

### EC economy to remain gloomy

BRUSSELS, Mar 22: The picture of economic activity in the European Community remains gloomy, according to an European Commission survey of business and consumer opinions, reports Xinhua.

"The mood of consumers, manufacturers, construction firms and retailers was again pessimistic in January," said the EC Commission in a report on Wednesday.

Most businesses in Europe said orders had diminished and order-books were too thin. The construction and retailing industries remained pessimistic, and consumer confidence was at the same low level in January as in December, the survey said.

Capacity utilization by industrial firms in the community was only 80.5 per cent in January against 81.4 per cent in December, it said.

# State Bank branches in US raided, prior clearance needed for issuance Pak govt cancels bond sale abroad

ISLAMABAD, Mar 22: The government on Saturday cancelled the sale of foreign exchange bonds abroad following raids on its bank branches in the United States, reports AP.

The raids were prompted by advertisements in American newspapers announcing that bearer bonds, designated in major foreign currencies, would be sold on Monday.

The government's attention has been drawn to the need for the State Bank of Pakistan to seek clearance from the United States Securities and Exchange Commission before placing its bonds for sale in the US capital market, a Finance Ministry statement said.

"Accordingly, the govern-

ment is immediately withdrawing plans to proceed with such sales and is requesting the State Bank of Pakistan, in accordance with US laws, to approach the US Securities and Exchange Commission, it said.

According to published reports, US officials considered the sale of the bonds a money-laundering operation because the ads said no questions would be asked of potential investors about the source of funds.

An annual return of 8.75 per cent on dollar deposits was offered. Investment in pound sterling offered 11.75 per cent. A rate of 10.25 per cent was set for the mark and of 7.75 per cent for yen. The invest-

ment would be free of tax payment, and investors need not disclose their identity.

The government had advised the State Bank of Pakistan to obtain the clearance of local regulatory agencies where that is required," said the statement.

A senior government official said the Central Bank apparently overlooked the regulation.

The bond sale is part of the government's policy to liberalize the exchange and payments system, a process that started last year.

Political opponents and critics of the governing Islamic Democratic Alliance called the bond sale cancellation another blunder that has damaged Pakistan's image abroad.

The government owes the nation an explanation as to why it brought such ignominy and shame to the entire nation and what remedial measures are being taken now that the United States government has taken these actions," said a statement by former Prime Minister Benazir Bhutto's Pakistan People's Party.

Reuter earlier adds: The Pakistani government said it sale of foreign exchange bearer bonds abroad would comply with the laws of the countries concerned.

The sale of the bearer bonds in foreign countries will be with the permission and in accordance with the rules of respective regulating authorities," a Finance Ministry spokesman told Reuters.

He was commenting on a statement by the US Securities and Exchange Commission (SEC) Chairman on Wednesday that federal market regulators were looking into whether bonds offered by Pakistan met US laws or qualified for a special exemption.

Foreign governments' securities offerings in the United States are in some cases exempted from registration with the SEC, the top regulator of the securities markets.

The ads in the Wall Street Journal and the Washington Post were for foreign currency bearer certificates in US dollar, British pound, German mark, Japanese yen.

The certificates have a maturity of five years and offer a return of 8.75 per cent on

dollar investments — or nearly two points above the current seven per cent yield on five-year US Treasury Notes.

"When we say no questions asked, this relates to repatriation of the capital which had flown out of Pakistan in the past," the Finance Ministry spokesman said.

The ads triggered criticism from US lawmakers. Democrat Senator John Kerry said at a Senate Foreign Relations Committee hearing, "this is corporate crime on its face."

"There is no corporate crime," the Pakistani spokesman said.

"This is a malicious allegation. If it was a crime it would not have been deliberately advertised."

### World cotton production exceeds consumption

NEW DELHI, Mar 22: World cotton production in 1991-92 is estimated at 20 million tons, 1.4 million tons more than consumption, and the trend of production in excess of consumption is likely to remain for 1992-93 despite declines in prices during 1991, reports Xinhua.

This was reported in a latest review by the "International Cotton Advisory Committee," the "Observer of Business and Politics" here said today.

