

Saudi Arabian economy booming

MANAMA (Bahrain), Dec 18 : Saudi Arabia's economy is booming with state firms and private investors alike riding a wave of business confidence that has swept the kingdom since the end of the Gulf War, reports Reuter.

State-owned firms like Saudi Basic Industries Corporation (SABIC), the kingdom's petrochemical giant, are borrowing billions of dollars to finance ambitious expansion projects.

Private investors, discouraged by economic downturns elsewhere, are repatriating funds sent abroad after Iraq invaded Kuwait in August 1990 and plan to launch new ventures at home.

"At a time when there is a recession in the United States and a slowdown elsewhere things look better at home," Henry Azam, senior economist at National Commercial Bank said.

"It's a much safer place to do business now than before and the prospects ahead look good — there is much more confidence and long-term plans can be implemented." Most of the kingdom's

banks are making solid if not record profits. Share prices on Riyadh's computer exchange have risen by an average of 70 per cent since the start of 1991.

Economists say the boom, which confounded many expectations, will almost certainly continue provided oil price — the main barometer of the kingdom's economy — remains strong next year.

Riyadh has already paid off most of an estimated 50 billion to 65 billion dollar in Gulf crisis costs and is unlikely to cut government spending — which typically accounts for about a third of total economic activity in 1992.

Independent economists say oil export revenues reached 45 billion dollar in 1991 and are projected at 43.6 billion in 1992, assuming an average price of 18 dollars per barrel and production of eight million barrels per day (BPD).

Saudi Arabia is currently producing 8.5 million BPD and has signalled it will not cut output sharply in 1992.

Trade is booming in the western port city of Jeddah

while military construction projects have begun in central areas.

State-owned oil firm Saudi Aramco, the main source of government revenues, is forging ahead with a multi-billion dollar expansion to take capacity to 10 million BPD.

SABIC plans to borrow about two billion dollar from domestic banks in 1992 to boost its petrochemical and fertiliser production to 20 million tonnes from 13 million.

Probably most important of all, the private sector is taking a more active role in the economy than ever before. Economists say the fact that Saudi Arabia emerged from its first modern war virtually unscathed has boosted public confidence.

The clipping of Iraq's military wings and closer post-crisis ties between non-Arab Iran and its Gulf Arab neighbours have made the region seem safer than ever before.

Economists say total deposits in 11 of the kingdom's 12 banks rose by 27 per cent during the first nine months of 1991. Anzar Ahmed, Vice-

President for the Riyadh based Consulting Centre for Finance and Investment, said wealthy investors were beginning to pool their resources.

The private sector is making the most of opportunities available. In the past people used to act on their own but now we see a very healthy trend for groups of investors to get together to channel their energies," he said.

Ahmed said several new firms had been set up in the past few months, including the Jeddah-based Saudi Industrial Company, which will explore new opportunities in ceramics, food, pharmaceutical and downstream petrochemical industries.

Three new share flotations this year — the first in Saudi Arabia since 1989 — were heavily oversubscribed and a similar response is expected to others scheduled for the coming months.

The Saudi official index for 55 listed companies rose to a record 184.39 points in November, up from 97.55 at the beginning of the year, and has remained close to that level ever since.

France may attain 2 pc growth

PARIS, Dec 18 : French economic growth is expected to reach an annual rate of 2 per cent in the first half of 1992, anchored on a continuing recovery in domestic household consumption that began in the second half this year, reports AP.

The projection, supplied Tuesday by France's National statistics institute (INSEE) in its latest economic outlook, compared favourably with the 1.4 per cent rise in French gross domestic product expected for all of 1991.

Earlier Tuesday, France's Finance Ministry said that growth for 1992 was expected to be in the range of 2 to 2.5 per cent. The 1992 draft budget estimated a 2.2 per cent expansion.

"The beginning of 1992 is characterized by a return to the economic, trends seen in early 1990," the INSEE report said. "The shocks caused by the Gulf War will have been fully absorbed."

French inflation, meanwhile, is expected to rise to about 3.3 per cent between June 1991 and June 1992, up for 3 per cent at the end of this year. However, the report predicted the inflation differential with Germany will remain in France's favour by roughly one percentage point.

The Statistics Bureau also noted that prices of manufactured products will rise only moderately, reflecting a slowdown in labour cost growth.

