Asian nations forming 'growth triangles' to boost export, observes ADB

Communist Bloc's collapse hits Asian trade

MANILA, Apr 11 : The collapse of the communist trading bloc in the former Soviet Union and Eastern Europe has hurt their trading partners in Asia, the Asian Development Bank(ADB) said Saturday, reports Reuter.

The Manila-based bank said economic change in Eastern European countries and in the Commonwealth of Independent States had substantially affected the economies of India, Laos, Mongolia and Vietnam.

Those countries until recently sent much of their exports to the former communist states under the Council for Mutual Economic Assistance (COMECON) preferential trade and payments arrangement, the bank said in its outlook for 1992.

The collapse of COMECON, on which Mongolia desponded heavily, resulted in a sharp drop in its trade last year, the Bank said.

In 1991, the country's exports and imports were only about 55 per cent and 37 per cent, respectively, of their value in 1989, the reports said.

"Many factories stopped operating and the unemployment rate rose sharply," it said, adding that Mongolia's Gross Domestic Product (GDP) fell 18 per cent last year as against a 2.1 per cent contraction in 1990.

The ADB said the net loss to Vietnam of the bloc's demise was estimated at 800-900 million dollar a year or about seven per cent of GDP.

"The Vietnamese economy experienced difficulties in 1991 since trade relations with, and financial assistance from, the former (COMECON) countries virtually terminated at a time when the economy was already being badly affected by the Gulf War . . . .", the Bank said.

Tens of thousands of expatriate Vietnamese workers returned home from the Middle East before and after the war.

Exports and imports by Laos suffered but the ADB said it was "relatively successful in offsetting the resulting shortfall in external financing by rapidly directing its trade to, and securing higher aid from" other countries.

India's trade with the former Soviet Union, Czechoslovakia and Romania declined sharply in 1991, increasing its balance of payments problems, the Bank said.

Xinhua adds: In an effort to stem production costs for manufactured goods, some Asian countries and regions are forming 'Growth triangles' to gain a greater competitive edge for exports, according to an annual report of the Asian Development Bank (ADB).

In its report of the Asian Development Outlook-1992, the Manila-based Bank said today that the growth-triangle concept exploits complementarities between geographically contiguous areas of different countries or regions to gain advantage for exports.

One prominent 'Growth trangle' centres on an area contained by Singapore, the southern part of the Malaysian state of Johore and the islands of Riau province of Indonesia, off the coast of Simatra.

The basic premise is that, as production costs in Singapore increase, manufacturing plants will move from Singapore to Johore and the Riau islands.

The products of these plants will be designed, marketed and distributed by service industries in Singapore where they will benefit from the existing excellent infrastructure.

"The triangle does not entail the sharping of product markets, rather it is a means of polling resources to attract investors' the ADB said.

Another growth-trangle exists among Hong Kong, Chinese Taipei, and south China with Guangdong and Fujian provinces in particular, and these mutually complementary economies form a solid foundation for economic cooperation, the report said.

Within the trangle, southern China has benefited from both Hong Kong and Taipei's capital, technology and management skills, while Hong Kong and Taipei have also gained greatly from the cheap labor and low production costs in southern China.

The average cost of standard factory construction in Hong Kong is more than five times the cost in Zhuhai, a special economic zone located in Guangdong, while labor costs in southern China are only one-fifth to one-tenth of those in Hong Kong.

A recent study indicated that production costs in Taipei are at least 25 per cent higher than in Fujian, China.

Besides, southern China also absorbed a large share of foreign investments in China. In 1990, Guangdong province received 1.4 billion US dollar in direct investment from Hong Kong and Chinese Taipei, or about 41 per cent of the national total.

