

Trade surplus expected in 5 yrs India posts \$ 14345m exports in 11 months

NEW DELHI, Apr 29: India's exports to the hard currency areas amounted to US dollar 14345 million during the 11 months of 1991-92 as against US dollar 13518 million during the year 1989-90, and US dollar 14964 million during 1990-91, the Rajya Sabha was told Tuesday, reports PTI.

The total imports from hard currency areas amounted to US dollar 19663 million during 1989-90, US dollar 22394 million during the year 1990-91 and US dollar 16882 million during the first 11 months of 1991-92, the Minister for Commerce, P Chidambaram, informed D Trivedi in a written reply.

He said that the key element in the strategy to improve the balance of payments problem was reducing the trade deficit and current account deficit.

Steps have been taken and are being taken to stimulate production and thereby raise exportable surpluses.

The system of export linked imports has been liberalised substantially in the new import-export policy. Besides, the new scheme of partial convertibility of rupee was expected to increase foreign exchange remittances in the invisible account so as to help reduce the current account deficit, he said.

Reuter adds: India's dramatic economic reforms will push the trade balance into surplus within five years for the first time in decades, Commerce Secretary A V Ganesan said on Wednesday.

The new policies are designed to remove the bias against exports and make exports more attractive than selling in the domestic markets, he told Reuter.

Ganesan said the trade deficit in the 1992/93 fiscal year ending next March was forecast to hit four billion dol-

lar, compared to an estimated two billion dollar in 1991/92 and 5.9 billion dollar in 1990/91.

The deficit fell in 1991/92 after severe import restrictions were imposed to check a worsening balance of payments situation pushing the government to the brink of financial disaster.

Since last July, the government has introduced major economic reforms, including key changes in trade policy, to free the country from decades of socialist control.

The rupee was devalued by 19 per cent against the dollar last July to make exports more competitive and made partially convertible last month.

Tariffs have been slashed and most import licences, except for a small list of consumer items and strategic commodities, were recently abolished.

The series of changes in trade policy we have seen since last July have been the most important in India's history," said economist Isha Ahluwalia of the Centre for Policy Research, a private think-tank.

Ganesan said 1992/93 exports were set to rise to 20 billion dollar from 18 billion in 1991/92 and imports to 24 billion dollar from 20 billion dollar.

The deficit of four billion dollar a year will have to remain for a few years before we even out in 1995/96 and hopefully post a small surplus in 1996/97," he said.

However, trade remains a dismal 0.59 per cent of total world trade which Ganesan said was one of the gross under-performances of the Indian economy.

This was due to the pre-occupation of industry and foreign investors with the domestic market of 850 million people.

China lists priority sectors for foreign investors

BEIJING, Apr 29: China will give priority to foreign businessmen investing in its machine-building, electronics and new industries in the next few years, sources from the Ministry of Foreign Economic Relations and Trade said, reports Xinhua.

Textile and light industries, seen as the country's foreign exchange — earning industries, rank second on a new Ministry list of industries available to foreign investors during the 1991-95 period. After 1995, fine chemical, machinery, electronics and ship building industries will take a larger proportion in China's exports, the sources said.

The Ministry puts the basic industries, which includes communications energy, raw materials and agriculture, on the third place of the list, they said, adding that the development of other industries, which stand at the bottom will be brought under control.

The Ministry expected firms in the Pearl River Delta to use foreign investment to boost the foreign exchange-earning industries and upgrade their export products. Foreign capital will be attracted to establish more bases for the machine-building, electronics and new industries in the Yangtze River Delta, Shandong Peninsula and Liaodong Peninsula. Processing industry will be the focus for foreign investment in central and western China.

Only 2.5 billion population optimum for earth?

AMSTERDAM, Apr 29: The earth can only sustain 2.5 billion people, roughly half the current population, without irreparable damage to the ecosystem, a Dutch scientist said Tuesday, reports Reuter.

Yet on current projections the world's population was likely to reach 10 billion by 2040, putting impossible strains on the environment, warned Eduard Adema, professor of environmental studies at Wageningen Agricultural University.

Without action, the human race would wipe itself out. The tragedy is that humankind unlike other species which have become extinct in the course of evolution, will destroy itself by its own hands, Adema said.

Adema said he made his calculation on the basis of the maximum amount of resources that humans could use without depleting the ecosystem for future generations.

To avoid catastrophe people must not only drastically cut their birth rate but also accept a lower standard of living which used fewer natural resources, Adema said.