Turning to the foreign account, the INSEE said it expected a 10 billion-franc 1.8 billion dollar trade deficit in the first half of next year, roughly equal to the second half of 1991.

The gap for all of 1991 is pegged at 35 billion francs 6.5 billion dollar down from 50 billion francs 9.2 billion dollar the previous year.

"The improvement is essentially due to manufactured product trade," the think tank said.

The report noted that unemployment was likely to remain a pressing problem for the country.

Returning to the growth scenario, the INSEE underlined that domestic demand was drawing strength from improved household purchasing power and a downward trend in the household saving rate.

On the supply side, manufactured goods output wasn't seen recovering in step with demand, resulting in the slight rise in prices.



State Minister for Religious Affairs MA Mannan opening the Joydevpur Chowrasta branch of Islami Bank Bangladesh Wednesday. DC of Gazipur Jasimuddin Ahmed Chowdhury, Chairman of the Bank's Board of Directors Ataur Rahman were present.

G-7 foresees slower growth

NEW YORK, Dec 18: Deputy Finance Ministers from major industrial nations explored ways on Saturday to promote economic reforms in the fast-disintegrating Soviet Union and faster, more sustainable growth in the global economy, reports Reuter.

"We reviewed the world economy and the Soviet situation," U.S. Treasury Under-Secretary David Mulford told reporters after more than eight hours of closed-door talks.

Canadian Deputy Finance Ministers David Dodge said that both the Soviet and global economies looked worse than had been expected just a few months ago.

"All our economies are underperforming," he said.

Mulford said that the Group of Seven nations — Britain, Canada, France, Germany, Italy, Japan and the United States — were all concerned about recent slow global growth.

Exports have been one of the few bright spots for the U.S. economy over recent months but they could be threatened by slower growth overseas.

The United States has been pressing its G-7 allies to do more to promote faster global growth, particularly through lower interest rates. Most have complied, although Germany has kept its rates

high to contain inflation.

Faced with sagging popularity in the opinion polls and an upcoming election in November, President Bush has promised to produce an "action plan" next month to get the stalled US economy moving again. But some of America's allies are worried that might boost the already burgeoning US budget deficit.

"Any major action beyond cosmetics on fiscal policy is not a good idea," said one G-7 source who declined to be named.

International Monetary Fund representatives told the G-7 Deputy Finance Ministers that growth in the industrial world next year now looks to be somewhat slower than the 2-3/4 per cent pace the IMF predicted just a few months ago.

Much of that is due to the sluggish performance of the U.S. economy, which may grow only about 2-3/4 per cent in 1992 instead of the three per cent expected previously.

However, Mulford also noted that growth in Japan and Germany is slowing. The French economy is flat while that of Britain is still contracting, Mulford added.

Dodge said the Soviet economy has also deteriorated more rapidly than was expected just a few months ago.

He complained that Europe and Japan have been slow to

ship food to the Soviet Union and have failed to keep pace with the performance of Canada and the United States.

"From the Canadian perspective, and I'm sure that will be echoed by the Americans, we've heard a lot of talk but very little action (from Europe and Japan)," he said.

The United States also wants to make sure that the IMF does everything it can to promote economic reforms in the fast-disintegrating Soviet Union. One G-7 source said that Washington wants the Soviet Union to withdraw its application for membership in the fund so that it would be easier for the increasingly powerful individual republics to join.

The G-7 also discussed their agreement last month with the Soviet Union on Moscow's 65-billion dollar foreign debt. Although the Soviet Union has virtually ceased to exist, G-7 officials expect the republics to honour the debt. "They have come to an arrangement to partition the debt," Dodge said.

Another despatch from Moscow adds: The Soviet Economy, torn apart and virtually bankrupt, should survive a winter of food and fuel shortages and some senior officials are optimistic that reforms will lead to modest recovery by late next year.

Financial reform in India proposed

NEW DELHI, Dec 18 : Restrictions on private and foreign banks in India should be lifted, capital markets substantially liberalised, and the state-dominated financial sector restructured, an official report said.

A nine-member government committee on financial reforms proposed that a ban on setting up new private or foreign banks be lifted and a licensing system on bank branches be abolished, reports Reuter.

It said private sector banks should be put on an equal footing with those in the public sector and that there should be no further nationalisation of banks.