GDP forecasts for 1992, '93

MANILA, Apr 11 : Following are the forecast Gross Domestic Product (GDP) growth rates of Asian developing countries over the next two years, compared to 1991 levels, from the Asian Development Bank, reports AFP :

	1991	1992	1993
Newly-industrialised Economies	7.3	7.1	7.1
Hong Kong	4.0	5.8	6.0
South Korea	8.3	7.3	7.1
Singapore	7.0	6.1	7.0
Taiwan	7.3	7.5	7.7
North Asia	7.0	7.8	7.5
China	7.0	7.8	7.5
Mongolia	-18.0	-6.0	-1.5
South East Asia	5.9	6.7	7.1
Indonesia	6.4	6.7	7.0
Laos	4.0	7.1	5.9
Malaysia	8.6	8.5	8.0
Philippines	-1.0	2.8	4.3
Thailand	7.5	8.0	8.1
Vietnam	3.8	5.0	4.5
South Asia	2.7	4.6	5.0
Bangladesh	3.3	4.7	5.2
Bhutan	3.5	4.0	4.6
India	2.0	4.3	4.8
Burma	3.7	4.0	4.1
Nepal	4.0	3.5	4.0
Pakistan	6.5	6.7	7.2
Sri Lanka	5.0	5.9	5.6
Pacific Islands	6.1	4.6	8.1
Fiji	0.4	3.7	4.5
Papua New Guinea	9.3	5.4	10.7
Solomon Islands	3.7	3.6	4.2
Tonga	3.9	4.5	2.2
Vanuatu	4.1	2.9	3.5
Western Samoa	-1.0		
Regional Average	5.8	6.5	6.7

Privatization: A Malaysian case

Malaysia's privatization programme, one of the largest in the developing ESCAP region, has successfully involved some 32 projects since 1983, according to the United Nations' Economic and Social Survey of Asia and Pacific-1991 released in February, 1992.

The Privatization Master Plan drawn up by the government envisages the divestiture of nearly 250 public sector enterprises, valued at over $M 16 billion, in the coming decade. The process has already helped deepen the capital market with an additional capitalization of about $M 2 billion, ADB found.

The owpership and management of Port Kelang Container Terminal was transferred from the Malaysian Government to a newly formed private company in March 1986. This was the first major privatization effort which took almost three years to complete.

The case illustrates the complexities associated with such a process in a developing economy — including the resolution of various goals and requirements of the public sector and interest groups, which are not always mutually consistent, and inadequate local expertise.

At the same time a careful privatization design can be highly effective in achieving the stated government objectives, such as improving enterprise efficiency and attracting foreign investment, and reducing public-sector involvement in areas in which the private sector can operate as efficiently if not more.

The whole port facility, including the container terminal, was managed by Port Kelang Authority, which is financially autonomous but wholly owned by the Government of Malaysia (under the Transport Ministry jurisdiction).

Operational efficiency levels at the port, an important and widely known national infrastructure, were below international standards although the Authority had always been profitable, with the container facility contributing 60 per cent to the total net earnings in 1985. Efficiency and profitability could be expected to improve considerably, increasing government income tax revenue, if management were accorded the freedom and flexibility to operate on a commercial basis. In particular, administrative and bureaucratic procedures often contributed to delays in decision making and cost overruns in the improvement and expansion of port operations.

The acute lack of expertise within the public sector to plan and execute the privatization of the container terminal necessitated the hiring of a well-established and technically competent local merchant bank (out of 5 bid offers) to conduct a detailed study of the container terminal itself, and to outline the options available to the government.

The report, submitted in December 1984, recommended the creation of a separate corporate entity for the container terminal and public bidding for its ownership. The envisaged ownership structure, after the public stock offering, is dominated by the new private company (40 per cent), the general public (35 per cent), the Port Kelang Authority (20 per cent) and the employees of Kelang Container Terminal (5 per cent).

The same merchant bank was retained to review the four bids submitted in January 1985. Each was voluminous and contained a non-Malaysian partner with substantial experience in the container terminal business, and an expressed commitment to invest equity and hence share risks in the joint venture.

After extensive review and consultations, the winning bid was announced in March 1985 although a number of outstanding problems would need to be resolved. These included management fees to be paid to the overseas partner and the formula for determining rental income to the Kelang Port Authority; among other things, the land on which the container terminal was located could not be sold to any priva interest and was thus to the leased for 21 yea to the new company.

Among the most contentious issues, howev were the terms and conditions of employme at the new company. The terminal had abo 900 workers all of whom enjoyed the sam status — in terms of pay, benefits and job sec rity — as their counterparts in the Malaysi civil service.