During 1992-93, world cotton production is forecast to decline by only one per cent, in spite of much larger changes in market prices, while world consumption is forecast to turn upward.

### 30.86 Indian rupee now fetch one dollar

BOMBAY, Mar 22: The US dollar touched a record high of 3.2400 per Rs 100 (Rs 30.86 per dollar) here Friday, since reverting to the Liberalised Exchange Rate Management System, (LERMS) on March 3, reports PTI.

However, exporter selling partly eroded the gains and it ended at around 3.2500/50 per 100 rupee at the close.

Dealers reported fairly heavy local corporated demand for the dollar but it was inter-mixed with exporter selling and the US currency moved either-way in alternate bouts of selling and buying in a range of 3.2400 and 3.2750 dollar per 100 rupee.

They said trading had stabilised after last week's erratic and volatile movements and business volume was reported to be moderate.

### Gold prices may not fall further

MANILA, Mar 22: World gold prices may be near their bottom and should start rising as demand picks up and output eases, according to an analysis presented at an international mining conference in Manila, reports Reuter.

Fears that Russia could swamp the market and trigger a further fall in prices now appeared "less probable," said Tony Sutton-Pratt, analyst with Britain's Gold Field Mineral Services Ltd.

"The growth in (world) mine production has slowed considerably and looks certain to peak in the not too distant future, if it has not done so already," he told the four-day Asia-Pacific mining conference which ended on Saturday.

The ex-communist bloc will continue to supply gold to the West, but fears of continued heavy sales from the (former) Soviet Union have now abated," he said.

It was also unlikely that major central banks would unload much of their holdings, which had hardly varied collectively for around 40 years.

This all adds up to a lower level of future growth in supply, whereas demand looks set to continue to increase, largely through higher levels of jewellery consumption," he told the conference.

## Beijing plans to raise wages

BEIJING, Mar 22: Chinese Premier Li Peng Friday disclosed that in 1992, Chinese government plans a moderate increase in the wages of workers and other employees, reports Xinhua.

In his government work report to the annual session of the National People's Congress, Li said that those working in enterprises will get more income on the basis of better economic performance, while those working in government departments and state institutions will receive higher seniority pay and bonuses.

He said that special allowances will continue to be extended to intellectuals who have made outstanding contributions.

Meanwhile, he noted, the income of farmers will be increased by developing the rural economy and appropriately raising the state purchase price of grain.

He reiterated that the state will maintain the policy of encouraging some regions and some people to prosper earlier than others, but at the same time common prosperity should be gradually achieved through macro-regulation by the state and through various programs under which one region assists another.



FALLEN ASLEEP: A delegate to the National People's Congress couldn't stay awake for the morning session on March 21 at the Great Hall of the People in Beijing. This year's report centered mainly on economic issues reflecting recent policy remarks made by senior leader Deng Xiaoping.

### 12 more free trade zones planned

Reuter adds: China is planning a string of 12 more free trade zones along its coast following the successful launch of the Waigaoqiao zone in Shanghai this month, the official China Daily said on Sunday.

Free trade zone applications have already been approved for the Northern port of Tianjin as well as Futian and Shatoujiao in Shenzhen, just across the border from Hong Kong, it said.

Dalian in northern Liaoning province, Canton and Yangpu in the southern island province of Hainan were expected to receive approval to open their own free trade zones expected to receive approval to open their own free trade zones within the first half of this year, it added.

Jinpan in Hainan, Xiamen in Fujian province and Shantou and Zhuhai in Guangdong province are also in the running for free trade zones, the China Daily said.

Liu Yangsheng, head of the special economic zone at China's customs general ad-

ministration, was quoted as saying the move would help open more of China to foreign business.

Another Xinhua despatch adds: Vice-Premier Zou Jihua said here today that in 1992 China must concentrate efforts on developing the national economy even better and work hard to make economic development proceed as quickly

and efficiently as possible in order to increase the national economic strength and constantly improve the peoples well-being.