"The deterioration in the financial health of the system has reached a point where unless remedial measures are taken soon, it could... have an adverse affect on depositor and investor confidence," the long-awaited report said.

All major banks in India were nationalised in 1969 and 20 state banks now control 90 per cent of all banking assets.

State banks have funded the creation of a solid industrial base and freed millions of villagers from money-lenders.

But political intervention has laden them with bad debt, inefficiency, excess staff and a crushing heap of directives, the report said.

It was sharply critical of the politicisation of an over-regulated state banking system and said bank executives and board directors should no longer be political appointees.

"The committee believes that the Indian banking system, at present, is over-regulated and over-administered," it said. India's banks are among the least profitable in the world despite an annual deposit growth averaging 18 per cent.

They have been hit by bad loans and an obligation to pro-

vide cheap "directed credit" to socially and deprived groups, the World Bank said in a confidential report last year.

The committee proposed the government set up an assets reconstruction fund, which would take over a portion of the bad or doubtful debts at a discount. The World Bank has indicated it could provide financing for such a fund.

The committee report said that central bank policy on allowing foreign banks to open new offices, branches or subsidiaries should be liberalised.

"Joint ventures between foreign banks and Indian banks could also be permitted, particularly in regard to merchant and investment banking and other newer forms of financial services," it said.

Jyoti Basu for competition PTI from Calcutta adds: The West Bengal Chief Minister, Mr

Jyoti Basu today said that he was in favour of opening the doors of the economy to competition but at the same time stressed on the need for maintaining some regulatory measures.

Speaking at a gathering of the industrialists at a meeting of the Managing Committee of the Associated Chambers of Commerce (Assocham) here, Mr Basu said that while India could not have sheltered economy there should not be unequal competition either.

On foreign investment, he said that foreigners were welcome to invest in those sectors where India did not have the technology on exit policy. Bengal's Marxist Chief Minister said that some scheme needed to be worked out to pay off labour who were rendered surplus in any unit.

The meeting was organised by the Bengal Chamber of Commerce and Industry (BCCI).

US businesses to boost investment

WASHINGTON, Dec 18: American businesses plan to boost new plant and equipment spending by 5.4 per cent next year, a turnaround from investment cuts of recession-weakened 1991 that marked the first such drop in five years, the government said Wednesday, reports AP.

The projected 0.5 per cent reduction in investment spending in 1991 would be the first since that type of spending tumbled 2.6 per cent in 1986.

The Commerce Department said a survey conducted in October and November found businesses planning to spend a

record 558.6 billion dollar for expansion and modernization in 1992, up from 530.0 billion dollar projected for this year.

The previous record for capital spending was 532.6 billion dollar in 1990. But spending advanced just 5.0 per cent in 1990 as the economy entered the recession, compared to a 11.4 per cent gain in 1989.

The figures are not adjusted for inflation. When adjusted, 1992 spending plans rose 5.7 per cent to 521.0 billion dollar. That compares to a 1.1 per cent decrease, to 492.8 billion dollar planned for 1991.

The updated 0.5 per cent drop in spending projected for 1991 was down from the 0.5 per cent increase forecast in a survey last summer when the nation seemed to be emerging from the recession. It also compares with increases of 2.7 per cent in a spring survey, 2.5

per cent last winter and 2.4 per cent a year ago.

Since the summer survey, however, the economy has faltered and some analysts believe it has turned down again. Indeed, White House spokesman Marlin Fitzwater said on Tuesday, "For all practical purposes, the recession continues."

But because of slack demand for their products this year, many businesses have cut back on production and thus had little immediate need for new plants and equipment.

The Federal Reserve said on Monday that the nation's factories, mines and utilities were using only 79.1 per cent of their capacity in November. In addition, the recession has cut deeply into revenues available to many companies for capital spending.

The Commerce Department reported earlier that current-

production cash flow — the funds available for investment — fell 0.6 per cent in the July-October quarter after crawling up just 0.3 per cent from April through June.

The survey found the 1992 spending plans included a 0.1 per cent decrease — for manufacturing but an 8.4 per cent increase for utilities and companies engaged in mining, transportation and other non-manufacturing businesses.

Manufacturers are projecting investment spending of 184.1 billion dollar down from 184.3 billion dollar in 1991.

