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IMF changes its lending terms

WASHINGTON, Dec 1: The International Monetary Fund yesterday said it had made a number of expected changes to its lending practices which will help it tackle crises earlier and encourage countries to pay back loans earlier, says Reuters.

The fund said in a statement that it had made numerous changes to its Contingency Credit Line to lower the interest rate on such loans and make access to funds easier.

IMF First Deputy Managing Director Stanley Fischer said the CCL would help the IMF. "Prevent crisis rather than pick up the pieces after the damage is done."

The IMF also confirmed it had made changes to its commonly used loan facilities. Under the changes, countries will be required to pay back loans earlier if their external position allows it.

Other changes include the addition of surcharges on very large loans to discourage countries from becoming overly reliant on IMF assistance.

New chairman of BSFIC

Mafzal Ahmed, Director (Marketing) of Bangladesh Sugar & Food Industries Corporation (BSFIC), has been made Chairman of the corporation, says a press release.

He assumed the charge on Tuesday. Prior to this, he was holding the current charge of the office of the Chairman as per government decision.

A career corporate executive, Mafzal Ahmed has brought with him a vast experience in industrial management. He held many responsible positions since his joining Kushtia Sugar Mills Ltd (KSM) as Senior Accountant in 1973. He was awarded a special promotion to the rank of Deputy Chief Accountant in 1974.

Since then, he has held the position Head of Accounts Department and of General Manager in different industries under BSFIC for 18 years.

As the Director (Marketing) of BSFIC, he conducted the activities of sugar import with great success and organised an effective and extensive network of sugar distribution and sales.

IMF sends mission to Indonesia next week

WASHINGTON, Dec 1: The International Monetary Fund said yesterday it would send a mission to Indonesia next week to discuss a letter of intent with authorities and set fresh economic targets, says Reuters.

"The dialogue with the Indonesian authorities in specific reform areas of importance to the economic programme will be carried forward next week when a staff team is expected to visit Jakarta," IMF spokesman Vasuki Shastry said in a brief statement.

New Senior Executive VP of Federal Ins

AQM Wazed Ali has been promoted to the rank of Senior Executive Vice-president of Federal Insurance Company Limited, says a press release. Ali, with a Master's degree with Honors from the University of Dhaka, started his career in teaching profession. Later the joined Peoples Insurance Company Ltd. as Asstt Manager.

Ali obtained Diploma in personal management and attended many seminar and courses on insurance organised by Bangladesh Insurance Academy.

He has been with Federal Insurance Company since its inception. Wazed Ali is the cabinet member of Lions Club International District 315 B3.

SOE divestment takes tumble on bureaucratic tangles

Govt apathetic despite new law to accelerate drive

By Shahriar Karim

Bureaucratic tangles and indifferent attitude of the government have put the privatisation process, one of the top issues on the present government's agenda, in limbo although the government recently enacted a new law to accelerate the drive.

However, there is no sign to expedite the process before the next general election as the government is not interested in taking any meaningful steps to privatise the state-owned enterprises (SOEs), fearing labour unrest, sources said.

On top of this, steps taken by bureaucrats in different ministries and corporations that control the SOEs, mostly prove discouraging for the buyers, they said.

In last four-and-a-half years, the present government divested only seven relatively small SOEs and five of them bear the sale price of less than Tk one crore. Besides, the government offloaded its shares in six multinational and national companies.

Meanwhile, the government has also taken an initiative to hand over nine textile mills and one jute mill to the workers and employees.

Although the government enacted a new law – Privatisation Bill 2000 – in July turning the Privatisation Board (PB) into a Commission and giving privatisation a legal basis, the process is far from getting implemented, a highly-placed source in the Privatisation Commission (PC) said.

"We are now busy making regulations, bidding and valuation manuals and other nitty-gritty in light of the new law," the source said.

However, a member of the PC said it is rather wise to go slow than hastening into the top gear, which may dip the whole process into disaster. "We are certainly going ahead albeit slow, but steady," he said, preferring anonymity.

He also said that bureaucratic procrastination in the privatisation process would diminish significantly following implementation of the new law.

The units that have been divested under the present regime include rice mill, ice factory, cold storage and flour and lentil mills.

