

Drive to curb environmental damage in China

BEIJING, Sept 27: China has shut down thousands of small but heavily polluting mills and factories in a drive to curb rampant environmental damage, the China Daily said today, reports Reuters.

"These factories not only lag far behind in manufacturing techniques, equipment and technology, they have also wasted resources and energy," the newspaper quoted a state environmental protection bureau circular as saying.

Such factories have "caused incalculable harm to the environment and human health", the order said.

Earlier this month the bureau issued a circular ordering heavily polluting small-scale factories in 15 industries to close by September 30.

Officials in the central province of Hebei had closed more than 1,500 factories by mid-September and would shut down more than 9,000 by the end of the month, the newspaper said.

Similar closures were taking place in other parts of China, it said but gave no further details.

Under the campaign, authorities would close paper mills with an output of less than 5,000 tonnes a year, tanneries that made less than 30,000 leather items a year and dye factories with an output of less than 500 tonnes, it said.

IBM plans to introduce new home computers

NEW YORK, Sept 27: IBM plans to introduce its new home computers Thursday, a line of black machines with a unique idea for saving desk space that reflects the growing influence of other sleek electronics equipment, reports AP.

Its new Aptiva S Series separates the diskette and CD-ROM drives from the box that contains the main circuitry, allowing people to place the computer box away from the work area without sacrificing convenience.

The foray into design by the No 2 personal computer maker signals that the recent industry trend has entered the mainstream.

PC makers struggle to stand out because their machines are fundamentally similar, built from the same processing chips and operating software.

"What this signals is that IBM... is realizing the trend of where the market is going and they realize they have to be inside that trend," said Bill Zinsmeister, an analyst at International Data Corp, based in Framingham, Massachusetts.

"At the end of the day, the latest and greatest technology features are no longer a differentiation."

PC companies have experimented with colours other than beige for several years. IBM's mobile computers have been black since 1992.

Acer America Inc broke through last year by becoming the first major PC maker to have its entire consumer PC line comprised of black and dark green models. And Toshiba Corp and Sony Corp jumped into the desktop PC business this summer with designs that resemble other home electronics items.

IBM's Aptiva S series encases the drives and power controls in a discrete slim "media console" that forms a base for the monitor, close at hand even when the hardware box is stored off the desk. Previously, people could stow the bulky box away from the desk but would then need to stretch to insert and eject diskettes and CDs.

The new system also features a distinctive monitor stand supported by elegant wide arms to provide space for the keyboard when not in use.

WASHINGTON, Sept 27: The recent boom in developing country stock markets is expected to continue as foreign investors allocate rising shares of their global holdings to emerging markets according to several new reports, says USIS.

Over the last 10 years the number of developing countries with stock markets has doubled to 60 and the number of domestic companies listed on these markets more than doubled to 19,397, according to a report by the International Finance Corporation (IFC), the World Bank affiliate charged with spurring private development in its 170 member countries.

The big winners from expanding foreign involvement in emerging market stock markets have been local firms, which have gained access to new capital, increased management input through access to and partnerships with international fund managers, and longer term financing, the IFC said in its report "Investment Funds in Emerging Markets," released September 27.

The total capitalisation of emerging country stock markets — the dollar value of the stocks of the companies in these markets — has climbed from 171,000 million dollars in 1985 to 1,900,000 million dollars in 1995, the IFC said.

According to a separate report by the Institute of International Finance (IIF), which represents many of the world's largest private financial institutions, portfolio flows-foreign purchases of securities (which include stocks, corporate and government debt) — currently account for 30 per cent of all private flows to emerging markets.

Paving the Way

The IFC and the IIF say that privatisation and a related relaxation of regulations in emerging countries that had constrained foreign investment have been among the key factors in paving the way for increased investing in these stock markets.

Privatisation has made a whole new supply of assets available to a growing number of investors.

Also contributing has been the reduction of the high foreign debt levels held by many of these countries in the 1980s, more recent rapid economic growth in emerging markets and high rates of return from older funds that improved investors' perceptions of emerging markets.

Another factor is the growth of the number of institutional investors such as pension funds and life insurance companies. Their assets have nearly doubled over the last decade and they are seeking to diversify their holdings. In 1994, nearly 40 per cent of household wealth in the United States was managed by institutional investors, up from 20 per cent in 1980, according to the IFC.