The projection includes a 3.0 per cent increase by industries making durable goods — big-ticket items including motor vehicles and machinery expected to last at least three year-offset by a 2.4 per cent decline by those engaged in production of nondurables such as food and clothing.

China coffers cheated of \$408m

BEIJING, Dec 18 : China's auditors this year found 2.2 billion yuan (408 million dollar) in accounting irregularities in state enterprises, the official China Daily said Wednesday, reports Reuter.

The state auditing administration, under the direct leadership of Premier Li Peng, has launched a campaign to wipe out widespread book-cooking, it said.

"In recent years, there have been more financial irregularities, such as tax evasion, diversion of state funds and cheating on revenue and expense accounts," the newspaper said.

Loss-making state enterprises, propped up by subsidy, are a huge drain on China's coffers.

As part of the crackdown, auditors will check the books of local government offices and state enterprises more frequently.

Special scrutiny will go to unprofitable firms, the newspaper said.

Extra attention will also go to audits of funds earmarked for poverty relief, agricultural development and educational and cultural purposes, it said.

Government auditors uncovered 2.2 billion yuan (408 million dollar) in financial fiddles after reviewing accounts of 199,000 state institution and enterprises during the first 10 months of the year, the newspaper said.

Since the state auditing office was established in 1983, it has recovered 17.4 billion yuan (3.22 billion dollar) in misused funds.

Iran finds largest gas field

NICOSIA, Dec 18: Iran announced on Tuesday it has tapped the world's largest gas field, finding reserves worth 200 billion dollar where its Gulf waters meet Qatar's, reports Reuter.

It said its section, called the South Pars field, holds 100 trillion cubic feet (2.8 trillion cubic metres) of gas, plus gas liquids and oil.

Oil Ministers Gholam Reza Aqazadeh, quoted by the Iranian news agency Irna, said the field was "the largest ever discovery of its kind in history."

He said the reservoir also

held 2.5 billion to 3.0 billion barrels of gas liquids.

The gas lies beneath shallow waters in the Gulf. Qatar, which calls the reservoir the North Field, began producing in August. Reserves on the Qatar side are estimated at 500 trillion cubic feet (14 trillion cubic metres).

"While drilling, oil layers were found at a depth of 1,200 to 1,400 metres the capacity and vastness of which are yet to be determined. However, it is remarkable," Aqazadeh said.

He put the value of the recoverable gas at 200 billion dollars, Tehran radio said.

Iran has the world's second largest gas reserves after the Soviet Union.

Gulf oil industry sources said in September that the Italian firm Technologic Pregettio Lavori (TPL) had started drilling three appraisal wells into the field in July on a 37 million dollar contract.

Aqazadeh said Iran was talking with several unidentified foreign firms on developing the South Pars field.

Tehran hoped to secure financing by advance sale of part of gas liquids from the project, the radio quoted him as saying.

General Motors to shut plants

DETROIT, Dec 18: General Motors Corp will close assembly plants in Texas and Ohio and lay off at least 10,000 white-collar workers next year in a move to reverse record North American losses, a newspaper reported Wednesday.

GM will shut down plants in Arlington, Texas, and Moraine, Ohio, ending weeks of speculation about how the automaker would offset slumping sales, the Detroit Free Press reported.

As many as 15,000 white-collar jobs could be eliminated, the newspaper said, citing sources it didn't name.

GM Chairman Robert Stempel planned to disclose the cutbacks to employees in a satellite broadcast and at a news conference Wednesday afternoon.

The Arlington plant in suburban Dallas, where the Buick Roadmaster, Chevrolet Caprice and Cadillac Brougham are made, employs 3,200 hourly workers. At Moraine, a suburb of

Dayton in southern Ohio, 3,200 hourly workers. At Moraine, a suburb of Dayton in southern Ohio, 3,200 hourly employees make the GMC Sonoma and Yukon, and Chevrolet's S-10, S-Blazer and typhoon.

Analysts had speculated that the streamlining was likely to include shutting down four to five assembly plants, some component and parts plants and more white-collar buyouts of layoffs.

The Free Press, citing what it described as "executives and analysts in and outside GM," said the white-collar positions would be cut mainly through layoffs.

Analyst Jean-Claude Gruet of UBS Securities in New York told the newspaper that reductions of the white-collar force would help appease the United Auto Workers Union. If Stempel cut management first, the union could be more receptive to reducing numbers of hourly workers, he said.