During 1993 to 1996, the previous government also privatised seven SOEs and offloaded shares in five companies.

After coming at the helms, the present government pledged to expedite the privatisation process, a donor-slapped precondition to stop internal hemorrhage of the national exchequer, but the government did not push ahead with the agenda that much.

As there was pressure from the donors to expedite the divestment process, in March 1999 a meeting presided over by the finance minister fixed a ambitious target to privatise 50 SOEs. The result is as usual – the Privatisation Commission (PC) could only issue letters of intent for a few SOEs and in most cases the buyers' gave cold shoulders to the Commission's tenders.

Different chamber leaders have termed the buyers' cold reply as 'logical', saying that in many cases private the buyers had to wait for years to get control of their respective SOEs even after signing the takeover agreement. Sometimes due to bureaucratic hassles, things turned so bad that the buyers had no other option but to call the deals off.

Most of the SOEs have long-term bank liabilities and the buyers usually purchase the units with those debts. But the banks file cases with courts on suggestion from some bureaucrats of the ministries or corporations.

One such case is Chittaranjan Cotton Mills. After completing all the process for transferring the mill to private hands, Janata Bank filed a case to realise the long-term liability. As a result, the issue of handing the unit over to private ownership is now hanging in balance for one-and-a-half years.

Kohinoor Battery Manufacturing Co at Tongi faced the same fate. And thisnot the end. In most cases, the authorities try to sell obsolete machinery and materials along with the mills, which made the keen buyer of Kohinoor Battery Manufacturing Co to quit the contract even after depositing 25 per cent of the total value as down payment.

There are also problems regarding the lands of the SOEs. The private buyers in many cases do not get the land mentioned in the tender document, private sector people alleged. The KDS Group had to call off a deal to buy Hafiz Textile Mills, as the authorities failed to provide it with 45.77 acres land as per the deal.

Beijing warns Delhi against boycott of Chinese goods

NEW DELHI, Dec 1: China's ambassador to India Zhou Gang has rejected as "completely groundless" reports that cheap Chinese goods are flooding markets here, and warned against calls for a boycott of Chinese products, says AFP.

"Boycotting Chinese goods will prove detrimental to the interests of both sides," Zhou said in an interview published in the Economic Times today.

Indian industry has been crying foul over cheap Chinese consumer goods being smuggled in by local traders.

According to industry representatives, Chinese made umbrellas, calculators, pencils, leather items, toys and other goods have flooded several Indian towns and cities.

Rebutting such reports, Zhou said the export of Indian goods into Chinese markets was growing "much faster than China's exports to India.

"The Chinese government has consistently taken the resolute approach to curb and combat smuggling," he added.

The ambassador also denied that the low price of Chinese goods was due to export subsidies granted by Beijing.

"The competitiveness of some Chinese products comes from the great care that Chinese companies take to enhance productivity and quality and reduce cost," he said.

Zhou voiced disappointment at the way New Delhi had reacted to Indian companies' allegations against Chinese imports.

Problems cropping up in bilateral trade should be sorted out through "mutual consultations and exchanges," he said.

The Federation of Indian Chambers of Commerce and Industry (FICCI) has drawn up an 11-point agenda to protect Indian industry from "threatening" imports from China.

"We seek to identify the trade barriers that could be imposed to meet the threat from cheaper and underpriced Chinese goods," FICCI president GP Goenka said.

FICCI has also asked Nepal not to act as a transit country for Chinese exports to India.

China eyes growth boost in 2001 to enter WTO

BEIJING, Dec 1: China plans to boost government spending, reform creaky state industries and build up exports to bolster economic growth next year end prepare for entry to the World Trade Organisation, state media reported Friday, reports AP.

An annual economic planning meeting of senior politicians, bureaucrats and economists this week set priorities for 2001, deciding that China needs further government stimulus and market-opening measures, the reports said.

British Airways London Eye is illuminated by fireworks overlooking the River Thames in London Thursday. The London Eye has become one of England's most popular tourist attractions, and welcomed its three millionth visitors last week. – AFP photo

Saudi stocks slip on subdued Ramadan trade

RIYADH, Dec 1: The Saudi stock market fell a further one per cent on the week that ended yesterday as trading levels dipped with the onset of Muslim fasting month of Ramadan, Bakheet Financial Advisors (BFA) reported, says AFP.