In his report to the current fifth session of the Seventh National People's Congress, Zou said that the general guiding concepts for the 1992 development plan are: To quicken the pace of reform

and open wider to the outside world, rely on progress in science and technology, and while continuing to maintain a balance between total supply and demand, concentrate on the important tasks of re-adjusting the economic structure and improving efficiency and quality in order to promote continued, steady and coordinated development of the national economy.

### China plans fuel forest development

BEIJING, Mar 22: China has worked out a fuel forest development plan involving development of a 2.6-million-Ha fuel forest in the next four years, reports Xinhua.

"China Daily" reported that many of the country's 900 million farmers still rely on forests for their only cooking fuel. The annual supply capacity of fuel forest currently is about 140 million tons, while the consumption exceeds 250 million tons in the rural areas, posing a threat to the nation's forest resources.

Official departments and banking institutions are urged to strongly back the development of artificial forests, mainly in southern and central China.

By 2000, China is expected to establish at least six million Ha of new fuel forest, making up 10.5 per cent of the country's total artificial forest acreage.

At present, because of the farmers' huge demands, at least 100 million tons of natural forest are lumbered annually for fuel use, 30 per cent of the nation's annual consumption of forest resources.

The present total of 31 million Ha of artificial forests ranks China as first in this field in the world.

## London Futures and Options merge

LONDON, Mar 22: The London International Financial Futures Exchange (LIFFE) and the London Traded Options Market (LTOM) combined operations Monday, making it the largest European market for futures and options, reports AP.

While both exchanges had moved to the same premises earlier this year, they now have a unified management structure and share a 25,000 square foot (2,320 square meter) trading floor.

The new exchange, which combines administration, membership, trading systems and clearing arrangements, will be known as the London International Financial Futures and Options Exchange, but still called LIFFE.

The initial announcement of the merger came in April 1990, when the two markets said they would form a single independent entity to increase trading and operating efficiency. The merger was also a move to fight competition from growing futures markets in continental Europe.

LIFFE's chairman David

Burton said Monday the merger "signifies an important step in the Exchange's development" and will help London remain competitive as an international financial center.

"The exchange is now in the unique position of offering investors, through its international membership, trading facilities in futures and options covering the seven major currencies and a broad range of UK equity options and stock index futures and options," Burton said.

London's fragmented markets have faced increasing competition from futures markets in France, the Netherlands, and Germany. Meanwhile, the Chicago-based futures and options markets have boosted efforts to expand globally through electronic-exchange initiatives.

The exchange is expected to benefit from a coordinated approach to the development of financial derivatives.

Some traders predict a doubling or even tripling of the amount of contract volume for some of the index options and futures traded because of the merger.

### Days of cheap labour over in Malaysia

KUALA LUMPUR, Mar 22: The Federation of Malaysian Manufacturers (FMM) said here that Malaysia's cheap labour days are over, reports AFP.

Manufacturers have to be more efficient and produce higher value-added products in line with a tighter labour market, Bernama news agency quoted FMM Executive Director Tan Keok Yin as saying.

Tan said electronics firms, which re-located to Malaysia in the late 1970s to take advantage of the cheap labour, could no longer survive on mere assembly of simple components but would have to move into intermediate and finished consumer products.

Malaysia's unemployment rate hit a historical low of 4.3 per cent, a rate that the labour ministry considers full employment.

The FMM said last year that Malaysia faced shortages of between 50,000 and 80,000 workers.

## Tea piles up in India

NEW DELHI, Mar 22: Over a million kilograms of tea have been piled up in India's two tea auction centers despite tea shipments there had been reduced in the last few weeks due to a sharp drop in production local press reports said, reports Xinhua.

There was a near total withdrawal by the former Soviet Union, leading to postponement of Kochin (in the southern state of Kerala) and Coimbatore (in the southern state of Tamil Nadu) leaf auctions several weeks ago, said the Observer of Business and Politics.

The report said that it is now off-season for tea production in North India, as it is winter. Lack of even scanty rains after December and the continued dry spell in high range areas, where tea estates are located has had an adverse impact on tea production in South India.