"The UAW may be willing to

meet GM halfway. But they're not going to give an inch unless GM greatly reduces its white-collar labour force," Gruet said. "Since 1985, GM has reduced its blue-collar work force by 30 per cent and its salaried employees by only 15 per cent. That won't do."

GM's only comment before Wednesday's scheduled announcement on the restructuring of its core North American operations was a statement Tuesday that there wouldn't be any management changes.

For weeks rumours have circulated in Detroit and on Wall Street that Lloyd Reuss could be on the way out as GM's president. He has been in command of all or part of the colossal automaker's most important business since February 1986.

"The current speculation concerning top-level management changes is totally unfounded," GM said in its statement.



DAKAR : Workers of US firm Becton Dickinson displaying a new machine that enables doctors to determine the evolution of the HIV virus in seropositive patients in just a few minutes at their stand at the 6th international conference on AIDS in Africa. —AFP photo

'92 to be a 'trial by fire' for Cuba, says Castro

MEXICO CITY, Dec 18: Cuban President Fidel Castro handed out honours for inventions to spread his country's meagre resources and braced Cuba for even tougher times, the official news agency Prensa Latina said Tuesday.

The 65-year-old leader, who seems to grow more strident as Cuba's political isolation deepens, swept like a whirlwind into a spare parts convention in Havana on Monday night, peppering inventors with questions, the official agency said.

Castro told the forum that 1992 would be a "trial by fire" — a year of more oceanats on the farms, more bicycles in the streets and fewer buses in

town. He said Cuba might have to get by with a third of the fuel it had in "normal times."

The forum brought together 1,200 people ranging from Cuba's most distinguished scientists to a Havana housewife who knitted a gasket for heavy vehicle motors, Prensa Latina said.

They presented ideas for everything from horse-drawn "multi-ploughs" to high-tech electronic sensors, the agency said in a dispatch monitored in Mexico City. Cubans have long prided

themselves on devising clever ways to do without the US imports halted 30 years ago by a Cold War economic embargo.

In Havana one can find Russian truck transmissions powering pre-revolutionary American luxury cars, and families who own two '57 Chevrolets — cannibalizing one to keep the other running.

The fall of Soviet communism and the abrupt loss of Soviet Bloc imports that had kept the economy afloat has put that resourcefulness to its toughest test.

The loss of Soviet petroleum is the most devastating.

After supplies began dwindling last year, gas was rationed, hundreds of factories were closed, public transport was cut and farm machinery was taken out of the fields.

Castro said earlier this month that Cuba did not get a "single drop" of Soviet oil in December.

Castro has resisted the tide of change redrawing the world by clinging to one-party rule and central economic plan-

ning, defying calls for reform and continuing to meddle in every level of the nation's affairs.

The years haven't been able to defeat the strong figure garbed in the eternal olive drab uniform, nor his elephantine memory that recalls the tiniest details, nor his mental agility and thirst for knowledge about the widest range of subjects, it said.

Prensa Latina said Castro presented 100 awards, then warned in his speech of the oil cutbacks. The agency did not

say which projects received awards.

Castro said there would be more transportation cuts, new electricity conservation measures, even fewer farm machines, and more bicycles.

Cuba acquired 200,000 bicycles in 1991 and began introducing horse-and ox-drawn farm machinery. Castro said the government will build or buy another million bicycles in 1992.

Although each new austerity measure moves the island closer to a pre-industrial soci-

ety, Castro insists Cuba's future lies in the realm of science. Despite the economic crisis, he has poured millions into biotechnology and genetic engineering.

Cuba's survival depends on finding "scientific and technical" solutions to the "scarcity of fuel and other limitations stemming from the disaster in the socialist world," he told the inventors.

Castro also promised to reveal his latest plans for coping with the crisis in the next few days.

Cuba has been quietly preparing for a complete fuel cutoff — what Castro calls the Zero Option — for more than a year.

It has built a plant that generates gas from livestock excrement, devised ways to fire sugar mills with straw extracted from the cane, drafted thousands of people to bring in the sugar harvest, stripped wheels off irrigation equipment to use on wooden wagons, planted vegetable gardens in vacant city lots, experimented with windmills and medicinal plants.

"Victory depends on us, on our capacity to work, to sacrifice, to overcome obstacles," Castro said.