

# Rat race across China to attract foreign capital

BEIJING, May 9: From China's hinterlands to its booming, capitalist-influenced southern cities, officials are scrambling to take advantage of the leadership's call for bold economic reform, reports AP.

City and provincial officials nationwide are racing to announce plans for new development zones and offer preferential treatment to foreign investors.

Some provinces — emboldened by senior leader Deng Xiaoping's recent call for "liberated thinking" to accelerate market-style reforms — are preparing to strike out on their own to attract foreign investment without waiting for guidance from the central government.

"It inevitably will lead to a go-go attitude in economic activity with very strong economic growth this year," said economist Anthony Chan of Business International, a research and consulting company in Hong Kong.

Trade officials say the bolder approach will be felt outside China as well.

"China is going to seize these favourable opportunities to develop trade," said Huang Yuefeng, spokesman for the Ministry of Foreign Economic Relations and Trade.

During a tour of thriving coastal regions in January and February, Deng urged the resumption of economic reforms he pioneered a decade ago.

He praised the country's two stock markets and recommended borrowing successful strategies from capitalism.

A Dutch businessman said Deng's call for bolder economic reforms had an immediate effect on his dealings with Chinese companies.

"It's made people more open and ready to deal with us," said Hank Scullard, Northolt of the Holland-based Hofung trade company. "I was here in '89 and '90 and the atmosphere was quite different."

Deng's reforms stalled after Beijing imposed austerity measures in 1988 to curb inflation of nearly 40 per cent.

After the brutal crackdown on 1989's pro-democracy movement brought hard-liners to the fore, they shut down some reformist research institutes, discouraged experiments with new reformists and tried to tighten central

economic controls. Some local authorities ignored the anti-reform police, especially in southern Guangdong province near Hong Kong. Despite go-slow orders from Beijing, Guangdong's economy grew 13.5 per cent in 1991 compared to seven per cent for the nation as a whole.

Now that reform is back in

official favour, Guangdong, other coastal provinces and the Yangtze River Valley are being targeted for especially fast development.

So is the island province of Hainan. In mid-March, the Chinese leadership agreed to let the Japanese company Kumagai gumi lease 30 square kilometers of land there for an industrial park and port.

The project was stalled after 1989 because hard-liners opposed leasing that much land to a foreign company.

While local officials see fresh opportunities in the new spirit, Chan said it could bring back high inflation.

"I don't know how the Chinese will handle that," Chan said. "It really depends on if the central government can explain to people this is the price they have to pay for further development."

Some analysts also say accelerated reforms will heighten tensions between the prosperous coast and poor inland areas that lack the infrastructure to attract foreign investors and trade.

"They don't have anything to work with in the first place, so you've still got the problem of poverty in those regions," said Andrew Mathan, a Sociologist at Columbia University.

The true measure of reform will be how the leadership deals with floundering state enterprises that require constant infusions of government cash.

The government says it will finally get tough this year with Moribund industries, forcing them to restructure or go bankrupt.

But it may be an empty threat. Large-scale layoffs could generate social unrest, and stability remains the government's No. 1 concern.

"The real impact of the talk of reforms depends on how reforms will solve these problems," Chan said.

## China becoming counterfeiting haven?

HONG KONG, May 9: China is on the way to becoming the centre of the counterfeiting industry in Asia with unscrupulous Hong Kong and Taiwanese businessmen said to be the brains behind the copycat business in the mainland, reports IPS.

In March, Hong Kong customs seized some one million dollar worth of fake brandname jeans arriving by container ship from China bound for Latin America — one of the biggest markets for counterfeit products from Asia.

Hong Kong customs officials say they are receiving increasing tips about counterfeit shipments from China, which has apparently taken over the 'fake' industry from Thailand, Indonesia and the Philippines.

The governments of Hong Kong and Taiwan have clamped down hard on counterfeiters since Western governments stepped up pressure in the mid-1980's. Controls in Hong Kong and Taiwan are now quite effective, say observers.

But private investigators say traders have merely moved their production across the border where copyright infringement rules are lax and enforcement almost non-existent until very recently.

Said Tom Gray, a Hong Kong-based US customs official: "We're worried about what's going on across the border in China. There's not much trademark protection. That's probably why there's been a recent shift by Hong Kong companies to China."