Japan, 3 other nations to coordinate business

TOKYO, Apr 29: Monetary authorities from Japan, Australia, Hong Kong and Singapore, the Asia-Pacific region's four main financial centres, will begin meeting regularly to coordinate the region's business and financial climate, a Japanese Finance Ministry official said Monday, reports AFP.

The meetings will likely be held twice annually, the official said. The first such meeting is to take place May 5 in Hong Kong on the sidelines of the Asian Development Bank (ADB) annual assembly, the official added.

On the agenda will be ways to increase cooperation and coordination between the four financial centres at a time when stock and foreign exchange markets in the region are becoming increasingly interdependent, the official said.

A schedule of later meetings is also to be set. The official said there is no plan for Finance Ministers or their direct representatives to be involved in the first meeting, although Japanese Finance Minister Tsutomu Hata is to attend the ADB assembly.

Ties between regional markets have recently been at the heart of a low-level dispute between Japan and Singapore, where the futures index-related contracts are executed on Osaka's Nikkei 225 and Singapore's Simec markets.

Singapore officials complain that their Japanese counterparts are attempting to limit the amount of business investors

Worst African drought risks 115m lives, alarms Preston

WASHINGTON, Apr 29: The African drought crisis is the worst in decades, with 115 million people facing imminent disaster, World Bank President Lewis Preston said here Tuesday, reports AFP.

"The exact dimensions of the crisis are still not known, but it appears that this could be the worst drought in decades," Preston told Finance Ministers at a meeting of the World Bank Development Committee.

"As many as 115 million people are facing imminent catastrophe from food shortages and loss of incomes," and the cereal production in the

region this year is expected to be only half the usual amount, Preston said.

This could mean record cereal imports to meet the shortfall.

The drought was threatening to undermine the considerable progress in economic development in many countries in the region in recent years, Preston said.

The Bank was already taking urgent steps to respond to the crisis, but hoped that a conference next month of donors and affected countries would come up with aid pledges to help pay for increased imports "and other

needs of the nations in distress," Preston added.

The Spring meetings of the IMF and World Bank held here this week have been overshadowed by the problems of the former Soviet Union, with both organisations announcing Monday they had given the green light to admit Russia and other republics, opening the way to massive aid.

But Preston stressed Tuesday that "the Bank has no intention of diverting its energies and resources away from its on-going concerns, even as it moves to meet a range of new development challenges."

The Group of 24 developing nations, meeting here Sunday ahead of the IMF and World Bank meetings, expressed concern that proposed changes in the way the World Bank's International Development Association (IDA) aid is allocated could penalise Sub-Saharan Africa.

The region had seen its share of total IDA aid commitment fall from 50 per cent in 1990 to 43.4 per cent last year, the G-24 said, urging the Bank to maintain the region's share at at least the 1990 level "because of the widespread poverty" there.

IMF-WB panel chief frustrated with GATT impasse

Cut in farm subsidies to affect only 2 pc of people in industrial states

WASHINGTON, Apr 29: The head of the Development Committee of the IMF and World Bank expressed frustration with the failure to conclude world trade talks and said rich nations were setting a bad example to the former communist countries of Eastern Europe and the Soviet Union, reports Reuter.

Alejandro Foxley, Chile's Finance Minister, said only two per cent of the population of industrial countries would be affected by a reduction in farm subsidies, the main issue blocking the Uruguay Round of GATT trade talks.

"It is perplexing that well-functioning democracies cannot absorb this type of structural change for political reasons."

"It's time for action," Foxley told a news conference, adding that public opinion was suffering from "trade negotiation fatigue."

A successful end to the Uruguay Round, now in its sixth year, was vital for devel-

oping countries, which would be able to increase their exports by US dollar 50 billion a year if trade barriers were reduced by half, Foxley said, citing figures given earlier by World Bank President Lewis Preston.

Failure would harm the credibility of all who espouse free trade and send an especially damaging signal to former command economies that were now embracing free markets, he added.

"We have the strongest belief that there is not much time left," Foxley said. But he said he remained hopeful that a deal would be clinched.

Foxley was speaking at a news conference that wrapped up the Spring meetings of the bank and the IMF.

In a communique, the Development Committee urged the two agencies to consider the case for transitional financial help for those developing countries that would be temporarily hurt by a liberalisation of trade rules — notably those

which are net food importers and those whose existing preferential access to markets would be eroded.

Despite short-run costs, the panel said, "the speedy completion of a successful Uruguay Round would be of enormous value to the world as a whole."