Types of Investors

There are several different kinds of emerging market investment funds. International portfolio investment funds, for example,

WB, IMF ready to launch joint initiative providing debt relief to poorest countries

WASHINGTON, Sept 27: The International Monetary Fund (IMF), World Bank and major creditor governments say they are nearly ready to launch a joint initiative providing substantial debt relief to the poorest and highly indebted developing countries, according to USIS.

The final part of the initiative was expected to fall into place September 26 when the Paris Club met to consider going beyond its current ceiling of 67 per cent debt relief for those poorest highly indebted countries implementing economic reforms. The Paris Club is an informal group of creditor governments that meets on a case-by-case basis to reach a common position on debt.

US Secretary of the Treasury Robert Rubin told reporters September 26 that any Paris Club action is an important component of the debt initiative and that the United States is backing a proposal for debt relief of up to 80 per cent for a selected group of eight to 20 countries.

Among the countries targeted as potentially eligible for the extraordinary debt relief are Bolivia, Burundi, Myanmar, Cameroon, Congo, Cote d'Ivoire, Ethiopia, Guinea-Bissau, Guyana, Madagascar, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome-Principe, Sudan, Tanzania, Uganda, Zaire and Zambia. Their total debt amounts to about 97,000 million dollars, of which about a third is owed to multilateral institutions.

The other parts of the package include substantial debt relief from the International Monetary Fund (IMF) and the World Bank, which are holding their annual meetings here September 29-October 3.

"We are ready to start implementing the programme," IMF Managing Director Michel Camdessus said September 26 in a press briefing

outlining the upcoming meetings.

Debt relief from the IMF has arguably been the most controversial part of the debt package. This involves increased concessionality of loans within the Enhanced Structural Adjustment Facility (ESAF), an IMF lending program for poor countries that are willing to make economic reforms.

While there are adequate funds to finance ESAF through 1999 or 2000, there are not enough resources currently to fund the facility's regular programs plus the new debt initiative between 2000 and 2005, after which repayments to ESAF will bring in additional resources to make the facility self-sustaining.

Camdessus said the shortfall amounts to about 3,500 million dollars. Most of the major creditor countries want the IMF to sell a small portion of its gold, up to five million ounces, the proceeds of which would be invested and the returns on that investment used to finance the debt relief. Germany has consistently opposed the idea.

In a compromise reached earlier this month, Camdessus said, the Fund's executive board agreed to first seek bilateral contributions to make up the ESAF shortfall. If bilateral contributions are not enough, the IMF would proceed with gold sales. "This is a done deal," Camdessus told reporters.

Camdessus said that a number of countries have agreed to bilateral contributions, but neither he nor other officials would specify the current level of commitment. The IMF chief said that because there are already adequate resources to begin the debt relief programme, there is no need for a decision on gold sales at this time.

But Rubin predicted that the IMF would have to sell some of its gold by 1999 or 2000. He said that only after the IMF made the decision to sell gold would the Clinton administration be willing to ask Congress for a bilateral contribution to ESAF.

While the exact form of debt relief under ESAF would vary from country to country, it could include buying off a portion of the debt, rolling over an existing ESAF loan, or extending the maturity of an ESAF loan from the current 10 years to 15 or 20 years.

A third part of the initiative is a debt relief trust fund of about 2000 million dollars to be managed within the World Bank. Though many details still need to be worked out, resources would be provided from the fund's net income to either pre-pay a portion of the obligations of the poorest highly indebted developing countries or to help these countries service their debts to the extent needed to achieve debt sustainability.

The World Bank is prepared to devote 500 million dollars to debt reduction in 1997 and is working with other multilateral development banks on how much each would contribute to the fund.

The debt initiative is only one of several important IMF resource issues the finance ministers will be grappling with during the next two weeks.

Camdessus said that the IMF currently has economic programmes with 60 countries and is in negotiations with 24 more. He said it is "urgent" that the IMF member countries begin to address issues of expanding the Fund's quotas and special drawing rights (SDRs) — deeply divisive issues between industrial and developing country members of the Fund.

The SDR is a reserve asset created by the IMF

and allocated to members for balance-of-payments needs. Those countries that need financing to address balance-of-payments shortfalls may use SDRs to acquire foreign currencies. Russia and many other countries in Eastern Europe and the former Soviet Union currently have no SDRs because the reserve currency was last allocated in 1981.

