

Per capita income falls in LDCs

WASHINGTON, Apr 17: People in developing countries have suffered their first two-year per capita income drop in a quarter century of World Bank record-keeping, but bank economists say the decade ahead still looks bright, reports AP.

In its annual Global Economic Prospects report being published Thursday, the world's biggest lender said that although the 1990s started badly in the Third World, improved policies and other factors hold the promise of higher growth.

The Bank's estimate of their per capita income for 1991 declined by 0.2 of one percentage point in both 1990 and 1991, the only time there has been a decline two years running. The estimate does not include the countries of the former Soviet Union, which economists say would further reduce the overall figures.

The report blames war, radical political and economic changes, failure of some countries to achieve economic reforms and slow growth in industrial nations.

Despite the two-year decline, developing countries' per capita income growth in the 1990s is expected to average 3 per cent, compared with 1.2 per cent in the 1980s. The biggest improvements are foreseen in the Middle East, North Africa and Latin America, said chief bank economist Lawrence H Summers.

Growth in the industrial countries will be somewhat less, the report says.

At a news briefing, Summers acknowledged that the optimism is "typical of macro-economic forecast" but he added: "In my opinion, these expectations are now unusually well based on facts."

Poorer countries around the world are now embracing economic policies more favorable to growth, including greater openness to trade, Summers said.

"This, together with the lowering of East-West tensions, have brought about a rare set of circumstances particularly conducive to improved growth performance in the developing world," he said.

The bank study says the struggling economies of Eastern Europe, the former Soviet Union and the war-ravaged Middle East are expected to stabilise and resume growth during the rest of the decade, although

Summers expressed caution about the Soviet republics.

"It's too early to predict growth for the Soviet Union over the next decade..." he said, adding, "I'd be surprised if there is better than average performance."

The report notes that the world is "in the throes of a severe slowdown in economic activity and international commerce," with trade growth slowed to 3 per cent last year from 5 per cent in 1990.

But it says that in addition to freer trade policies in the developing countries, the recovery in the industrial economies will act as an engine of growth in the developing world.

Summers said the bank report already lags a little behind. He said if the very latest figures had been included, it probably would have been "a little more encouraging on the U S economy and a little less optimistic on Japan and the European Community."

He said signs of recovery in the United States are encouraging. "It appears that monetary easing is at long last translating into real change in economic activity," Summers said.

Worldwide trade reforms begun in the 1980s are expected to continue through this decade, the bank report says.

It projects varying economic growth from region to region:

— In Sub-Saharan Africa not including South Africa, per capita growth in real income is expected to average 0.3 of 1 per cent a year, still significantly better than the decline of the 1980s.

— Latin America's economic performance is expected to improve sharply from the decline of 0.5 of 1 per cent annually of the 1980s to a positive 2.2 per cent a year in the 1990s.

— Reforms in major South Asian economies are expected to keep growth at about the same 3 per cent a year level of the 1980s.

— East Asia is unlikely to repeat its impressive performance of the 1980s but will still remain the fastest-growing region, with per capita incomes rising at about 5 per cent annually.

— Peace and reform in the Middle East and North Africa are projected to support per capita income growth of about 1.6 per cent annually, compared with a 2.5 per cent yearly decline in the 1980s.



TRIBUTE TO EARTH SUMMIT: Some Indians are building this hut in Rio de Janeiro on Apr 15 to host some of the indigenous tribes from other countries who will attend the June 1992 UN sponsored Earth Summit. —AFP photo

Delhi to seek extra \$ 4b from IMF

TOKYO, Apr 17: India intends to ask the International Monetary Fund (IMF) for more contingency funds, although foreign reserves are at a very comfortable level, Finance Minister Manohan Singh said, reports Reuters.

Singh, who has spearheaded a series of sweeping reforms that have turned India's socialist economic policies on their head, was interviewed by Reuters at the weekend.

He said India intended to seek up to four billion dollar under an Extended Fund Facility (EFF), under which the IMF provides balance of payments assistance for longer periods.

"It is our intention to go in for the EFF because it gives us greater assurance that if we run into a bad patch, weather-wise or otherwise then a safety net exists," he said.

India's foreign exchange reserves currently total about six billion dollar a senior Reserve Bank of India (RBI) official said.