Miyazawa on trade trip

Reuter from Paris adds: Japanese Prime Minister Kichi Miyazawa arrived in Paris late on Tuesday on the first leg of a trip to France and Germany aimed in part at smoothing the way to a summit of the G-7 industrialised nations in July.

Miyazawa was due to meet President Francois Mitterrand and Prime Minister Pierre Berégovoy on Wednesday and travel to Bonn on Thursday for talks with Chancellor Helmut Kohl.

Japan's relations with France were damaged last year when then Prime Minister Edith Cresson accused Japan

of trying to conquer the world with unfair trade practices and likened Japanese workers to ants.

But Miyazawa said in an interview published on Tuesday that Franco-Japanese relations had improved since a visit by then Finance Minister Berégovoy last January.

In the interview in Le Figaro newspaper, Miyazawa said he wanted Japan to play a larger role in post-cold war world affairs from economics to the environment.

Japan wanted to help stabilise the world economy, as well as play an active role in arms control, the strengthening of the role of the United Nations, the protection of the environment and assistance to refugees.

Miyazawa reiterated his stand that progress on what Japan calls its northern territories, a string of Russian-controlled islands off its northern coast, was a condition for full-scale Japanese aid to Russia.

Fund crisis threatens IMF activities

WASHINGTON, Apr 29: A lack of funds could halt the International Monetary Fund's (IMF) activities, Managing Director Michel Camdessus warned Tuesday, but he added he believed there would be an increase in the kitty, reports AFP.

"I am optimistic... that member countries will end up voting for a capital increase because they are reasonable and know that the move is necessary for ensuring the IMF's role," Camdessus told a press conference.

He added, however, that if an increase in members' quotas is not approved in the next few months, cuts will have to be made or even a complete halt to the IMF's activities.

The IMF chief, speaking on the second day of the IMF in-

terim committee's biennial meeting, said that the organisation was now just managing and that soon there would be significant demands to be met particularly in the former Soviet Union.

The IMF voted for a 50 per cent quota increase in 1990 but it has been held up by the US Congress which has yet to pass it. The United States has the largest IMF quota.

Prospects for Congressional authorisation have improved since the White House recently appealed to increase the IMF's resources.

The interim committee, the policy-making arm of the IMF, also issued a statement at the end of their meeting noting the 'urgent' need for a quota increase.



WASHINGTON: IMF MD Michael Camdessus addressing a news conference on April 28 following IMF's Spring meeting. At right is Carlos Solchaga, Chairman of IMF interim committee and Spain's Minister of Economy and Finance. — AFP photo

US economy is on recovery path

WASHINGTON, Apr 29: The US economy clearly left the recession behind in the first three months of 1992, the government said Tuesday, but a plunge in new home sales threatened a crucial underpinning of the fledgling recovery, reports AP.

The economy, as measured by the Gross Domestic Product, expanded at a seasonally adjusted annual rate of two per cent in the January-March period, the Commerce Department said.

At best, that's a modest growth rate, economists said, and not enough to reduce the

unemployment rate, which hit a 6 1/2-year high of 7.3 per cent in February and March.

Still, it was the best growth in three years and a substantial improvement over the near-standstill in the fourth quarter of 1991, when growth slowed to a 0.4 per cent rate.

President Bush welcomed the news.

"Most people would say that two per cent growth is not recessionary," he said at a meeting with Republican lawmakers. "There are some areas that are still hurting, but clearly this is a good sign and there are a lot of other good signs."

A separate Commerce Department report, however, said new home sales plummeted 14.8 per cent in March after falling seven per cent in February. It was the worst decline since January 1982.

Nevertheless, housing construction as measured by the GDP surged 15.8 per cent in the first quarter, accounting for nearly a quarter of the economy's overall advance.

The increase was the biggest in nearly six years and came after mortgage rates reached a 19-year low early in January.

Economist David Soccidors

of the National Association of Home Builders said that if contractors can't sell the homes they've built, they'll quickly pull back, eliminating a crucial element of the recovery.

"Sales declines will come home to roost very quickly," he said. "Lenders won't let builders get way out on a limb, which means if demand weakens, construction activity will weaken very fast."

The biggest factor in the first quarter GDP rebound was a healthy 5.3 per cent increase in consumer spending, the best since the fourth quarter of 1987.

Hong Kong to recruit 12,000 guest workers

HONG KONG, Apr 29: The government of Hong Kong has decided to import 12,000 workers from other parts of the world, despite strong opposition from local workers, reports Xinhua.