Earlier Camdessus had sought an SDR allocation amounting to about 52,000 million dollars; a US-United Kingdom proposal called for 23,000 million dollars, arguing that the additional liquidity sought by Camdessus was not needed. Camdessus told reporters September 26 that a tentative compromise was reached in the executive board that would involve about 38,000 million dollars in SDRs. The new scheme calls for a special amendment to the IMF's articles that would allocate SDRs to all members in the same ratio as their current quotas.

A member's quota is equal to its contribution to the Fund. A quota determines a member's voting power in the Fund and its access to financial resources.

If the executive board's recommendation is approved by the IMF's policy-making Interim Committee at this week's meeting, the committee will probably ask for more specific details, an IMF spokesman said, adding that those details probably would be approved at the committee's next meeting in April 1997. The amendment to the IMF articles would still have to be approved by member governments.

Camdessus argues that the quota increase is needed because of the sharp rise in demand for IMF resources. Disbursements have grown from about 3,600 million dollar in 1989 to almost 17,000 million dollar in the 12 months ending April 30, 1996, he said.

One-third workers at Chinese co found corrupt

BEIJING, Sept 27: Graft busters investigating a sugar company in southwestern China's Guangxi province have found about a third of the workforce involved in corruption. The China Insurance News said, reports Reuters.

More than 110 of more than 300 workers at the Guangxi Ganling Sugar Plant were implicated in corruption cases involving around 2.3 million yuan (277,000 dollars) since 1992, the newspaper said in an edition seen in Beijing on Wednesday.

Provincial authorities had arrested 12 workers and a further 70 had already given themselves up to police, it said.

Corruption had swamped the plant despite a strict supervision system that meant at least five people had to be involved in any financial transaction, the newspaper said.

Those implicated in corruption included line workers, managers and security personnel, with some staff ranking in up to 250,000 yuan (30,000 dollars), it said.

Beijing has launched repeated anti-graft crackdowns, but many Chinese say the campaigns have done little to curb graft among many officials eager to barter their bureaucratic clout for financial gain.



Zonta Club, Dhaka organised an apparel exhibition at a city hotel yesterday for collection of funds to help the distressed. —Star photo

China poorer than experts thought: Study

BEIJING, Sept 27: Some 350 million Chinese — nearly one-third of China's population — survive on less than one US dollar a day, meaning China is much poorer than previously thought, a new World Bank study says, reports AP.

The bank said that in the early 1990s, China's gross national product per person, a measure of average income, was estimated at 3,000 US dollars. "Recently improved data," however, now put the figure at 1,800 dollars, the bank said.

Because the average income is lower, the number of people below the international poverty line is higher, it said. The poverty line is set at one dollar per day — roughly what a person needs for food and other basics in many developing countries.

In 1993, the bank estimated fewer than 100 million Chinese lived in poverty. Its new study puts the figure at 350 million, out of a population of 1.2 billion.

The findings may gratify

Chinese officials, who complain that foreign economists have overestimated China's wealth. Officials apparently fear that portraying China as better off may reduce its access to international loans.

The World Bank calculated income based on purchasing power parity exchange rates — the rate at which a currency will buy the same amount of goods and services at home as it would in other countries.

According to Chinese statistics, 250 million people lived in severe poverty — with inadequate food and clothing — when economic reforms began in 1978, compared to 65 million now.

The World Bank said its views and China's are both correct — the difference being between national norms and international standards. China's rural poverty line is 530 yuan (64 dollars at the market exchange rate) in per capita annual income.

UNCTAD world investment report Business globalisation rising at dramatic pace

LONDON, Sept 27: Business globalisation is increasing at a "dramatic" pace and foreign direct investment by Transnational Corporations (TNCs) as a group were the largest foreign investors, and the US was the single largest host country for FDI, but Japan now has 19 TNCs in the top 100, up from 11 in 1990.

FDI volume is made up of an estimated 39,000 TNCs with about 270,000 foreign affiliates, which have combined holdings of over 42.7 trillion US dollar. The top 100 investors account for about one third of the flows, all are headquartered in developed countries.

The report noted "something new is happening in the dynamics between trade and investment." "Historically, manufacturing firms have traded with foreign enterprises and buyers before directly investing (thus trade preceding international investment). Now the relationship has become more complex."

