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South Asian growth to outstrip other regions this year: WB

WASHINGTON, Oct 7: South Asia's economic growth will outstrip all other regions in 1998, the World Bank predicted yesterday, revealing a surprise finding from its global economic prospects report to be released in November, reports AFP.

"For the first time in recorded history, "the area encompassing some of the world's poorest and most populous nations will see faster economic growth than any other region in the world, Bank chief economist John Williamson said.

In fact, the Bank expects South Asia to be the world's top performer for three years running, growing 4.6 per cent in 1998 and averaging 5.5 per cent over the 1999-2000 period.

Although other forecasts and details from the forthcoming report will not be made public before its early November release, Williamson said that Latin America's 1998 regional growth forecast will come in second, trailing South Asia's by a full two percentage points.

Economic growth is cited by the World Bank as the principal engine driving poverty reduction throughout the developing world.

But other factors greatly affect just how much such growth reduces poverty, said Zoubida Allaoua, principal author of a new World Bank study entitled "reducing poverty in India," who joined Williamson at a press conference Monday.

The effect of economic growth on poverty reduction depends greatly on a country's level of income inequality, as well as its relative commitment to investing in health and education, Allaoua said.

When growth spurs income inequality, its benefits accrue more to high-income groups and its effect on poverty reduction is steeply reduced, she said.

Allaoua also noted that the quality of health and education services provided to the poor influences how effectively those services are used.

"India spends an awful lot of money on anti-poverty measures, but ... the poor are not always benefitting as much as expected from these subsidies," Allaoua said.

She said the World Bank and state and local governments in India have found that poor children benefit more from public spending when care is taken to ensure that social and cultural factors are not blocking their access.

Meanwhile, Williamson noted that while China's economy, taken alone, is seen to be growing faster than South Asia in 1998, the Chinese economy is treated as part of East Asia, where economic contractions in other nations have dragged down region-wide growth prospects.

Likewise, according to Williamson, overall growth for the Central and Eastern European region would have been higher were it not for the inclusion of Russia's recession-wracked economy.

"The good news is that South Asia has held up better than other regions in the developing world," Williamson said.

But he added that the relatively high 4.6 per cent growth forecast for South Asia was a low point for the region when compared with its average annual growth rate of 5.3 per cent over the last decade and expected 5.5 per cent rate in the last two years of the century.

South Asia includes some of the Bank's oldest borrowers. India is the Bank's largest single borrower, having received cumulative loans totalling about 44 billion dollars from 1944 through June 1998.

Besides India, the South Asian region includes Pakistan, Afghanistan, Bangladesh, Sri Lanka, Nepal Bhutan and the Maldives despite the relatively rosy forecasts for the area as a whole, some individual countries have taken hard economic hits this year.

Williamson noted that Pakistan's 1998 growth has suffered substantially from sanctions imposed on the country following its controversial nuclear tests earlier this year, and Bangladesh's economy has been depressed by heavy flooding.

German top model Claudia Schiffer wears a glittering evening dress, part of the Marchese Coccapani collection for the Spring/Summer 1999, as she takes the catwalk along with the owner of the fashion house Giorgio Ferrari in Milan Friday. — AP/UNB photo

FDI flows into Asean halved in '98

MANILA, Oct 7: The Association of Southeast Asian Nations (ASEAN) said foreign direct investment (FDI) into the region halved in the year through July, reports Reuters.

"Investment, from outside Asean suffered by 50 per cent, I guess largely influenced by the crisis that affected all of us," Philippine Trade Minister Jose Pardo said.

Ministers attending the 30th Asean economic ministers meeting in Manila told a news conference the group was focused on the drop in investment. They did not publish figures, but said FDI dropped 50 per cent between July 1997 and July 1998.

Asean posted a trade surplus of 7.7 billion dollars in the first quarter of 1998, compared to deficits in all of 1997 and 1996, according to date released by the organisation at the press conference.

FBCCI seminar on small industries concludes today

The closing ceremony of the seminar on 'Policy-making for the Development of Small and Medium-scale Industries' will be held at the FBCCI auditorium here today, reports UNB.

Commerce and Industries Minister Tofail Ahmed will be present as the chief guest at the function, organised by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Chairman of the Parliamentary Standing Committee on Finance Ministry Prof Md Ali Ashraf will attend it as special guest.

