FDI going to developing countries rose to more than one-third. From Africa to Eastern Europe and the former Soviet Union, developing countries have joined, or have applied to join, the World Trade Organization, regional trade agreements are proliferating, capital investment has rebounded from the Mexican peso crisis, and economic reform and integration are now the central tenets of economic development throughout the developing world.

A closer look, however, reveals troubling disparities in the pace of integration. Though developing countries in the aggregate kept pace with the world rate of trade integration, the ratio of trade to GDP actually fell in some 44 out of 93 developing countries observed over the past ten years. A further 17 countries observed over the past ten years. A further 17 countries experienced only moderate rises.

Indeed, three-quarters of the increase over the past decade was accounted for by just ten countries. Similarly, although the developing countries' share of FDI increased to 38 per cent of the world's total, two-thirds of these flows went to just eight countries, half received little or none. The report projects that this trend is likely to continue unless policies are changed.

The report notes three policy areas that are critical to successful market liberalization: Macroeconomic policy, principally through its stabilizing effect on the business environment, including output and exchange rate volatility, trade and FDI regimes, through their impact on access to imports and capital, and telecommunications and transportation infrastructure reform, through its effect on an economy's capacity to reach the outside world and respond quickly to changing market demands. Slow integrating countries will need to undertake reforms in each of these areas if they are to avoid falling further behind.

The report makes clear that the benefits of openness go, first, to the opening country itself. Countries with the highest levels of integration tend to exhibit the fastest output growth, as did countries that made the greatest advances in integration.

The report also argues that the opportunities that result from market liberalization are open to all countries, regardless of national income level.

Season's first tea auction held

CHITTAGONG, May 8: The season's first sale in the weekly tea auction Tuesday began with a fair demand which slackened as the sale progressed, reports UNB.

Market sources said internal buyers operated quite actively initially at a drop of Tk three to Tk four below the brokers' price ideas, but with the progress of sale became more selective as the prices dropped progressively towards the close with considerable withdrawals.

There was fairly good support from buyers for Poland, Sudan and Jordan for bold and large brokens. There was also some interest from Pakistan.

CTC Brokens: Bold and large brokens were absorbed at prices between Tk 50 and Tk 51 per kg. All other brokens were initially selling between Tk Two to Tk Three below brokers' valuation. And with the progress of sale, prices dropped further especially for the medium types which often eased up to Tk five towards the close with fair withdrawals.

CTC Fannings: All Fannings were initially selling at Tk two to Tk three below valuation and as the sale advanced, prices dropped further often up to Tk four to Tk Five with considerable withdrawals.

CTC Dust: 3,398 chests, 690 gunny sacks and 888 chests of old season on offer met with a fair demand. Well made good liquoring RD's sold between Tk 52.50 and Tk 54 while its corresponding PD's sold between Tk 51 and Tk 52. All other RD, PD's sold between Tk 48.50 and Tk 50.50. Dusts sold between Tk 52.50 and Tk 55 while CD's which met with a restricted demand sold at Tk 65 and Tk 70. Loose tea buyers and blenders lent fair support.

There were 18,418 chests, 390 gunny sacks and 3,296 chests of old season were offered for auction.

The next sale will be held on May 14.

UAE-Oman investment firm boosts assets

ABU DHABI, May 8: A joint venture set up by the United Arab Emirates (UAE) and neighbouring Oman two years ago to promote mutual investment has boosted its asses by nearly 21 per cent, its balance sheet showed yesterday, reports AFP.

The assets of the Muscat-based UAE-Oman Investment Company stood at around 18.2 million Omani riyals (47.3 million dollars) at the end of 1995, according to the balance sheet, obtained here.

This compares with the company's capital of 15 million riyals (39 million dollars) when it was set up by the two Gulf governments.

The assets included around 10.4 million riyals (27 million dollars) in bank deposits and 6.9 million riyals (17.9 million dollars) in other investment.

The balance sheet showed shareholders' equities totalled around 16.3 million riyals (42.3 million dollars). Apart from the capital, they comprised around one million riyals (2.6 million dollars) in undistributed profits while the rest covered general reserves.

The company said last month it made net profits of around 1.11 million riyals (2.88 million dollars), mostly from interest on deposits.

The bulk of its other investments are in stocks and equity in local projects and financial institutions.

The private sectors in the UAE and Oman own 40 per cent of the company, the first of its kind in the oil-rich Gulf.

Its operations cover investment in industry, agriculture, tourism, construction and other sectors as well as financing projects and participating in other enterprises in the region.

Its Chairman Naser Al-Hashar said in March the company had identified several new projects in Oman and the UAE.