Competitive pressures, new technologies, privatizations and national government policies are among some of the factors encouraging record FDI. Regional economic groupings are also stimulating business

globalisation, the report said. US Transnational Corporations (TNCs) as a group were the largest foreign investors, and the US was the single largest host country for FDI, but Japan now has 19 TNCs in the top 100, up from 11 in 1990.

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Citizens from the United Arab Emirates visit the Thailand trade fair which opened in Sharjah on Wednesday. More than 40 Thai companies are exhibiting electronics, machinery, auto spare parts, and other products at the four-day show, which is sponsored by the Thai economic ministry. —AFP/UNB photo

Foreign investors spur growth in emerging stock markets

mainly buy securities and shares of emerging market companies listed on local stock exchanges or on stock exchanges of major industrial countries. They buy minority stakes in companies and do not seek a management role.

Private equity funds buy large minority equity stakes in unlisted companies. Fund managers may sit on the boards of firms they invest in. In that way, they bring financial and general management expertise to the firm.

Venture capital funds mostly buy private equity stakes — usually a significant minority share or sometimes a majority stake — in smaller and newer enterprises. They often provide management input.

Domestic mutual funds raise money from local investors and buy securities listed on the domestic stock market.

Despite the sharp growth in emerging market portfolio funds, international portfolio equity accounts for only about 10 per cent of stock market capitalisation in emerging markets, the IFC points out.

Assessing the Risk

In the early 1980s information on emerging market stock markets was poor; indexes were calculated using different methodologies and were available only in local currency terms. It was difficult to assess the risks and returns of investment in any of these markets. To help investors, the IFC in 1981 established the Emerging Market Data Base (EMDB) that provided a comparative picture of the investment environment in different countries. By 1995 the EMDB was compiling data on over 1,650 stocks in 27 markets, providing an on-line service and issuing four printed publications regularly.

Regional Trends

Asia: This region accounts for more than half of all net portfolio equity investment in emerging markets — 13,500 million dollars in 1995 and projected to reach 19,200 million dollars in 1996 and 17,300 million dollars in 1997, according to the IIF. In many countries in the region, an initial fund has spurred creation of others. Two years after the Malaysia Fund's launch in

1987, for example, the country attracted eight other funds which raised 600 million dollars according to the IFC. In the near term, India and South Korea are likely to attract the largest flows, the IIF said. The net assets of Indian equity funds quadrupled between 1991 and 1994, in part due to strong earnings outlook for Indian companies. However, the IIF warned that the government's lack of concerted action to reduce its budget deficit has tempered recent investor enthusiasm. South Korea's action to raise its limits on foreign participation in the stock market has been an important factor in the more than tripling of Korean equity funds since 1992. Strong growth has also been evident in equity funds in Malaysia, Taiwan and Vietnam. The IIF projects somewhat lower portfolio equity flows to Thailand and Indonesia in 1996.

Latin America and Caribbean: Total portfolio equity flows to this region have grown from about 400 million dollars in 1989 to 10,400 million dollars in 1994 and are projected to be in the range of 8,000 million dollars to 9,000 million dollars in 1996 and 1997. For example, the Five Arrows Chile Fund has grown from an initial capitalisation of 75 million dollars to 394 million dollars by June 1995. A Latin American regional fund called the New World Investment Fund has grown from just 62 million dollars in 1989 to 242 million dollars over the same period. While most of portfolio equity investments have flowed to Mexico, Chile and Brazil, some increase in portfolio investment has occurred in Peru, Argentina and, to a lesser extent, Colombia.

Africa and Middle East: In November, 1993 the Africa Emerging Markets Fund (AEMF) was the first investment fund targeted at securities listed on Africa's stock markets. In response to this effort, Zimbabwe and Ghana legalised foreign portfolio investment in their stock markets, and several other countries liberalised exchange controls to allow investors to repatriate their investment earnings more freely. This year, AEMF has invested in 86 stocks in Botswana, Cote d'Ivoire, Egypt, Ghana, Kenya, Mauritius, Morocco, Namibia, Niger, Senegal, Swaziland, Tunisia, Zambia and Zimbabwe. The fund's net asset value per share increased more than 20 per cent from its creation through 1995, the IFC said. Venture capital

Bangladesh Bank Affairs

Statement of affairs of the Bangladesh Bank Banking Department as on the 22nd August, 1996