Zedillo urges G7 to ease monetary policy

MEXICO CITY, Oct 7: President Ernesto Zedillo, offering a broad prescription for the world's economic ills, has urged the Group of Seven industrialised countries to loosen monetary policy, reports AP.

"We believe these countries should recognize that their monetary policies affect liquidity throughout the world," Zedillo told a conference organised by the Japanese Chamber of Commerce in Mexico on Tuesday. "Consequently, they should make their policies more flexible to support investment and growth."

Zedillo said G-7 countries should take "necessary measures" to prevent their economies from slipping into recession, without elaborating on other steps they should take. The G-7 is made up by the United States, Japan, Britain, Germany, France, Italy and Canada.

Zedillo also supported efforts to reform international financial institutions.

Zedillo also addressed developing countries, saying it was "obvious" that many needed to strengthen supervision and regulation of their financial systems. Free trade and foreign investment are crucial to global economic growth, he said.

Zedillo also repeated a pledge of fiscal austerity. He said the government has cut spending several times this year toward its goal of limiting the fiscal deficit to 1.25 per cent of gross domestic product.

Mexico also plans to promote savings, further deregulate the economy and improve bank supervision, but all of its measures will prove inadequate if the world economy falters, Zedillo said.

Still, Mexico has become much less vulnerable to global turmoil, thanks largely to a "moderate" current-account deficit, estimated at about 3.5 per cent of GDP this year, Zedillo said.

Three SEC rules on Internet

The Securities and Exchange Commission (SEC) has placed the gazetted Rights Issue Rules, 1998 and authenticated English version of SEC (Merchant Bank and Portfolio Manager) Regulations, 1996 and SEC (Mutual Funds) Regulations, 1997 on the internet web page site www.secbd.org.

These are available under the icon of SEC Laws of the web site, says a press release.

Holocaust issue

US lawyer sues Australian bank

VIENNA, Oct 7: A US lawyer action on behalf of Holocaust survivors has filed a class-action lawsuit against an Austrian bank in addition to two major German banks, the Austria Press Agency reported Tuesday, reports AP.

The lawyer, Edward Fagan, accuses Creditanstalt of Vienna of having conspired with Nazi authorities during World War II and having profited from the sale of gold robbed from Jewish victims of the Holocaust, APA reported.

But Gerhard Reidlinger, the Creditanstalt spokesman, said talks would continue on compensation between Fagan and the bank's New York lawyers, ...rt said.

China to open up its trading environment

BEIJING, Oct 7: China will open up its trading environment by replacing the approval process for firms with just a registration of the business, the official China Daily reported yesterday, says AFP.

The government had decided to phase out the current approval system under which manufacturing enterprises needed to get approval from the State Economic and Trade Commission (SETC) and the Ministry of Foreign Trade and Economic Cooperation before they could start their business, the report said.

In place of the approval system, will come a registration system similar to the widespread international practice that involves no approval process, it said.

PAL returns to skies

MANILA, Oct 7: Debt-laden Philippine Airlines returned to the country's skies Wednesday, ending a 13-day closure prompted by disagreements with its largest labour union over a management-proposed recovery plan, reports AP

"There are things that you don't value much until they are lost to you," said PAL pilot Emmanuel Generoso. "This is what happened with PAL."

In a bright sign for the future of Asia's oldest airline, which weary passengers have nicknamed "Plane Always Late," its first flight took off on time and arrived in southern Zamboanga city 13 minutes early.

"This is a good beginning," said PAL assistant vice president Angel Sambo. "There were no hassles."

But not all employees shared his view.

Some militant workers opposed to the recovery plan did not report to work. They say they will challenge the plan in court, claiming it violates the constitution's guarantee of the right of workers to form unions and bargain collectively for labour benefits.

Under the plan, initially rejected but then approved last week by PAL's largest union, workers agreed to a 10-year suspension of their collective bargaining agreement in exchange for a 20 per cent share of the company's stock and several seats on its board.

PAL's management says the CBA suspension had been demanded by creditors and potential investors who worried about the carrier's history of labour problems.

The airline, which has been unable to make payments on 82.1 billion in debts, was devastated by a pilots' strike in June and by the region's currency crisis, which reduced passenger numbers and inflated costs.

Lanka to sue US co for depicting it as sex paradise

By Sugeeswara Senadhira

COLOMBO, Oct 7: The Sri Lankan government is to sue an American advertising and public relations firm for depicting the island nation as a sex paradise in a semi-pornographic film which was banned in Germany after being screened once. The Ceylon Tourist Board (CTB) alleged that the company, Manning, Salvage and Lee (MSL), had violated a contract to promote Sri Lanka's image.