This is borne out by Ken Allen of Factfinders, a private investigative firm which specialises in tracking down counterfeiters. The firm has several branches in Asia representing major European and US fashion houses.

Said Allen, "Hong Kong used to be a big trademark infringement centre 10 years ago. Then counterfeiting moved to Thailand, Indonesia, and the Philippines. In the last year or so, we have seen a new trend, a growth in infringement activities in China."

More and more of the firm's work involves China where it has to send teams over the border to investigate counterfeiting cases, added Allen.

"Rules in China are not so strict but the impetus to relocate counterfeit industries there comes from Hong Kong and Taiwan traders," said Simon Cheetham, General Manager of Pinkertons Security Consultants, one of the world's largest private detective agencies.

The traders receive the orders and then sub-contract to the mainland factories. They can easily switch between factories to avoid detection, said Cheetham.

He added that aside from land and labour being cheap in China, traders also believe they are less likely to get caught there.

Of the 100 copyright infringement cases a month handled by Pinkerton's Hong Kong staff, almost half relate to China. This compares with a case load of 50 to 60 cases a month in Thailand and some 80 a month in Taiwan.

Experts say the movement of counterfeit production to China closely parallels the migration across the border since the early 1980's of Hong Kong manufacturers aiming to take advantage of China's cheap labour. Over 20,000 Hong Kong factories have moved production over the border in recent years.

## Japan's growth marks sharp rise

TOKYO, May 9: Japan's real Gross National Product (GNP) for the first quarter is estimated to have grown at an annual 4.2 per cent rate, an economic forecast published Saturday said, reports AFP.

The figure represented a sharp improvement from the previous quarter's zero growth. The Japan Center for Economic Research, an affiliate of Japan's leading economic newspaper, Nihon Keizai, attributed the January-March growth to strong consumer demand and housing investment, which rose for the first time in six quarters.

It said that housing starts and personal consumption were seen to have risen 2.4 and 1.2 per cent, respectively, from the previous quarter, although equipment and plant investment levelled off.

It predicted that GNP, the sum of the nation's output of goods and services would grow 0.8 per cent in the April-June quarter, for an annualized 3.3 per cent rise.

## Rubber trees also source of honey!

NEW DELHI, May 9: Indian scientists have found that rubber trees, known more for its latex, are a potential source of honey, reports Xinhua.

The scientists at the Rubber Research Institute of India (RRII) said that rubber tree is among the very few plants in nature producing honey from its non-floral parts. Large amounts of nectar are produced from the extra-floral nectar glands at the distal end of the petioles where the leaflets join.

They said although the nectariferous bud scales and glands on the lower surface of the leaf lamina secrete small amounts of nectar, only the nectar-yielding glands on the tips of the petiole are found to be frequented by the bees for nectar.

The scientists pointed out that on an average, a hive in a rubber plantation can yield 19.46 kilograms honey per year.

## World may be split into three economic blocs

### Protectionism risks Asian boom

TAIPEI, May 9: The trade boom underpinning Asia's rapid economic growth is under threat from rising global protectionism, delegates at an international symposium in Taipei said Friday, reports Reuter.

Government officials and businessmen from many countries said they worried that the world trading system could break into three rival blocs based on North America, the European Community and Asia.

"These three trading blocs, with the Asian bloc centered around Japan, are the natural fault lines along which the world could split up," said Lee Hsien Lung, Singapore's Deputy Prime Minister and Minister for Trade and Industry.

"I don't think this three-way split could be viable or stable. It would have great economic costs," he told about 500 delegates attending the symposium to discuss the development of the Asian regional economy.

Asia's political and military security could also suffer if higher tariffs and other barriers reduced the region's access to US and European markets, he said.

"If China is unable to trade freely, if its reforms are thwarted by lack of access to western markets for political or economic reasons, it will be an unstable and difficult neighbour," Lee said.

Delegates said Asian governments might feel forced to

form a regional trade bloc-erecting barriers to imports from the rest of the world, to confront, the European Community and a North American Free Trade Agreement proposed by Washington.

"The emergence of tri-polar trading blocs — a 'fortress Europe,' a 'fortress North America' and 'fortress Asia' — would spell disaster for the developing world," said John McGillicuddy, Chairman of Chemical Bank of the United States.