Singh said India would press ahead with its pro-

gramme of disinvestment in its huge state owned sector begun last year.

But no majority stakes will be sold.

It is our intention to retail control of these enterprises that means we will never allow the disinvestment process to go beyond 49 per cent, he said.

"India's economy has become so diversified it cannot be run in the old fashioned way," Singh said.

Singh said he has received wide support from India's traditionally protected businessmen. "I think a lot of industrialists particularly the younger generation hate growth being stunted by excessive bureaucratic controls."

Singh, in Tokyo for an investment seminar said he was confident international credit rating agencies would soon re-rate the high ratings India once enjoyed.

India once a major borrower on commercial markets will return soon to commercial borrowing that was suspended when the country hit a major balance of payments crisis in 1990, he said.

"We will return to the international commercial markets but with prudence, we will borrow so that our debt service profile remains manageable... but I don't think we will borrow those large sums that landed us in trouble in the past."

India's foreign debt currently totals about 74 billion dollar the country was hit by an acute balance of payments problem in 1990 close on the heels of the Gulf crisis.

In July 1991, soon after the minority Congress government took power, Singh devalued the rupee, deregulated industries and made the trade system more market oriented.

The 1992/93 budget, announced in February, allowed direct foreign investment in Indian equities, introduced partial conversion of the rupee, but import tariffs and only slightly raised taxes.

Singh said India had no immediate plans for full rupee convertibility.

He said he was reasonably satisfied with the rupee's partial convertibility which allowed exporters to sell 40 per

cent of their foreign exchange to the central bank at the official rate, but trade the remaining 60 per cent on the open market.

Singh said, "India would encourage large-scale foreign investment in core sectors such as energy, power, oil exploration and telecommunications because our needs are very large."

"If we parcel a part of those requirements to foreign investors to that extent we will be able to use those resources for high priority domestic programmes like poverty removal, agriculture, and social services," he said.

Singh said he was not worried about competing demands for investment from Eastern European nations as well as South East Asia's newly industrialising economies.

"We are a country which has very strong entrepreneurial traditions we are already a market economy. I think creating markets in Eastern Europe is going to take a long time so investors will discover that we are a functioning market economy."

Expo-92 extravaganza in Spain from Monday

SEVILLE (Spain), Apr 17: King Juan Carlos of Spain is to open the biggest-ever world's fair in this Andalusian city on Monday, launching a mega-event that celebrates the past while gazing resolutely to the future, reports AFP.

A record total of 110 countries are due to attend the six-month long Expo-92 event, which is being billed as the first universal exhibition of the post-Cold War world.

Timed to mark the 500th anniversary of Europe's discovery of the New World by Christopher Columbus, Expo-92 also looks forward to the third millennium, with nations vying with one another to show off their technology.

Spain and the other participants are spending some 14 billion dollar on the event, and they expect to draw between 200,000 and 300,000 visitors a day right through the torrid Andalusian summer, until the closing day on October 12.

The high number of participants — in 1970 a mere 77

countries attended the world's fair in the Japanese city of Osaka — is partly a tribute to the skill of the organisers, but also reflects a changing world.

The Spanish authorities have installed the exhibition on the 215-hectare (516-acre) Cartuja island — in fact a peninsula — batched by the Guadalquivir river. Recreating the whole world on an island has involved the setting up of four main thematic pavilions, devoted to the 15th century, navigation, nature and the future.

AP adds: Fire broke out briefly Friday in the South Pacific Islands pavilion at the Expo-92 complex a fire department spokesman said.

The spokesman said the fire broke out in the wood-and-grass pavilion at 10:30 am (0830 GMT) and that it was under control 1 1/2 hours later. There were no reports of injuries.

Mahathir sends a call to expatriates for rescue

KUALA LUMPUR, Apr 17: Prime Minister Mahathir Mohamad appealed Thursday to all Malaysians working abroad to return to their labour-short country, reports AFP.

Mahathir, visiting Malaysia's central Malacca state, said the country faces a shortage of labour in its rapidly growing manufacturing sector, Bernama news agency reported.

"Our pay here is low, no doubt, but the cost of living is also low, so why do we need to go to other countries, with some getting arrested and being treated like criminals," the Prime Minister said.