This will bring the total number of imported workers to 25,000 the ceiling for the government required number of imported workers, a government spokesman said Wednesday.

Of the 12,000 imported workers, the largest shares will go to the wholesale, retail and import and export trades and the catering trade.

However, the spokesman said, the number of imported workers allowed for each industry or service sector represents a small percentage of the total number of persons employed by them.

The immigration department will shortly issued letters to successful employers who will be given six months to arrange the importation of workers.

But the spokesman reiterated that the labour importation scheme would not mean an amnesty or job opportunities for illegal immigrants, who will be repatriated as soon as they are apprehended.

Kuala Lumpur Declaration calls for extra aid for environment

KUALA LUMPUR, Apr 29: Third World Environment Ministers called on Tuesday for developed nations to make assessed contributions toward a fund for environment projects, reports Reuter.

The 30-point Kuala Lumpur Declaration said the allocations by the North should be in addition to and separate from their existing Official Development Assistance (ODA) targets.

The Declaration, issued late on Tuesday, said developing nations could contribute to the fund on a voluntary basis.

"The fund should be democratic, provide access and disbursement to all developing nations without conditions and provide funding according to priorities of the recipient," said the declaration, adopted by ministers from all 54 countries participating in the three-day conference.

It said existing financial mechanisms could be used to disburse the funds. Developed countries provide 0.3 per cent of their Gross National Product, which amounts to US 50 billion dollar a year, to the Third World in ODA for sustainable development.

United Nations Conference on Environment and Development (UNCED) Secretary-General Maurice Strong said the March the South would need 125 billion US dollar to help it meet Agenda 21, an action plan to tackle issues including poverty, toxic waste, the atmosphere and desertification.

Developed nations, led by the United States, have refused to set any specific sums of money to fund Agenda 21.

Aide plays down Yeltsin's remark on aid

WASHINGTON, Apr 29: Russian President Boris Yeltsin's top lieutenant made the rounds of Washington's power centres Tuesday and played down a defiant statement by Yeltsin on international plans to help the republics of the former Soviet Union, reports AP.

On Capitol Hill and at the White House, Russian Deputy Prime Minister Yegor Gaidar stressed the importance of moving quickly to get assistance to his country.

"Grain credits were very important this year because of a very bad harvest and problems created by the breakup of the old system," Gaidar told reporters after a brief meeting with President Bush.

Bush assured Gaidar there was bipartisan support for helping Russia.

"Politics is going to be set aside, even in this election year, to do what is right," Bush said. Addressing a Russian reporter, the president said, "Please report to the people there that I believe this will work, 'this will come together.'"

Bush said it was "in our interests that we support what they're doing."

The one discordant note was struck from Moscow where Yeltsin said, "We do not intend to work under the direct orders of the IMF. We do not agree completely with this organization's viewpoint and we will stick to our point of view."

Lankan growth slows

COLOMBO, Apr 29: Sri Lanka's economy grew only 4.8 per cent last year compared to 6.2 per cent in 1990 because of poor weather that hit agriculture, the central bank said on Wednesday, reports Reuter.

But the bank said in its annual report that the performance was still commendable.

It was achieved against the background of an unfavourable and uncertain international environment, which made production for the international market less attractive, as well as some serious setbacks in the production of important agricultural crops, said the report.

Agriculture, which accounts for 25 per cent of Gross Domestic Product, was badly affected by the poor weather, with only tea output showing some improvement, the bank said.

Tea output rose by three per cent in 1991 while rice, rubber and coconut production fell by six per cent, eight per cent and 14 per cent respectively over 1990.

The banks aid another problem was M2 money supply, which rose by 23.2 per cent over the previous year. Annual inflation fell sharply to 12 per cent in 1991 from 21 per cent in 1990.

A government economist said the rate of monetary ex-

pansion was worrying and could reverse the favourable inflation trend.

Inflation is now at about 11 per cent and could rise if money supply is not controlled through tight fiscal and monetary measures, he said.

The crucial period will be in the next few months... as to what tight measures would be taken to cut money supply.

The industrial sector, despite government incentive, also recorded slower growth. The bank said the valued of industrial output grew 10 per cent compared to 14 per cent in 1990.

The government economist said the slowdown was due to a range of factors including high interest rates, the rising cost of funds, bad exchange rate policies and political uncertainty.

Local investors are reluctant to expand when interest rates are high and when the political situation is still unstable, he said.

The country has been badly hurt by a nine-year campaign in the north and east by Tamil guerrillas seeking their own homeland, thousands have died.