Protracted negotiations between the autho ity, the union and the new company culminat in an agreed package with three option Current employees could work for the ne company but remain as Port Authority emplo ees; or become workers of the new company overall terms and conditions no less favourab than those currently prevailing; or termina their employment and receive a generous seve ance package or retire early on pension; t terms associated with the last option were co ditional on age, length of service, occupati group etc.

Generally, the union succeeded in obtaini total job security for all current workers witho financial loss. However, as employees in the n company, lifetime job guarantee would no long prevail, and future promotions and compens tion would be determined more directly by p formance. In the event, 99 per cent of the co tainer terminal workforce opted to join the n company and evidence from the first 18 mont of operation indicated notable improvements productivity.

The average length of time that a contain remained in the dockyard was shortened to 3 days from 8 days; the rate of container throug put in 1987, about 12 per cent higher than the previous year, even surpassed the new co pany's own projections.

Largely as a result, Port Kelang was moved in international rankings, from the 11th po tion in 1985/86 to the seventh place a ye later.

It appears from the above case that a chan of ownership without any significant adjustme of the monopolistic character of the contain terminal operations can contribute to product ity gains.

The promotion of private sector initiativ and increased foreign and domestic particip tion through, among other measures, privatiz tion can thus be approached on a pragmatic b sis in line with the country's circumstances a priorities.

The fact that it took almost three years complete the transaction under review reve clearly the complexity and time-consuming n ture of the process.

There were a multiplicity of institutional i terests, each with different and often mutua exclusive stakes in the outcome.

Resolution of these issues required bo goodwill and concessions, was well as suppo ing changes in the relevant laws and regulatio on the part of the government

The impediments encountered by Malaysi policy makers in the process of privatizati were not particularly unique, but can be r garded generally as representing the norm the developing world, even in the relatively d veloped middle-income countries. Many of the are generic issues, not susceptible to easy a quick solution, and should therefore not be u derestimated.

Shares surge allover

LONDON, Apr 11: Share prices rose strongly on markets worldwide, propelled by a huge rebound in Tokyo stocks, victory for the ruling Conservatives in British elections and a US interest rate cut, reports Reuter.

British stocks roared ahead by more than five per cent.The dollar edged upwards after initially falling on European markets, while the pound sterling gained strongly against the mark.

The 7.55 per cent surge in Tokyo, the fifth-biggest on record, was fuelled by massive index-linked buying and bargain-hunting after steep declines this week.

"Some kind of rebound was inevitable, especially after the US rate cut, though everybody is surprised the market has bounced this far," one analyst said. "But it's too early to say whether we have touched bottom."

Satisfied that inflation is under control, the US central bank lowered to 3.75 per cent from four per cent the rate banks charge each other for overnight loans.

At the close on Friday, Tokyo's 225-share Nikkei benchmark average was up 1,252.51 points or 7.55 per cent, at 17,850.66 — but still 709.05 points or 3.82 per cent below last Friday's close.

Gold was trading at 341.15 and ounce in London three dollar above its Thursday close. The May futures contract for benchmark Brent blend crude oil was quoted at 19.05 a barrel, 14 cent higher.

The dollar steadied around 1.6240 mark and 132.39 yen after dipping below 1.62 mark early on Friday. The US currency was at 1.6325 mark and 132.30 yen in late European trading on Thursday.

The pound strengthened against the mark on the British election result, trading two to three pennies higher around 2.88 mark.

AP from New York adds: Stock prices rose Friday, lifted by the Federal Reserve's interest rate cut and sharp gains in the Tokyo and London markets.

Traders said activity was brisk in the morning, following up on the market's strong recovery Thursday after a two-day tumble. But trading tapered off later in the day amid some concerns over the economy and corporate earnings.

Tory win seen to boost economy

LONDON, Apr 11: Although the Britain's Conservative government presided over 20 months of severe recession, the new Tory victory in elections should give the economy a powerful shot in the arm, City analysts said, reports AFP.

"It's a major surprise and a major victory," a trader with the Smith New Court Brokerage House said, in a well-worn pun on the name of Prime Minister John Major.

The Institute of Directors, which had campaigned against the opposition Labour Party and for a Conservative victory, said that the end of the election period would allow signs of a recovery to emerge.

"With the blight of political uncertainty removed, business can now get on with the task of pulling Britain out of recession," the IOD said in a statement.