"It is most shameful if we sneak into other countries in search of jobs and the treatment we receive is no less than that of criminals," he

said, referring to those arrested for not having work permits.

Malaysians working in Japan are paid as much as 10 times what they earn in Malaysia, but much of that is cancelled by sky-high living costs in Japan, Mahathir said.

The number of Malaysians working abroad, such as in Japan, Singapore and Taiwan, was "quite substantial," he said.

Malaysia, one of the fastest growing economies in Asia and now entering its fifth year of strong growth, was forced early this year to open its doors to foreign labour to ease an acute labour crunch that is threatening to slow growth.

Mahathir said local wages are sufficient for a good living, adding that those with special skills could do even better.

GM cheated of 1 billion dollar

NEW YORK, Apr 17: A New York businessman allegedly cheated General Motors out of a billion dollar in loans by saying he was using the money to finance a business to export vans to the Middle East, reports AFP.

John McNamara, 52, is accused of fraudulently obtaining loans from General Motors Acceptance Corp, a subsidiary of the world's largest automaker.

McNamara, an influential Long Island businessman who owns one of the largest Buick-Pontiac outlets in the United States as well as shopping centres and property in several states, said he was using the money to buy chassis for vehicles he planned to convert into light vans to be sold in the Middle East.

The vehicles and the Middle East business were non-existent, but McNamara allegedly kept the scam going for more than a decade starting in 1980 by the simple expedient of taking out new loans from GM when the time came to repay earlier borrowings.

In 1991 alone, according to investigators, McNamara borrowed 1.2 billion dollar and still owes GM some 436 million dollar.

He was charged Wednesday with fraud, and faces up to 30 years in prison and fines of eight billion dollar.

He was freed on bail of 300 million dollar underwritten by his private jet, homes in New York and Florida, two garages and several companies.

Foreign workers face bad time in HK

HONG KONG, Apr 17: Good fortune has smiled on Xu Dajun for the first time since she left China a year ago seeking a better life in booming Hong Kong, reports Reuters.

After struggling to make enough money to put food on the table from her garment factory job, the 22-year-old suddenly found herself HK dollar 15,000 (1,900 dollar) richer when labour officials ordered her boss to repay illegally deducted wages.

"I'm very happy, Xu said with a big smile as she left the labour tribunal hearing last month with three co-workers who also got back their deducted wages.

Most foreign workers are not so lucky. Labour unions and workers from the Chinese mainland, who make up the bulk of foreign labourers apart from 60,000 domestic helpers from the Philippines, say abuses of foreign labour regulations abound.

Many workers do not complain, because they are afraid or are unaware of their rights. Those who do speak up often lack the evidence necessary to

bring charges.

The most common complaints against employers are illegally deducting wages, underpaying or providing accommodation that fails to meet government standards.

"Some garment workers were paid as little as HK dollar 200 (26 dollar) a month because of illegal deductions," said Hui Wing-Fung, Vice Chairman of the garment making trade workers union.

"How can they survive? Some of them can only buy white bread for meals and walk everywhere because they can't afford a bus."

Many workers are also housed in poor conditions, with one report of six women sharing a 100 square feet room (nine square meters).

Wang Chigiang, a 26-year-old former hair salon owner from China's Guangdong province, speaks about his Hong Kong experience bitterly.

Wang (not his real name) paid a HK dollar 3,000 (385 dollar) deposit to get a job at a dyeing factory here, making HK dollar 4,900 (630 dollar) each month — a virtual fortune compared to China's average

monthly salary of about 200 huan (36.70 dollar).

Six months later he found himself without job or deposit after his boss fired him and seven other Chinese for complaining about being forced to work unpaid overtime.

"Everyone in (my home town) dreams offering lots of money in Hong Kong but they are very disappointed when they come here," said Wang, as he prepared to return to his wife and two children in China. "It's all a dream."

The Hong Kong government began allowing companies to import unskilled and semi-skilled workers in 1989 to alleviate a labour shortage.

Labour department officials estimate Hong Kong now has some 13,000 foreign labourers. Applications are being considered to bring the total to a maximum of 25,000.

Apart from China, most workers come from Southeast Asia. The men tend to work in construction while the women take factory jobs.