Liabilities	Taka
Capital Paid Up	3,00,00,000
Reserve Fund	3,00,00,000
Rural Credit Fund	240,00,00,000
Industrial Credit Fund	78,78,52,000
Export Credit Fund	78,00,00,000
Agricultural Credit Stabilisation Fund	240,00,00,000
Deposits:	
(a) Government	50,54,000
(b) Banks	2390,81,60,000
(c) Others	4859,67,19,000
Allocation of Special Drawing Rights	91,74,31,000
Bills Payable	385,69,49,000
Other Liabilities	1957,66,02,000
Total Liabilities	10328,87,67,000
Assets	Taka
Notes	59,10,000
Taka Coin	1,000
Subsidiary Coin	1,000
Bills Purchased & Discounted	
(a) Internal	
(b) External	
(c) Govt Try Bills 99,51,000	99,51,000
Balances held outside Bangladesh*	4299,55,90,000
Special Drawing Rights held with the IMF	13,97,92,000
Loans and Advances to Government	46,71,00,000
Governments Debtor Balances	
Other Loans and Advances	1384,85,19,000
Investments	2731,76,85,000
Other Assets	1850,42,19,000
Total Assets	10328,87,67,000

An account pursuant to the Bangladesh Bank order 1972 for the week ended the 22nd August, 1996: Issue Department

Liabilities	Taka	Taka
Notes held in the Banking department	59,10,000	
Notes in circulation*	7636,14,30,000	
Total Notes issued		7636,73,40,000
Total Liabilities		7636,73,40,000
Assets	Taka	Taka
IA. Gold coin and bullion	112,64,95,000	
Silver Bullion		
Special drawing rights held with the International Monetary Fund		
Approved Foreign Exchange	4000,00,00,000	4112,64,95,000
B Taka coin	15,33,79,000	
Government of Bangladesh Securities**	781,66,36,000	
Internal Bills of Exchange & other commercial papers	2727,08,30,000	3524,08,45,000
Total Assets		7636,73,40,000

* The statement with regard to 'Notes in circulation' is made without prejudice to the claims of the Government of the People's Republic of Bangladesh/Bangladesh Bank for obtaining value from the Government of Pakistan/State Bank of Pakistan in respect of Pakistani currency notes demonetised and withdrawn from circulation.

** Includes Special ad-hoc Treasury Bills issued for providing assets against issue of Bangladeshi Notes in replacement of Pakistani Notes.

funds are operating in Cote d'Ivoire, Kenya, Madagascar, Mauritius, Zimbabwe and South Africa. A fund in South Africa will invest in franchises, such as fast food and office supplies. In 1994, the Emerging Middle East Fund became the first publicly-offered, New York-listed investment fund covering both Arab countries and Israel.

Central and Eastern Europe: Strong performance of, and increased foreign interest in, regional stock markets have boosted portfolio flows, though they are projected to reach only around 3,000 million dollars in 1996, says IIF. Improvements in Russia's stock market infrastructure and a perception that companies are generally undervalued has sharply boosted portfolio investment in that country, the IIF said. Another key country targeted by portfolio investors is Hungary, it said.

Following are some key figures on emerging market equity funds: Number of International Emerging Market Equity Funds, 1981-94

	1981	1985	1990	1993	1994	1994
						Net assets (\$Millions)
Global	0	0	29	108	187	\$34,416
Asia Regional	2	7	75	130	242	32,413
Bangladesh	0	0	0	0	1	20
China	0	0	3	48	73	1,120
India	0	0	6	13	35	4,195
Indonesia	0	0	18	22	28	729
Korea	2	7	17	56	68	5,406
Malaysia	0	0	17	17	21	1,345
Myanmar	0	0	0	0	1	28
Pakistan	0	0	0	6	8	276
Philippines	1	1	8	10	12	658
Sri Lanka	0	0	0	1	3	58
Taiwan	0	0	5	16	22	3,027
Thailand	0	1	25	26	27	2,862
Vietnam	0	0	0	3	5	273
Latin America	0	0	5	53	108	10,919
Argentina	0	0	0	3	5	214
Brazil	0	0	3	8	31	1,854
Chile	0	0	4	4	5	1,683
Colombia	0	0	0	1	1	33
Mexico	1	1	4	8	10	1,783
Peru	0	0	0	1	2	92
Eastern Europe	0	0	4	11	37	1,496
Greece	0	0	2	2	2	78
Portugal	0	0	5	6	7</	