CTB Chairman Henry Samaranayake said the image-building campaign received a major setback when the contracted firm projected the nation as a sex paradise in a film screened on German television. The much publicised promotional film turned out to be semi-pornographic.

The film, "Ina's Journey Through Sri Lanka", was screened by Germany's RTL 2 television channel. It reportedly portrayed Sri Lanka as a place where easy sex was available for young Europeans. The film, produced by MSL under its $3.5 million contract, was shot in Sri Lanka under the patronage of the CTB. It starred German porn actress Ina, who has been described as a Pamela Anderson clone. Samaranayake said Colombo would sue the publicity firm for "violation of the contract and for the damage done to Sri Lanka's image". The film apparently has scenes of frontal female nudity as well as depiction of sexual intercourse inspired by the Kama Sutra.

Foreign Ministry officials said they received complaints from the mission in Bonn as well as Sri Lankans in Germany regarding the film soon after it was screened.

The CTB Chairman alleged that the publicity firm had not only violated the contract but also hoodwinked the Board. "In the televised film there were certain scenes which were not in the original footage approved by the National Film Corporation," Samaranayake claimed.

MSL was given the contract last year by the Board on the approval of the cabinet. The company was initially hired to handle the overall image of Sri Lanka, including propaganda against the Liberation Tigers of Tamil Eelam (LTTE). The original contract included overall image building, taking up part of the work from the ministries of Foreign Affairs, External Trade, Tourism and Finance (foreign investment promotion), but some government agencies expressed dissatisfaction with MSL's work.

Immediately after the screening of the film, a committee was appointed by the government to look into the matter.

— India Abroad News Service

Greater int'l mkt discipline sought

Malaysia pledges to end capital controls

KUALA LUMPUR, Oct 7: Malaysia Tuesday committed itself to ending capital controls on condition that greater discipline is enforced on the international currency market, reports Xinhua.

"We are committed to ending capital controls, but only if the world financial community instills greater discipline into the international currency market," Malaysian special functions minister Tun Daim Zainuddin said here today.

Malaysia has introduced capital control "as a means of insulating ourselves from the chaotic international currency markets and predatory speculators," Daim, who is also the executive director of the National Economic Action Council (NEAC), said at the opening of the National Congress on Economic Recovery: The Way Forward" here.

But the regime of controls that Malaysia has adopted is "selective" and "the exchange control measures do not hinder long-term foreign investment in the economy, it is the movement of massive short-term capital that we seek to control," Daim said.

"Our capital control measures may be controversial and could have negative implications on our sovereign profile, but lower credit rating must surely be less damaging to the economy than the risk of tail-spin effects from a high interest rates strategy," he said.

Defending the measures, Daim said Malaysia's attempt to control capital flow has surely stirred international debate and world opinion now "favours a new financial architecture to govern capital flows."

He said the selected exchange controls introduce to insulate the domestic economy from the global financial crisis provided the economy some breathing room to recover.

They allowed the government to ease interest rates and raise domestic demand without destabilising the ringgit, the country's currency, further, he said, adding, "foreign exchange stability is crucial for us to implement the other policy reforms including bank and corporate restructuring."

The new exchange rate of 3.8 ringgit to the US dollar lowers the cost of imported capital goods by nearly 10 per cent and it also reduces the cost of the servicing foreign debt not only for the government but also for the private sector, Daim said.

Daim noted that more experts were saying Malaysia did the right thing in introducing new exchange control and economic measures recently to defend the ringgit against speculation.

Sri Lanka wooing German investors

COLOMBO, Oct 7: German investors are being encouraged to invest in Sri Lanka and about 20,000 Sri Lankans have found employment in projects launched by German investors, according to German embassy sources here today, reports Xinhua.

Germany, Sri Lanka's fourth largest trading partner, proposes to increase tea imports from this year.

The sources said Germany was very much a willing partner contributing to the progress of Sri Lanka as very strong cordial ties have existed between the two countries for many years.

Germany is assisting Sri Lanka in tourist promotion by sending up-market tourists. 60,000 Germans visited Sri Lanka in 1997.

Germany was also helping in the resettlement of refugees in north and east Sri Lanka and had undertaken to provide pure drinking water to the Jaffna peninsula.