Delegates said rising global trade tensions were symbolised by the continued failure of the Uruguay Round of world trade talks, — now in its sixth year — to reach agreement on removing a wide range of bar-

## Manufactured goods sale slumps in Malaysia

KUALA LUMPUR, May 9: Malaysia's manufacturing sector, hurt by a rising local currency, reported a 9.5 per cent month-on-month decline in sales to 7.76 billion Malaysian dollar (three billion US) in February, reports AFP.

But the Statistics Department said total sales for the first two months of the year were 12.3 per cent higher at 13.5 billion Malaysian dollar (5.2 billion US) than the same period in 1991.

The Federation of Malaysian Manufacturers (FMM) on Wednesday voiced concern over the sharp surge in the ringgit over the past four months. It has appreciated by 6.8 per cent against the US dollar in this period.

Such steep appreciation over such a short period has hurt exports and eroded gains, the FMM said.

FMM Executive Director Tan Keok Yinon Thursday called on the authorities to intervene to moderate the rise "to allow manufacturers time to adjust."

Malaysia's booming manufacturing sector, dubbed the engine of the nation's growth, accounts for two-third of its annual foreign exchange earnings.

Manufactured exports earned the country 36.4 billion US dollar last year.

The ringgit closed Thursday at 2,517 to the dollar compared with an average of 2,71-2,72 last year.

## Coconut shells to be used as icecream cups

COCHIN (India), May 9: A coconut-rich state in southern India will export shells to Barcelona for use as ice cream cups during the Olympic games, officials say, reports AP.

Three companies in Kerala state will sell 600,000 shells for 10 cents each to a Barcelona firm, said VT Markose, chief coconut officer of the state-run Coconut Development Board.

"It is better than throwing them away," said Markose. Discarded coconut shells are often used as begging bowls or utensils by the poor in India.



Atlas Bangladesh Ltd arranged a "safety ride" training for 50 bikers with the company-built Hondas in Dhaka Saturday.

## Tea prices shoot up in London

LONDON, May 9: Widespread droughts in Africa and Asia have led to a short-term shortage in tea supplies and sent prices at the London auction to their highest level for around 16 months, trade sources said here, reports Reuter.

"We're short on stock with the drought in Kenya, Zimbabwe and Central Africa generally" one trade source said.

Sri Lanka has also faced one of the worst droughts in its history, while a shortage of rain in two more key producing regions of south India and Indonesia has hit crops.

Crop shortfalls and signs of a re-emergence of demand

from Russia have helped to reverse a downward trend in prices which fell in January to their lowest level in 3-1/2 year.

The weighted average price at this week's London auction rose to 122.26 pence (dollar 2.18) a kilo the highest level since January, 1991, and sharply up from the low of 88.70 pence (dollar 1.58) established less than four months ago.

Kenya is the leading supplier of tea to Britain but is unlikely to match last year's record output of 202,000 tonnes following the drought.

Tribal unrest in crowing areas earlier this year also hurt production prospects. Some

workers were said to have fled fields to escape violent conflict.

Kenyan output in the first two months of this year was 13.5 per cent lower at 32,425 tonnes, Kenyan Tea Board figures show. Zimbabwe has been the worst affected African producer. Tea Grower's Association figures show output during the first three months of 1992 fell by one-third to 4,573 tonnes.

Trade sources have estimated that Sri Lanka will produce only around 180,000 tonnes of tea in 1992, down from 240,700 the previous year.

Renewed demand from

Russian, following the signing of a trade protocol with India in February, has also aided sentiment. Last week Russia was the major buyer of tea at the Calcutta Auction.

Trade sources said however that imports into Russia were still below levels seen before recent upheavals.

Internal demand in India has also been strong, supported by a rise in domestic sugar production, which has turned the country from a sugar importer to an exporter during the last couple of years.

Trade sources said Indians drink tea heavily sweetened.

## New battery for electric car made

TOKYO, May 9: Japan's Matsushita Battery Industrial Co. said Thursday it had developed a nickel metal hydride battery, which lasts much longer than conventional lead acid storage ones, for electric cars, reports AFP.

The Matsushita Electric Industrial Co. subsidiary said it was the world's first sealed nickel metal hydride battery for use in electric vehicles and that the company hoped to produce it on a commercial basis in the mid-1990's.

A vehicle, mounted with the new battery, can travel 140 kilometers (90 miles) without recharging, some 2.8 times further than lead acid storage batteries, company officials said.