News of the clear Tory win, which had been totally unexpected, sent the pound sharply up on foreign exchange markets and boosted the FTSE Share index by a massive seven per cent at the start of trading on Friday. The index closed 5.6 per cent up at the end of a euphoric day.

Major himself said that ending the recession, the worst here since the 1930's, would be the first priority of his new government.

During the election campaign however, his party had been on the defensive on the economy, and unlike Labour it put forward no plans to stimulate recovery.

Major has made the continuing fight against inflation — which on Friday was reported to have fallen to an annual rate of four per cent — his main economic priority.

But City analysts said the improved situation of the pound following the election victory should allow the government to announce a new half-point cut in interest rates in the near future.

Base rates have been slowly falling, but they have been stuck at 10.5 per cent since last September.

US wheat stock nears record low

WASHINGTON, Apr 11: The nation's wheat reserves continue to dwindle toward record lows while consumer prices for cereals and baked goods keep increasing, the government reports, according to AP.

The Agriculture Department on Friday lowered its estimate of US wheat supplies, citing slightly higher export prospects.

It now expects 366 million bushels in storage bins when the next crop year begins June 1, down from earlier estimates of 390 million bushels.

The 366 million bushels would leave the country with its smallest wheat reserves since June 1974. But domestic and international demand for wheat is greater today than two decades ago.

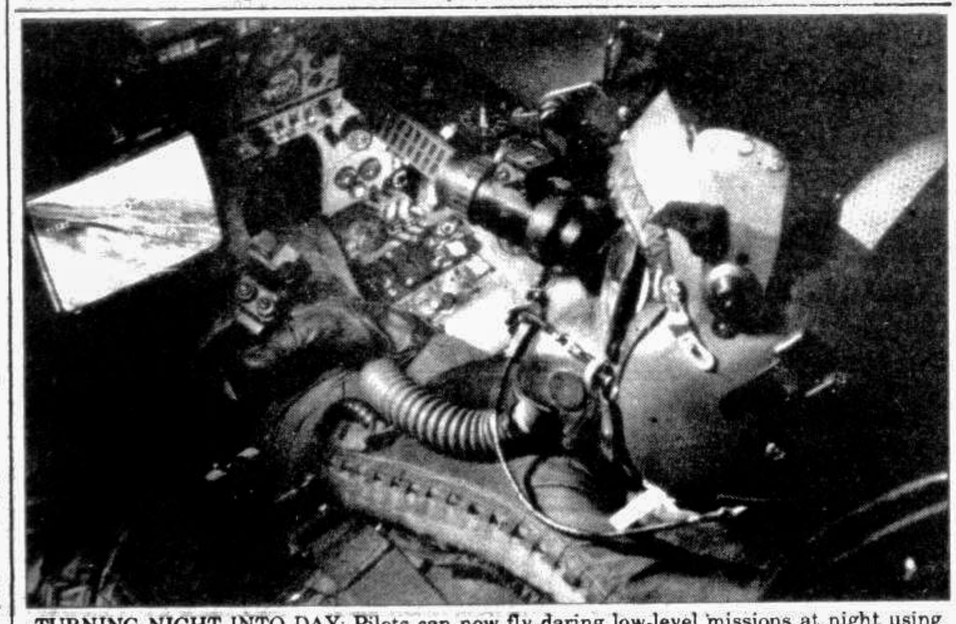
Meanwhile, the Labor Department said Friday that consumer prices for cereals and bakery products rose again in March, the third increase in as many months.

A consumer activist said prices for bread and baked goods could increase sharply this spring, especially if the Agriculture Department continues to subsidize wheat exports aggressively.

Rod Leonard, Executive Director of the Community Nutrition Institute, called on USDA to stop using subsidies to sell US wheat abroad.

"There's no justification to subsidize exports at a time when the grain situation is going to be pushing up bread and baked good prices, and generally pushing up food prices," he said.

But USDA spokesman Roger Runnigen said the Department has no plans to call off its subsidized wheat sales, USDA officials contend the sales send an important signal to the European Community, which also subsidizes exports, during international trade talks.