Bangladesh-Japan course on garment sector told

Harnessing of human resources key to higher economic growth

Speakers at a function here yesterday emphasised the need for simultaneous application of skill and technology in the industrial sector, particularly in garments, to accelerate the country's economic uplift, reports BSS.

"Proper harnessing of the country's huge human resources by upgrading their knowledge and skill can be an indispensable factor to take the national economy on to higher level of economic growth," they said at the opening function of a week-long Bangladesh-Japan training course on improvement of productivity and quality in garment factories.

Japanese ambassador Yoshikazu Kaneko, addressing the inaugural ceremony as the chief guest, lauded the garment industries in Bangladesh since the lion's share of the country's foreign exchange comes from this sector.

He said the garments sector which earns about 66 per cent of the country's total export earnings definitely plays an important role in the nation's economic development.

Kaneko said economic stagnation of the Southeast Asian countries has had also a negative influence in Bangladesh.

By paying particular attention to improving knowledge and skill of the industrial workforce and management personnel one can make a break-through in achieving the success of quality products, he added.

Organised jointly by the Association for Overseas Technical Scholarship (AOTS) of Japan, Brother Industries Limited of Japan, Brother International Singapore Limited, Fairfon Agency Limited, Japan External Trade Organisation (JETRO), Bangladesh AOTS Alumni Society (BASSO and Chittagong AOTS Alumni Society (CAAS), the training course is being participated by about 60 persons from different garment industries of the country.

Held at Sonargaon Hotel, the opening function was also addressed by JETRO representative Yuichi Bamba, Brother representative K Naganuma, AOTS representative Dr AKM Moazzem Hussain, BAAS President Anwarul Haq and Chairman of the steering committee Kh Zillur Rahim.

Fallout from global crisis

Netherlands feeling pinch

AMSTERDAM, Oct 7: The Netherlands is increasingly feeling the pinch of the world financial crisis, with economic heavyweights vying with each other to revise their forecasts downwards in the face of appeals to reason from the authorities, reports AFP.

In the past two weeks four giants — oil company Royal Dutch Shell, electronics group Philips, financial conglomerate ING and Bank ABN Amro — have voiced deepening gloom.

After resisting for a long time the fall-out from the Asian crisis, the Amsterdam Stock Exchange reacted badly, losing all its gains of the past year. On Friday the apex index ended at 848.59, lower than its level at the end of 1997 and 35.4 per cent down on its record of 1,315.63 points set on July 20.

ING was particularly badly hit following its announcement that its growth forecasts for 1998 would be less than half what had been expected and that 1,200 jobs would go in its subsidiary ING Barings.

By the closing bell ING stocks had fallen 13 per cent, making a loss of 52.6 per cent in two months.

According to ING management the moves were inevitable given the worsening international crisis, the need to make additional provisions for the collapse of Russian banks, and losses incurred in the group's investments.

The problems of US hedge fund LTCM, in which ING had invested 37 million dollars, did not help, even though the Dutch group says it has more than enough to cover the total 840 million placed in similar funds.

But analysts said ING was paying the price of a high-risk strategy. The deep cuts in Barings were "not a crack but a hole in the boat," commented the economic daily Financieele Dagbad Saturday.

ABN Amro's statement late Friday that it saw no improvement in profits this year augured badly for the opening of the stock exchange Monday. The shares of the leading Netherlands bank have already lost 45 per cent of their value in two months.

Like ING, ABN Amro attributed the revision of its forecasts to the "continuing deterioration of business on the various financial markets and the associated reduction in trade volume."

ING and ABN Amro, which is also the leading foreign bank in the United States, are the biggest financial institutions in the Netherlands, each employing nearly 80,000 people all over the world.

At the end of June they announced profits of 448.2 million and 500 million dollars respectively.

Their problems are all the more disturbing in that they come hard on the hells of those of Shell and Philips, the stars of Dutch industry.

The first decided on September 18 to limit the damage by closing four of its European Offices, while three days later the electronics group from Eindhoven also produced a gloomy profits forecast, citing the "worsening economic environment in certain parts of the world."

Philips shares immediately lost 17.2 per cent in Amsterdam before recovering, but they fell against last week, ending down 8.7 per cent on Friday at half their July value.

Are world bankers heading the right direction?