The NCEFEI all-shares index, the most highly capitalised in the Arab world with around 60 billion dollars, declined to 2,274.76 points from 2,298.31 points on November 23.

The shares of 37 companies went down, 12 were up, nine unchanged and 17 did not trade during the week, said Bakheet.

Iraqi workers tend to pipe at the Iraqi-Turkish pipeline in Karkuk, northern Iraq, yesterday. The price of oil rose to about 32 US dollars a barrel, as Iraq halted its oil shipments through the Turkish port of Ceyhan late Thursday in the latest episode of a pricing battle that comes amid tension on world oil markets. –AFP photo

Iraq halts oil exports, shoots prices up

Baghdad blames UN sanctions committee

ANKARA, Dec 1: Iraq carried out a threat to cut off its oil exports, sending prices higher on world markets Friday amid a test of wills over sales carried out under the UN humanitarian oil-for-food programme, reports AFP.

A spokeswoman for Turkey's state oil and gas company Botas said Iraq had halted its oil shipments through the Turkish port of Ceyhan late Thursday.

Walid Khadduri, editor of the authoritative Nicosia-based Middle East Economic Survey (MEES), said that exports had also stopped from the Iraqi port of Mina-al-Bakr.

The news brought an immediate rise in the price of crude oil, with North Sea Brent hitting 32.19 dollars in early trading in London, up from 31.88 dollars at Thursday's close.

However analysts in London said the market had already discounted the effects of the cut-off.

Khadduri predicted little effect on prices, saying that the problem was in the supply of refined oil, not crude.

The move came amid tension on world oil markets. High world prices have caused social unrest and fears of recession in several industrialised countries in recent months.

Under the UN oil-for-food programme, cash from the Iraqi sales of oil is being paid into a special bank account, which is now flush with some 11 billion dollars.

Iraqi officials are demanding that buyers for their crude pay a surcharge of 50 US cents per barrel and that the extra money be paid in to banks not controlled by the UN.

The UN's Sanctions Committee, which is responsible for setting the price under which Iraq sells its oil, has refused.

Another report from Baghdad says: Iraq on Friday accused the UN sanctions committee of blocking exports of Iraqi crude after refusing Iraq's proposal for a new pricing programme for December.

A "refusal by oil customers to lift Iraqi crude is because of the rejection by the UN sanctions committee (of the price formula), and the US and British – representatives on the committee are responsible for that," the Iraqi oil ministry said in a statement.

One of thousands of public employees on strike pretends to be Chilean President Ricardo Lagos in a coffin on Thursday during a demonstration in front of the La Moneda Presidential Palace in Santiago. Some 70,000 workers are on strike demanding a salary raise of 8.3 per cent. The government has raised its initial offer of a 3.5 per cent raise to 4.3 per cent. – AFP photo

Seattle Day march ends in injuries, arrests

SEATTLE, Washington, Dec 1: A lively but peaceful day of protests marking the first anniversary of WTO demonstrations here last year ended late Thursday with two police officers injured and up to 100 arrests, police said, reports AFP.

Police took action after the officers were injured by objects thrown at them and a group of protesters refused to disperse in the downtown area.

New Seattle Police Chief Gil Kerlikowske told local media, "We accommodated the protesters all day and but we had to act when the officers were injured."

It was the first anniversary of the riotous protest that stalled a World Trade Organisation meetings here last year. Fears of a repeat of the melee were never realised.

Kerlikowske replaced police chief Norm Stamper, who retired prematurely following last year's protests that resulted in 600 arrests, three million dollars in property damage and numerous civil-rights lawsuits.

Earlier Thursday, about 2,000 people marched from local colleges to a downtown park for speeches, teach-ins, and a "global potluck."

Despite some vandalism to Starbucks coffee shops around town earlier in the week, the demonstrations were peaceful and at times light-hearted, a far cry from the tear gas, riot squads, chained protesters and chaos of a year ago, when 50,000 demonstrators overwhelmed downtown Seattle.