Egypt, Jordan hold talk on boosting trade

AMMAN, May 8 : Egyptian and Jordanian leaders yesterday held talks on boosting bilateral and regional trade, officials said, reports AFP.

Jordanian Prime Minister Abdelkarim Kabariti said after talks with his Egyptian counterpart Kamal Al-Ganzuri that he hoped to see the two countries "set up a free-trade zone which will serve as a model for other countries in the region.

Ganzuri highlighted the need "to boost cooperation both bilaterally and between the Arab countries neighbouring Israel, in order to support the peace process."

The two leaders were later to chair a meeting of a joint committee made up of transport, finance, tourism and supply ministers from both countries, as well as the Jordanian energy minister and Egypt's oil and electricity ministers.

Sonargaon Pan Pacific Hotel once again goes into festive mood from May 10 to 16 at the Cafe Bazaar by organizing a Thai food festival along with cultural show in collaboration with Royal Thai Embassy and Thai International. Thai cooks and members of the cultural troupe of Fine Arts Department, Bangkok, were received by the management of the hotel with flower garlands on their arrival at the lobby.

US warned over listing China as copyright abuser

BEIJING, May 8: China warned Tuesday that a US decision to include it on a list of countries that abuses Intellectual property rights (IPR) would be "tremendously detrimental" to US business interests here, reports AFP.

"I don't believe article 301 of the United States will have any impact on such a big country as China. On the contrary, it will only restrict and limit US trade with foreign countries," foreign ministry spokesman Shen Guofang said at a regular news briefing.

Shen was referring to the April 30 announcement by acting US Trade Representative (USTR) Charlene Barshefsky that China had been designated a "priority foreign country" in the 1996 special 301 review of nations that violate Intellectual Property Rights (IPR).

"The more frequently this article is invoked, the less opportunity the US will have in the China market. If the US side continues to wield this article 301, the only result will a tremendously detrimental effect on US business interest in China," he said.

Under the April 30 decision, the US administration can impose trade sanctions on China at any time should the USTR office decide that it is not satisfactorily implementing a February 1995 Sino-US IPR agreement.

China, EU fencing over WTO membership

BEIJING, May 8: European Trade Commissioner Sir Leon Brittan said yesterday that China cannot win World Trade Organisation (WTO) entry on false terms and Beijing riposted that exorbitant demands were blocking its membership, reports Reuter.

"I favour consistently... the fastest possible negotiations for Chinese membership of the WTO," Brittan told a symposium on the third day of a four-day visit to China.

"But the WTO is a rules-based organisation, and we can't engineer China membership on false terms," he said.

China had hoped to join the WTO at its foundation in January 1995 but failed because of disagreement over the terms of its entry, with the United States and several other developed nations insisting on greater access to its markets.

Chinese Foreign Ministry Spokesman Shen Guofang disagreed, saying China was already qualified for WTO membership.

"I believe China is already fully and basically qualified to be a member of the WTO," Shen told a news briefing.

Strike at North Sea rigs causes huge losses

STAVANGER, Norway, May 8: The Norwegian Treasury and international oil companies are losing money, while continental gas buyers run into delivery shortage due to a strike on North Sea rigs, oil sources here said yesterday, reports AFP.

The Oil Workers' Union (OFS) decided to strike in sympathy with maintenance workers four days ago, but the effects from the strike are far from being only negative.

"The strike has led to a reduced oil production of a little more than one million barrels per day, and the price of crude oil has soared", oil analyst Kjell Stave told Norwegian news agency NTB.

Oil price have increased by 40 cents since last Friday, but reduced production represents a total loss of 130 million crowns (20 million dollars) every day.

One barrel of North Sea crude was sold Tuesday for 128 crowns compared to 125 five days ago.

But major European gas buyers face major problems in a day or two, if the strike continues, experts stress. Total gas deliveries from the North Sea are 85 million cubic metres per day. Due to the strike, gas production has been reduced by 20 per cent over the last few days.

Shanghai's GDP rises by 11 pc

SHANGHAI, May 8: Shanghai's gross domestic product rose by 11.4 per cent from a year earlier to 22.415 billion yuan (2.7 billion dollars) in April, a newspaper reported today, according to AFP.

The Shanghai Securities news daily quoted Shanghai statistics bureau figures as showing Shanghai's GDP also grew by 11.4 per cent year-on-year in the first four months of the year to 82.52 billion yuan.

The report said industrial output amounted to 41.776 billion yuan in April, up 13.4 per cent from a year earlier.

Industrial output in the first four months of the year amounted to 153.163 billion yuan, rise by 14.2 per cent over the same period last year.