Tea production in South India for the first three months of 1992 (January-March) is likely to be 32 million kilogram, and consequently, arrivals of tea at weekly auctions in Kochin have come down by 50 per cent.

## Business briefs

**Inflation keeps low in Canada:** Canada's low inflation rate held steady in February, the government reported on Friday, and economists said the price stability could set the stage for a rebound from the long recession, reports Reuter from Ottawa.

Consumer prices rose by 1.7 per cent from a year earlier, little changed from January's 1.6 per cent rate.

**Indo-Vietnamese trade to boost:** Vietnamese Foreign Minister Nguyen Manh Cam arrived at New Delhi Saturday on a week-long visit expected to boost trade and economic ties with India, officials said, reports AFP from New Delhi.

# Prices: Brent crude and aluminium go firmer while sugar gets weak

LONDON, Mar 22: Brent crude continued its firmer trend, which began last week, in a nervous market. All signs were bullish, with traders nervous about reports of a possible US air strike against Iraq and other destabilising political factors. Traders remained sceptical that Iraq would soon resume exporting, despite reports of a UN-Iraq meeting due to start in Vienna next week.

**Gold:** Weaker. Prices fell to their lowest levels since 1986, on a wave of selling.

Prices slumped to 336.75 dollar/ounce Tuesday, recovered some ground before the South African referendum, slumped to a new low of 336 dollar Thursday, and opened steady Friday.

Traders talked of a new support level of 337 dollar.

Rumours of selling by an East European central bank triggered a wave of selling, traders said. German banks were reported selling gold accumulated from Russian swaps last year. Japanese and US investors continued to stay away, focusing on equities.

Middle eastern buyers were out of the market because of ramadan. Recent Indian legis-

lation liberalising gold imports also weakened prices.

Prices recovered slightly mid-week, after a decisive pro-reform vote in South Africa indicated output stability.

They turned down again Thursday, but steadied Friday as traders squared positions before the weekend.

**Platinum:** Weaker. Platinum prices fell sharply on the back of gold, with traders side-lined until Wednesday's South African referendum result. When this gave President F.W. de Klerk a decisive mandate, prices fell. They recovered slightly Friday on Far East buying interest.

**Silver:** Weaker. Silver was the strongest of the precious metals, with some Middle East buying interest. Prices fluctuated, falling before the South Africa vote. Price rallied in New York on news of a possible US strike against Iraqi weapons plants.

**Copper:** Steady. Prices ended the week just above last week's levels. They started the week by falling, with little to support them and stocks rising. They strengthened from mid-week onwards, boosted by better-than-expected news of a

9.6 per cent rise in US housing starts for February.

Copper's rise was limited at the end of the week by some selling activity.

Workers at Peru's Southern Peru Copper Corp. (SPCC) 0.2-million-tonne-mine were back at work by Wednesday after a 48-hour strike.

LME stocks rose 1,325 tonnes to 303,300 tonnes on lack of Chinese buying.

**ZINC:** Steady. Prices moved in a similar pattern to copper, falling early in the week, then rising after the positive US statistics.

The market started quiet and prices eased on profit-taking after last week's higher levels. Then prices rose to an 11-month high Wednesday on short-covering and Far East buying, and continued rising Thursday, boosted by technical and option-based buying — but met resistance around the 1,240 dollar/tonne level.

Traders reported tight supplies for May delivery. LME stocks rose 3,675 tonnes to 2,530 tonnes.

**Lead:** Firm. Prices firmed steadily over the week, boosted by news of a maintenance closure in Italy of Nuova Samin's 100,000-tonne

smelter for 25 days.

Prices met technical resistance at 320 pound/tonne. LME stocks fell 1,200 tonnes to 1,33,475 tonnes.

**TiA:** Steady. Prices fluctuated within a narrow range and ended the week slightly down on lack of buying interest.

The premium for Kuala Lumpur prices over the LME narrowed to 30 dollar/tonne early in the week. But the premium widened to as much as 70 dollar by Friday, following short-covering on the Malaysian market due to the US dollar's strength against the Malaysian ringgit.

LME stocks fell 240 tonnes to 12,015 tonnes.