Inspectors found that 249 employers of overseas workers out of 2,300 were in breach of regulations in the first nine

months of last year, said senior Labour Officer M C Leung.

Labour union workers say one of the main reasons for abuses is that the salary set for foreign workers is similar to that for locals.

"If every boss followed the contract and paid foreign workers the medium salary of local workers, they wouldn't bother to use foreign labour," said Wong Chi Mei, a secretary for the Hong Kong Federation of Trade Unions.

Besides the salary, they must pay for a health exam, apply for visas and deal with many other procedures."

Another problem is enforcement the maximum fine for breaching contracts is HK dollar 20,000 (2,560 dollar) but the government is considering increasing fines by up to 10 times.

Despite the problems that foreign workers face in Hong Kong, the opportunity to earn money here is still too good to pass up — at least for most.

"I saved about H K dollar 2,000 (260 dollar) a month. Some people in China can't earn HK dollar 2,000 in one year," said Wang.

Business briefs

Beneditti gets jail term for fraud: A Milan court on Thursday found businessman Carlo de Beneditti and 32 others guilty of fraud in connection with the collapse in 1982 of Banco Ambrosiano, once Italy's largest private bank, reports Reuters from Milan.

The court sentenced de Beneditti, Chairman of Computer Maker Ing C Olivetti and C Spa, to six years and four months in jail, two months more than the term the prosecution requested.

More Britons lose jobs: Unemployment increased by 7,400 in March to the highest level for four and half years, the government said Thursday, reports AP from London.

The number of people out of work increased for the 23rd consecutive month to reach 2,652,390 or 9.4 per cent of the workforce.

JAL men stage 2nd-day strike: Unions representing co-pilots, flight engineers and cabin attendants at Japan Airlines struck for a second day Thursday, but the company said more than 90 per cent of its planes were flying, reports AP from Tokyo.

Geoffrey Tudor, a JAL spokesman, said five of 47 international passenger flights and 12 of 144 domestic flights were cancelled Thursday, affecting about 2,700 passengers. Five flights were cancelled Wednesday, first day of the strike.

EC rules out seat for Russia: The European Community (EC) will be ready in 1996 to accept new members including democratic east European countries but not Russia in its present form, a top official said Wednesday, reports AFP from Kuala Lumpur.

China's consumers wage war on shoddy goods

BEIJING, Apr 17: In a country where consumer was an unknown word as late as 10 years ago, a massive campaign against shoddy goods is sweeping the Chinese who had earlier been told it was patriotic to reuse, patch, and make do with whatever they had, writes IPS.

Consumer protection groups have emerged in recent years in response to an increasing number of complaints about shabby products. Last February, leading media organisations and quality control agencies launched the 'long march to quality' campaign.

Since then, daily TV reports and newspaper columns have listed names of guilty products and manufacturers. In early March, a huge bonfire of low-quality goods was lit in suburban Beijing.

The climax of the new campaign was a live television show on March 15, International Consumers' Day, during which phone banks received hundreds of calls from all over China. Top officials, in-

cluding ministers, discussed the problem of substandard goods and sympathised with the callers. Letters and phoned-in complaints were read on the air and names of offending companies and products were flashed on screen.

One of the most notorious substandard products has been Shanghai-made shoes that only last a couple of weeks. One man complained his pair disintegrated 200 meters beyond the shop where he bought it.

Numerous complaints about the Shanghai shoes led to the discovery that well-known manufacturers illegally sell their trademarks.

Perhaps pressured by a copyright law dispute with the United States, several cases involving trademark theft of well-known foreign labels like lux soap, Levi's jeans to radio watches have been publicised.

But products that maim and kill because of their low quality have alarmed consumers the most. Last year, several children died and more than

3,000 fell ill in Yunnan province after drug treatment for intestinal parasites.

Exploding beer bottles and caustic cosmetics have also injured and scarred many buyers.

During the 'long march' call-in programme one man tearfully told of his younger brother's death from an Anhui-produced water heater — the fifth death traceable to the product.

Another blow to 'iron rice bowl'

Reuters adds: China has given loss-making state factories the power to set their own wages in another blow to the "iron rice bowl" system that guarantees millions of workers a lifetime of employment.