## India okays 364 foreign ventures

### MPs demand probe into stock scandal

NEW DELHI, May 9: Agitated Congress (I) and opposition members Friday demanded in the Rajya Sabha appointment of a joint parliamentary committee to probe into the stock market scandal with the alleged connivance of the State Bank of India and other governmental financial institutions, reports PTI.

They also said that pending the CBI inquiry into the multi-crore scandal, involving the Bombay-based businessman Harshad Mehta, the Finance Minister, Dr Manmohan Singh, should suspend concerned officials in the SBI, Reserve Bank of India and other offices concerned.

Raising the matter during zero hour, Jagesh Desai (Cong-I), said his warning that Harshad Mehta was not working alone had been proved by yesterday's news reports that he had misused and borrowed money from the National Housing Bank, a subsidiary of the Reserve Bank of India.

Another report adds: As many as 364 proposals envisaging direct foreign invest-

ment of Rs 1,256.89 crore are among 1,062 foreign collaboration proposals approved by the government and the Reserve Bank of India (RBI) by March under the new economic policy, the Rajya Sabha was told Friday.

The total foreign collaboration approved in the corresponding period in 1990-91 was 364 and of these 100 were for financial collaboration involving foreign investment of Rs 94.07 crore, the Minister of State for Industries, Prof P J Kurien, said in a written reply.

Prof Kurien said that policy initiatives liberalising the provisions and simplifying the procedure relating to foreign investment initiated, by the government have generated considerable interest amongst foreign investors.

NRI proposals the special approval committee (non resident Indians) has approved 67 letters of intent, foreign collaboration and capital goods imports involving a total of fixed capital investment of Rs 265.56 crore, he said.

## Expert tells Kuwait to cut spending

KUWAIT, May 9: The head of the Kuwait Investment Authority (KIA) — responsible for the country's world-wide financial holdings — urged the government to cut spending, to avoid further international borrowing and sales of overseas assets, reports Reuter.

"I don't think the way the government is spending is wise under the circumstances. The government should be wise and we should have a courageous decision to tighten the belts, KIA Chairman Abdullah al-Qabandi told Reuters in an interview.

This is only a personal opinion and I emphasise that and it has nothing to do with KIA, he added.

Our infrastructure is already there, so non-essential items are not important now, Qabandi said, adding that KIA did not intend to sell major overseas assets.

We have accumulated these assets abroad over so many

years. "It would be a pity to burn this for things that are not essential."

Economists have criticised government financial policy and voiced concern the economy could suffer for years to come.

Qabandi said Kuwait was trying to meet cash needs through export credit agreements and had not decided if it would need to borrow more on the international market.

"How much the government is going to spend, I don't know. It depends on how (it) is going to squeeze spending," Qabandi said.

He said Kuwait needed cash but had other options than selling overseas assets or borrowing more on the world market.

Kuwait has signed a dollar 5.5 billion export credit guarantee for reconstruction with the US, Canada, Japan, Britain and other European countries.

## Business briefs

**German workers return to work:** Public sector employees returned to work Friday throughout western Germany after union leaders agreed to a government pay offer and called off the country's lengthiest postwar strike, reports AFP from Bonn.

The deal, which smashed the government's anti-inflation limit of 4.8 per cent, was being seen as an embarrassing climb-down for Chancellor Helmut Kohl's government.

Even pro-government papers hailed the deal as a personal humiliation for the Chancellor only a week after the political crisis sparked by the resignation of his Foreign Minister, Hans-Dietrich Genscher.

**Delors goes to Russia May 29:** European Commission President Jacques Delors will visit Russia on May 29 to reinforce the European Community's links with the newly-independent state, State Secretary Gennadi Burbullis told journalists on Friday, reports Reuter from Brussels.

Russia is currently negotiating over the scope of its links with the 12-nation bloc, he said. "At an important meeting with Delors, we discussed in detail the content of a May 29 visit at (President Boris) Yeltsin's invitation."

**EC lowers growth projections:** The European Community Commission said Thursday it lowered its forecast for economic growth in the trade bloc for 1992 because of slower-than-expected economic recovery in the 12 member states, reports AP from Brussels.

The Commission now estimates a Community economic growth in 1992 of between 1.7 per cent and 1.8 per cent from a previous estimate of 2.25 per cent, a Commission spokesman said Thursday.