**Aluminium:** Firmer. Like copper and zinc, prices fell early in the week, then rose, boosted by encouraging US economic figures for housing starts.

Aluminium was also buoyed by broker buying mid-week, and continuing tightness for April delivery and the emergence of tightness for May. LME stocks rose 17,600 tonnes to a new record high of 1,153,975 tonnes.

**Nickel:** Continued weak. Prices fell in a thinly traded market, but a firmer under-

tone emerged by the end of the week. Prices picked up by the end of the week on reports of an indefinite strike at western mining corp's 35,000-tonnes-per-year Kambalda Mine in Australia.

LME stocks rose 792 tonnes to 25,068 tonnes.

**Coffee:** Slightly firmer. Coffee prices rose as operators were hopeful that a price support system could be reintroduced after Brazil's private sector said they would unanimously back such a system.

Brazil's roasters, exporters, planters and industrialists dealing in soluble coffee have submitted to their government their proposals for a new international agreement.

**Sugar:** Weak. Sugar prices fluctuated within a narrow range, under pressure from the continuing world surplus of production and uncertainty about the volume of CIS imports. Forecasts of record harvests in Thailand, Brazil and India also put pressure on prices.

**Vegetable Oils:** Weak. Vegetable oil prices were depressed by an upward revision in forecasts for harvests in Brazil and India for the 1991-92 season.

Brazil's vegetable oil production should rise by 15 per cent to 19.6 million tonnes, due to improved yields, notably in the soya harvest, according to a US embassy official in Brazil.

Special publication "Oil World" indicated that India's production of vegetable oils should rise to 20.24 million tonnes from 19.89 million tonnes in 1989-90.

Palm oil prices were unaffected by figures from the Palm Oil Registration and Licensing Authority (PORLA), showing a 13.4 per cent in Malaysian stocks. They fell to 507.334 tonnes at the end of February, against 662,502 tonnes for the same period last year.

**Petroleum:** Firmer. Brent crude on the International Petroleum Exchange (IPE) continued its firmer trend, on strong technicals and fundamentals.

Talk of a possible US strike against Iraq, a United Nations deadline for Iraq to destroy its weapons, the bombing of the Israeli embassy in Argentina and Britain urging its nationals to leave Libya combined to make it a nervous week on the market.

This outweighed the prospect of Iraq resuming exports.

Talks between Iraq and the United Nations are due to begin next Thursday in Vienna. If Iraq accepts UN resolutions 706 and 712 and it could export up to 1.6 billion dollar's worth of oil over a six-month period, the Security Council President said. But traders were sceptical that Iraq would resume exporting soon, in view of its non-compliance with UN resolutions so far.

**Rubber:** Steady. Prices in London fell at the beginning of the week, then bounced back, in a quiet market.

Good demand from US tyre manufacturers for Indonesian rubber continued. But London was quiet, traders said, with some routine buying from European end-users.

Malaysian prices remained high, as the ringgit remained steady against the US dollar. Buyers turned to the cheaper West African market.

**Grains:** Steady. Grain prices were virtually unchanged over the week, ignoring an expected 250 million dollar of credit guarantees due to be granted by the US to the Community of Independent States. Experts

indicated the market was disappointed by the amount of credit (90 million dollar) granted for wheat purchases.

The market was boosted by Morocco's decision to import 3.2 million tonnes of grains in 1992, 27 per cent more than last year, due to its current drought.

Tunisia's production is likely to be halved to 985,000 tonnes in 1992, for the same reason, a US embassy official in Tunis said.

**Tea:** Weak to unchanged. Demand was good on the weekly London auction, average prices for superior grades fell slightly to 150 pence/kilo against 155 pence last week. Average and inferior grades remained unchanged at 92 pence and 80 pence respectively.

**Cotton:** Slightly firmer. Cotton prices were boosted by drought in Australia. But the trend stayed weak, due to lack of industrial buying and rumours that Pakistan's production could reach 12.5 million 170-kilo bales.

**Wool:** Unchanged. Wool top prices stayed unchanged, on a market depressed by the world recession.