By Jeremy Scott-Joynt

At last, the undercurrents of opinion among those in charge of the world's finances are moving towards reform. Shifts have become detectable at the World Bank, IMF and Commonwealth finance ministers meetings. *Gemini News Service* reports on whether they can bring themselves to head in the right direction.

No one could accuse the World Bank, the International Monetary Fund (IMF and the other international financial institutions of downplaying the world's current financial crisis.

As forecasts of slumping growth — and warnings of impending global recession — resound, voices from all sides chorus the need for reform of the way money moves around the globe.

The key words, repeated over and over again, are transparency, co-ordination, vigilance.

And after weeks of false dawns and unproductive meetings, the move by Alan Greenspan, Chairman of the US Federal Reserve and the most powerful central banker in the world, to cut US interest rates by 0.25 per cent could finally spark others into following suit.

Ironically, this could partly be the result of the follow-my-leader instinct so often decried when it seems to rule the movements of financial markets. It is certainly what IMF Managing Director Michael Camdessus is keen to encourage.

Nonetheless, lower interest rates — so the bankers say — might encourage investment, boost "confidence", and reduce the risk that the big private banks could batten down the hatches and slash their lending levels.

Other "bold" responses are at last coming to the surface.

Godon Brown, the British Chancellor of the Exchequer and Controller of the country's purse strings, has suggested to the Commonwealth finance ministers' meeting in Ottawa, Canada, that the world needs a permanent overseer for financial markets everywhere.

Such a committee to regulate global finance would cement the skills of the World Bank, the IMF, the committee of central bankers in Basle, Switzerland and others into a single body.

It would draw up "codes of monetary and financial conduct" to be followed by private and public institutions alike.

By launching the plan in Ottawa, Brown hopes to build up a head of steam. That way, there will already be a consensus on which to build by the time the idea has officially reached the IMF, the World Bank and the G7 nations — the US, Britain, France, Germany, Italy, Japan and Canada.

The other ministers have certainly backed him, with Ottawa's final statement calling for financial architecture to be "pursued vigorously."

After all, no such plan can work unless it receives unanimous, or near-unanimous, support from those with the real power to effect change.

It is encouraging that Brown sees the Commonwealth — one of the few international bodies aside from the UN which represents countries at all stages of development — as the launchpad for such a concept.

On the other hand, it is remains that Brown's plan, and those already mooted in the halls of global finances, seem too limited to engender great optimism about their implementation.

Brown, along with US Treasury Secretary Robert Rubin and an increasing chorus of previously quiescent voices, at least admits that the problems with the world economy are not the sole preserve of the developing world.

The developed world, too, has caused the crisis. "Recent months have exposed problems of transparency, poor risk assessment and inadequate supervision in developed countries financial markets too," Brown told the finance ministers in Ottawa.

James Wolfensohn, the World Bank President, also told the Ottawa meeting that the G7 countries need to be more aware of the interdependence of developed and developing economies.

Transparency is the key here, we are told. In other words, if everyone told the truth about what they were doing and why, then financial institutions would assess risk more accurately, and the panicky rush of capital in and out of developing countries' coffers could be avoided.

But all the evidence of the last decades shows that without serious sanctions for transgressors, few public institutions and still fewer private ones are prepared to let bright light be shed on their activities.

And such sanctions are likely to remain far off the agenda.

Moreover, the main plank of any systemic reforms remains — again to quote Brown's comments — "more liberalisation, not less."

Emergency measures like those taken by Malaysia's Prime Minister Mahathir Mohamad, who has imposed controls on currency and equity flows, are still seen as old-fashioned at best, and counter-productive at worst.

Even the long-standing Chilean position, of punitive taxation on investment that stays in the country for less than a year, attracts deep suspicion.

None of the international players can yet — if ever — bring themselves to admit that one of the key causes of the worldwide financial crisis is the steady tearing down of barriers to the movement of money. Lack of transparency — combined with high levels of corruption, nepotism and so-called crony capitalism undoubtedly played a very large part as well.

But it also has to be remembered that the "crony capitalists" of South Korea, Indonesia, Malaysia itself and elsewhere have received tacit and open support from the industrialised world for decades. They were the men the West could do business with.

And even if the stables could be cleaned, yet more liberalisation — coupled with the continuing encouragement to poorer countries to find their financing from investment funds rather than direct corporate investment — will still leave such states at the mercy of every market jitter.

No amount of gentle prodding towards "accountability" and "transparency" can change that.

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