Economic reformers led by paramount leader Deng Xiaoping have set out to smash the system that saddles state industry with huge, unnecessary expenses.

The central government recently issued a directive giving factory managers, instead of

distant bureaucrats, control over wages and bonuses, the China Daily said on Tuesday.

Government departments at all levels have been instructed to "keep their hands off" industry payrolls, the government newspaper reported.

The immediate aim is to create pay scales that reward individual effort and skill instead of length of service and political performance — and thus boost productivity.

Eventually, economic reformers want a free market in labour as part of wider market-oriented changes that will give enterprises autonomy over prices and production, and make them responsible for their own profits and losses.

Government-awarded bonuses to "model workers", "excellent labourers" and "New long marchers" — a system riddled with political manipulation — will end under the new rules that took effect on March 1.

Giving enterprises autonomy over wages is a key to reform of the whole economy,

still dominated by lumbering state industries of 1950s vintage that operate under the state plan.

Many state factories are forced to keep legions of surplus workers on their payrolls, and sell their goods at a loss, under the state plan that also sets production quotas.

Two thirds of state enterprises are bleeding red ink, and the government this year has set aside 50 billion yuan (9.2 billion dollar) to bail them out, bloating the national budget deficit and risking higher inflation.

However, the new regulations on wages will not transform state enterprises overnight.

There is fierce resistance to economic reforms by orthodox Marxists in the leadership who fear their power will shrink along with the state sector, threatening the survival of socialism in China.

CIS needs \$ 44b in aid, says IMF chief

WASHINGTON, April 17: The 15 former Soviet republics need about 44 billion dollar in foreign aid this year, Michael Camdessus, Managing Director of the International Monetary Fund (IMF), said Wednesday, reports AFP.

That total breaks down into 24 billion dollar already promised to Russia by the industrialized countries, and 20 billion dollar for the other countries of the former Soviet Union, Camdessus said at a news conference.

The 20 billion dollar estimate for the other 14 republics was a "rough estimate" and should come from the same sources as the 24 billion dollar aid programme for Russia that was announced recently by the United States and Germany, Camdessus added.

Those sources included bilateral aid in the form of loans, credit guarantees, and debt restructuring and multilateral aid from the IMF, World Bank, European Community and others.

Camdessus also said that a major aid effort would be needed for the former Soviet republics for several years to come because of the "very difficult" situation they were in.

US trade gap in best shape at \$3.38b in nine years

WASHINGTON, Apr 17: US trade deficit improved dramatically in February, falling to 3.38 billion dollar, the best showing in nearly nine years, the government said Thursday, reports AP.

The sharp 43.1 per cent improvement from January's imbalance of 5.95 billion dollar reflected a record level of American export sales and a slight drop in imports.

The Bush administration, which is counting on continuing strength in overseas demand to help lift the country out of the recession, was certain to hail the new report as further evidence that American companies are once again competitive in overseas markets.

However, private economists worried that the February improvement will turn out to be only temporary. They noted that more than one-third of the February jump in exports came from a 909-million dollar increase in shipments of commercial aircraft and parts.

Industrial output of China soars by 18.2 pc

BEIJING, Apr 17: China's industrial output during the first three months of 1992 increased 18.2 per cent over last year, raising fears of inflation as new economic policies promote accelerated development, an official said Thursday, reports AP.

"On the one hand, we should encourage this type of enthusiasm," State Statistical Bureau spokesman Zhang Zhongli told a news conference. "But we should try our best to orient this in the right direction."

Zhang recommended a tight credit policy and government control of projects and investment.

Beijing to allow private businesses to compete in foreign trade

HONG KONG, Apr 17: China is to allow its private businessmen to compete in foreign trade, which is monopolised by state-owned enterprises, a newspaper quoting Chinese Vice Premier Tian Jiyun said Thursday, reports AFP.

Tian, who attended the 15-day trade fair in Guangzhou, said private entrepreneurs as well as state and group enterprises could handle foreign trade, the pro-Beijing Ta Kung Pao daily said.

The Vice Premier made the remarks at a meeting attended by some 500 government officials and trade fair officials.

"Foreign businessmen can freely come to China to make money from businesses, why don't we go overseas and do business there," Tian was quoted as saying.