TURNING NIGHT INTO DAY: Pilots can now fly daring low-level missions at night using this NIGHTBIRD forward looking infra-red (FLIR) imaging system. The system shown in picture has revolutionised the operational effectiveness of military aircraft and could soon and to safety in civil airliners. It has been so effective that pilots can taxi, take off, fly at low level with full maneuverability and land... all in complete darkness. — LPS photo

India hopes to sell 60m kilos tea to Russia

NEW DELHI, Apr 11: India, the world largest tea producer, hopes to export 60 million kilos of tea to Russia in 1992, Deputy Commerce Minister Salman Khurshid said here Friday.

The minister told parliament that India had also agreed to sell three million kilos of tea to Uzbekistan and 15,000 tonnes (33,000 pounds) to Kazakhstan.

Khurshid said India exported 104.5 million kilos of tea to the erstwhile Soviet Union in 1991.

Japan's used car sales rise

TOKYO, Apr 11: Japan's used car sales in fiscal 1991 ending on March 31 rose 4.3 per cent over the previous year to 5,266,047 vehicles, the Japan Automobile Dealers Association reported, according to Xinhua.

The used car sales have been growing in the past 10 years thanks to their low prices, despite a sales slump for new cars since the fall of 1990 amid the national economic slowdown, association officials were quoted by the Kyodo News Service as saying.

New car sales in fiscal 1991 totalled 5,678,644 units, the officials said.

Banana exporting nations call meeting on EC proposal

SAN JOSE, Apr 11: The union of Banana exporting countries will call an urgent meeting at the request of Costa Rica to study the European Community's proposal on imposing a quota system on banana imports from Latin America, reports Xinhua.

Costa Rican Foreign Trade Minister Roberto Rojas Lopez said Saturday that the EC's proposal was against the rules of the General Agreement on Tariffs and Trade (GATT).

The Union, comprising eight Latin American banana producers — Colombia, Costa Rica, the Dominican Republic, Guatemala, Honduras, Nicaragua, Panama and Venezuela — seeks to adopt common policies to uphold the position of its member countries in the international banana market.

Pindi invites open bids to sell 40 units

KARACHI, Apr 11: Pakistan, as part of its privatisation drive, on Friday invited open bids for 40 state-owned concerns estimated to be worth several hundred million dollars, reports AFP.

The Privatisation Commission of the Government of Pakistan launched a media campaign offering full ownership of rice mills, cement plants, engineering units, chemicals and other enterprises.

The opening of bids for these units have been spaced between April 15 and 22. Foreign companies and individuals are welcome to bid.

The 40 enterprises are among the 115 industrial units, taken over by the state in all ill planned and unsuccessful programme of nationalisation in the 1970's which the government want to privatise.

These enterprises comprise the bulk of state-owned concerns except for defence industries. About 30 units have already been privatised including two of the five government controlled banks.

The privatisation drive is aimed at attracting foreign and domestic investment when foreign assistance is not forthcoming.

Bush sees EC closer to US stance on GATT

WASHINGTON, Apr 11: President George Bush Thursday said he was more optimistic about concluding a GATT agreement, saying the European Community appeared closer to the US position on agricultural subsidies, reports AFP.

Bush told a group of newspaper editors that he had been told the EC's Executive Commission President Jacuques Delors believed the US and European trade negotiators were very close to an agreement on agriculture.

The issue of agricultural subsides has stalled the General Agreement on Tariffs and Trade (GATT) talks, but Bush said the United States was determined to conclude an agreement.

He noted that Delors and Annitbal Cavaco Silva, Prime Minister of Portugal, which currently hold the EC's rotating presidency, would be in Washington on April 21 to try to finalise an accord.

In Sene Geneva, sources said negotiations were still blocked and that an informal meeting of delegation heads had been called for Monday, to evaluate the situation.

Senate okays $ 1.5 t Fed budget

WASHINGTON, Apr 11: T Senate on Friday approved 1.5 trillion dollar federal bu get for 1993 that embrac President Bush's call for 2 billion dollar for the milita reports AP.

By a 54-35 vote, lawmak adopted their first bud since the former Soviet publics dissolved their uni Democrats tried to save l lions of dollars from Bus military plans after the d mantling of the world's o other superpower, but l three votes on the iss Thursday.