**NEC-Sony bid to make common software:** Japan's NEC Corp and Sony Corp. said they would develop common Japanese-language software for their Reduced Instruction Set Computer (RISC) workstation, reports AFP from Tokyo.

It is the first tie-up in computer business by the two electronics giants and is aimed at creating a common UNIX computing environment and boosting their share in the Japanese workstation market, company official said. UNIX is an operating system commonly used in computer workstations.

**Mixed forecasts for Japan's cosmetics:** Shiseido Co Ltd and Kanebo Ltd, Japan's two major cosmetic-makers announced mixed business forecasts for the year just ended in March and the ongoing year to March 1993, reports AFP from Tokyo.

Shiseido, the country's top cosmetic manufacturer, said it would post a record pre-tax profit of 33.2 billion yen (250 million dollar) in the year to March 1993, up from 32.2 billion yen (240 million dollar) expected in the year just ended. Meanwhile, Kanebo said it had slashed projections for pre-tax profit for the year to March 1992 from an original 8.5 billion yen (64 million dollar) estimated for the year to March 1992.

**Ruble convertibility to take time:** Representatives of the International Monetary Fund said Thursday that Russia's plan to allow free trade in the ruble against other currencies — full convertibility — would "take a long time," reports AFP from Moscow.

The government has said it plans to do so by August. But Murray Seager and Hernan Pointas told a press conference that the value of the ruble would have to be stabilised first.

**Kazakh-US oil sharing accord:** Kazakhstan will get 80 per cent of the profits from a joint venture with Chevron Corp, the American oil giant, to exploit its rich Tengiz oil field, Komsomolokaya Pravda reported Friday, according to AP from Moscow.

The ITR-Tass news agency reported Thursday that a protocol creating the Tengiz-Chevron joint venture was signed by Kazakhstan's deputy premier Kalyk Abdullayev and Richard Matzke, the president of Chevron Overseas Petroleum Co.

## Kohl loses first big battle in containing budget gap

BONN, May 9: Chancellor Helmut Kohl has lost the first major battle in his campaign to get Germany's spiralling budget deficits under control, reports Reuter.

By taking a tough line in the high-stakes public sector pay dispute, he had hoped to show his government's determination to get all west Germans to tighten their belts for a few years while resources are poured into the former communist East.

The plan backfired. After an 11-day strike, public employers caved in and conceded a pay rise of 5.4 per cent, plus

frills, which the government acknowledges is more than Germany can afford.

"I appeal to employers and unions to stop this disastrous development, which will ultimately endanger jobs," Finance Minister Theo Waigel said on Friday.

Kohl's numerous appeals for restraint went unheeded, and political commentators said the climb down after a strike many believe could have been avoided would further weaken his authority, already undermined by bitter infighting within his centre-right coalition.

An embarrassing result for Chancellor Kohl, said a commentator on Suedwestfunk Radio.

Commentators said the wage settlement called into question the feasibility of Waigel's plan to slash the federal budget deficit to 25 billion mark by 1995 from around 45 billion expected this year.

To the annoyance of unions and the opposition Social Democrats (SPD), Waigel and Kohl insist this can be done without raising taxes, even for the wealthy.

They aim to do it by limiting growth in federal spending to 2.5 per cent per year — less than inflation — and banning new spending unless it is offset by cuts in other areas.

The business newspaper Handelsblatt said with spending by the Labour Ministry — the biggest single budget item — tipped to rise eight per cent to 98.5 billion mark in 1993, other spending would have to be frozen to meet Waigel's target.

"How this is to be done in view of wage increases of five to six per cent is Waigel's secret," the newspaper com-

mented.

It predicted a bruising confrontation within the coalition as individual ministers, ordered by Waigel to decide themselves where the axe should fall, fight for their own departments.

"At the end of the debate, they are going to dip into the citizens' pockets again," Handelsblatt predicted.

Despite its loud calls for belt-tightening all around, Kohl's government still supports costly projects like the controversial Eurofighter — a west European joint venture jet to defend against a com-

munist enemy that no longer exists.

It has also failed to attack the huge government subsidies paid to the coal industry and agriculture and aims to go ahead with plans to cut corporate taxes and top income tax rates.

Waigel, leader of the Christian Social Union (CSU), and other coalition members have warned that time is running out for the government to produce credible strategies for tackling debt and other problems such as a record influx of asylum-seekers.