The trade balance showed a deficit of 45 billion rupees (one billion US dollar) in 1991, up from the 1990 deficit of 29 billion rupees (670 million US dollar).

Business briefs

UN food aid for Bhutanese refugees: The UN World Food Programme has granted 1.7 million dollar worth aid for refugees who have fled alleged repression in Bhutan, a UN official said Tuesday, reports AP from Kathmandu.

The 4,950-ton food package, which includes rice, lentils and vegetable oil, will be distributed among more than 34,000 Bhutanese refugees living in two camps in the eastern Jhapa district, said the official requesting anonymity. The World Food Programme had provided 1,009 tons of food for 15,000 refugees earlier this year. The refugees also have got 1.5 million dollar in aid from the UN High Commission for Refugees.

New aid club for Jakarta in July: The World Bank will deliver invitations in June to donor countries to establish a new Consultative Group for Indonesia (CGI), a World Bank official said Wednesday, reports AFP from Jakarta. The invitation for a meeting, which is scheduled to take place in July at Paris, will be distributed six to eight weeks before the meeting," the World Bank Vice President for Asia Pacific, S Kajji Gautam, said after meeting Indonesian President Suharto.

Gold seized from diplomat: Revenue officials have seized 120 bars of gold from the baggage of a senior Senegalese diplomat after he returned from Hong Kong to New Delhi, a news agency reported Tuesday, according to AP from New Delhi.

The diplomat, the first counsellor in the embassy, denied the gold was his, saying it was planted in his suitcase. United News of India reported. It did not name the diplomat. The gold bars weighing 14 kilograms are worth 6.5 million rupees (252,000 dollar) in India.

China to spend \$ 55m to save pandas: China is to spend 55 million US dollar to protect its dwindling population of pandas, the official China Daily said Wednesday, reports Reuter from Beijing.

The Ministry of Forestry will use the money to set up 214 new panda preserves in Sichuan, Gansu and Shaanxi provinces over the next 10 years, it said. The areas produce the pandas' staple food, arrow bamboo.

Beware of corruption-tainted aid!

MANILA, Apr 29: Japanese scholars said Tuesday that Tokyo's development programme helped channel kickbacks to former President Ferdinand Marcos, and other governments should be wary of corruption-tainted aid, reports AP.

Sociology Professors Mamoro Tsuda of Osaka University of Foreign Studies and Masaki Yokoyama of Shikoku Gakuin University spoke with reporters in launching their book, "Japan Inc. in Asia," a collection of about 800 documents detailing alleged kickbacks by Japanese companies to corner aid projects in the Philippines.

The documents include court testimony of former Public Works Secretary Baltazar Aquino, who claimed at least five Japanese firms paid commissions to

Marcos and that he even personally collected payoffs in Hong Kong in the 1970s.

Amado Mendoza, an economics professor at the University of the Philippines, said Marcos received at least 54 million dollar from Japanese companies. The money was allegedly deposited in secret Swiss accounts.

President Corazon Aquino's government has claimed that part of the estimated 155 million dollar stashed in Marcos' Swiss accounts came from Japanese kickbacks, allegedly drawn in part from Japanese war reparations.

The Swiss federal tribunal has ruled that the money would be turned over to the Philippines if Marcos widow, Imelda, is convicted of criminal charges in connection with the Swiss deposits. Meanwhile, Mrs

Marcos is running for president in the May 11 elections.

Marcos was ousted in a popular revolt that installed Mrs Aquino as president in February 1986. He has denied any wrongdoing during his 20-year administration. He died in exile in Hawaii in 1989.

Japanese companies also have denied making payoffs to Marcos to win aid contracts. They have said payments made to local agents were in line with normal business practices.

"The Marcos documents and other related papers prove that there have been some unusual arrangements which made it possible for President Marcos to get 15 per cent... of so-called commissions," Yokoyama said.

"Our emphasis is that that is coming from the Japanese

people's tax money and then eventually it is to be paid back from the Filipino people's tax money," he said. "That kind of practice has to be stopped."

Tsuda said "This is a very typical structural example in concrete cases of how the donor country, in the name of government or business, is operating."

Asked if he suspected corruption-tainted aid in other countries, Tsuda said, "It is not a suspicion, it is a natural conclusion..."

He said the same departments in large Japanese companies that operated in the Philippines during the Marcos administration operated throughout the rest of the world.

He cited Peru, which continues to receive Japanese assistance despite the declaration of emergency rule by President Alberto Fujimori, who is of Japanese descent.