Senate negotiators will n try to write a comprom budget with members of House, which approved a si lar plan last month.The fi product does not need t President's approval, beca it serves only as a blueprint future congressional spend bills.

Voting for the budget w 36 Democrats and Republicans, while Democrats and 20 Republica voted against it.

The spending plan, for fiscal year beginning Oct would closely track most Bush's domestic priorities. most dramatic changes la makers would make — spen ing about 1.1 billion dollar l than Bush for law enforcem and 1.8 billion dollar more welfare amount — to shifts one one-thousandth of overall budget.

Much of Friday was sp debating, and ultimately tu ing aside, a plan Republicans and Conserva Democrats to shrink the f eral deficit by limiting the controlled growth of m benefit programmes, such agricultural support paymen

"We do this because don't know any other way save America for our childre said Sen Pete Domeni "Everyone in this country l to understand there is money left in the Treasury."

Democrats were defea Thursday in three attempts reduce Bush's military pla In each case, party memb from defense-industry sta and conservatives deser their leaders and sided w Republicans.

AIDS to hit Asian govt exchequers hard soon

MANILA, Apr 11 : The economic impact of AIDS on Asia will be severe and women in the poorest countries will bear much of the burden, the Asian Development Bank (ADB) said today, reports Reuter.

By the year 2000, a large sex industry and drug use will have sparked an AIDS epidemic in the continent, the Manila-based Bank warned in its outlook for 1992.

It said a majority of the 40 million people worldwide expected to be infected by then would be in Asia, now the world's most dynamic economic area.

"While the total costs of the epidemic cannot be calculated accurately, the costs will be high," the Bank said. "Preventive measures have to be given top priority by governments sooner rather than later."

While the incidence appears much less in other parts of Asia, the number of people infected with the HIV virus which causes AIDS is now up to 400,000 in Thailand and up to one million in India, according to World Health Organisation estimates.

"The burden of the disease falls disproportionately on women in poor countries where they may have low status and are often less educated than men...preventing them from making informed decisions regarding the prevention and treatment of AIDS," the Bank said.

Rapid population growth, increasing mass migration of labour and a growing intra-Asian tourist industry would increase the spread of the disease to countries scarcely affected at present, the report said.

Rapid population growth, increasing mass migration of labour and a growing intra-Asia tourist industry would increase the spread of the disease to countries scarcely affected at present.

The Bank said AIDS — Acquired Immune Deficiency Syndrome — would impose heavy direct economic costs on countries through expensive treatment of people infected with the virus, blood screening, health education, and ensuring the supply and distribution of clean syringes and condoms.

AIDS would also affect the "most economically active age groups", meaning greater labour costs due to a reduction of highly skilled workers in several areas.

An AIDS epidemic may also severely affect vital tourist industries and lead to a decline in the productivity of a country's labour force, the Bank said.

"The diversion of resources to the control or treatment of AIDS could also reduce the effectiveness of other health programmes," the ADB said.

It said Asian governments must take more forceful steps to stop the spread of AIDS before the disease becomes an epidemic. "Investment in preventive measures would be significantly lower than the cost of a widespread AIDS epidemic."

The Bank said government policy makers must stop deluding themselves that AIDS would not hit their countries. They had to accept it was "not necessarily a disease of certain populations, nationalities or socio-economic groups."

Business briefs

Thai Economic Minister to stay : Thailand's newly-appointed Prime Minister General Suchinda Kraprayoon said Friday that Minister of Finance Suthee Singhasaneh would retain his position in the new government, reports AFP.

Suthee, a technocrat who did not run in last month's election, was given the finance portfolio by interim Prime Minister Anand Panyarachun in March 1991 following the coup led by Suchinda that the previous administration of Chatichai Choonhavan.

Indonesia to build palm oil plants abroad : Indonesia will jointly build crude palm oil refineries in the major consuming countries of China and India, as well as Cyprus, the Antars news agency said here Friday, quoting Minister of Agriculture Wardojo, reports AFP from Jakarta.

Wardojo said Indonesia had projected sales of crude palm oil of 1.62 million tonnes and 1.12 million tonnes respectively in the large domestic market of China and India in the year 2000, and hoped Cyprus would function as Indonesia's main gateway to penetrate the European market.