SE Asian woes seen hitting S'pore growth

SINGAPORE, Dec 1: Singapore's long-term growth will be undermined if its Southeast Asian neighbours fail to undertake the reforms needed to attract investors, Prime Minister Goh Chok Tong said in an interview published today, reports Reuters.

Goh told the Asian Wall Street Journal that Singapore was thriving "despite the difficult neighbourhood," partly by forging tradelinks outside Southeast Asia. But this could only lessen the impact of any problems in the region itself.

"In the medium and longer term, if the whole region becomes uninteresting for investors, that is going to affect the long-term growth of Singapore," he told the paper. "That's a worry."

Pakistan faces tough task to end 'one tranche' image

Country back to IMF good book

ISLAMABAD, Dec 1: Pakistan returned to the IMF's good books yesterday, but to stay there, ending its reputation as a "one tranche country," it must meet tough economic targets set by a skeptical international community, says Reuters.

The International Monetary Fund approved a \$596 million standby loan for Pakistan, restoring aid cut off in May 1999 because of its failure to stick to the last agreement and clearing the way for other international lenders to resume aid.

But for Pakistan to receive all the IMF aid will require meeting financial targets and making potentially painful economic reforms in what could be a difficult year. Although the programme runs only until September, the IMF will hold four reviews before the last tranche is released.

Pakistan's record on completing IMF programmes is so bad that diplomats and economists have taken to referring to it as a "one-tranche country."

"They need to generate growth to pay off the debt," said a western economist, noting that foreign debt now totals about \$33 billion.

"They have never stayed on an IMF programme.... if they squander this next tranche, I would not want to count on anything in the future."

The programme agreed with the IMF foresees a cut in the budget deficit in the current fiscal year to 5.2 per cent of GDP from 6.4 per cent in the year that ended last June.

This will require the government to meet ambitious plans for raising taxes following a campaign in 2000 to register a largely undocumented economy in which less than one per cent of people pay income tax.

Many economists privately believe it will be hard to meet the target with a slowing economy: the government had already quietly abandoned its original 4.6 per cent deficit goal.

The government itself has forecast growth of gross national product slowing from 4.8 per cent to 4.5 per cent in the fiscal year that ends next June. Much of Pakistan's economic fate is not in its own hands.

The government acknowledges the key factor in last year's growth was good crops, but water shortages in this crop year are likely to mean poorer harvests in 2001.

A reduction in the cotton crop – already forecast to fall to 10.2 million tons from 10.5 million last year – would hit at Pakistan's main hard currency earner.

And any fall below the projected 20 million tonne wheat harvest, down two million tonnes from last year, would force the country back into its traditional need for imports.

Compounding Pakistan's efforts to keep its current account deficit at one per cent of GDP are high oil prices. The oil bill last fiscal year of \$2.8 billion was double the previous and economists say it could reach \$4 billion in the current year.

Against this economic backdrop, Pakistan in the wake of the IMF accord will be negotiating a series of agreements to provide stability beyond the IMF accord.

Nepal to implement IMF-aided reforms

Bid to beat poverty

KATHMANDU, Dec 1: Nepal will implement economic reforms aimed at enhancing growth and reducing poverty with the support of the International Monetary Fund (IMF), officials said today, reports Reuters.

National Planning Commission member Shankar Sharma said the plan, "Poverty Reduction and Growth Facility" was aimed at reducing the incidence of poverty from 42 per cent of the population and raising economic growth from its current rate of about six per cent.

"No goals have, however, been fixed," Sharma told Reuters.

He said Nepal had concluded key negotiations with the Washington-based IMF for support.

Officials said Nepal could draw up to140 per cent of its quota of 71.3 million special drawing rights – about \$ 92 million – in the IMF to implement the plan after it has been approved by the Fund's board.

"This support will send a positive message to donors and investors that we are following prudent economic policies," Sharma said.

The plan aims for macroeconomic stability by cutting the budget deficit from its current level of over five per cent of gross domestic product and controlling inflation, which is now running at 3.3 per cent.

Nepal will also step up the privatisation of state firms. It has already vowed to hand over the management of two ailing state banks to the private sector as part of financial sector reforms.

Poor and mountainous Nepal depends on Western donors, including multilateral agencies like the World Bank, for more than 65 per cent of its funding for the implementation of economic development projects.