

BRIEFS

Minister asks Algiers to stop borrowing

ABU DHABI, May 28: Algerian Industry and Mining Minister Abdennour Keramane has urged his government to stop borrowing, saying that it was undermining the national economy and discouraging investment, according to a report here Wednesday, says AFP.

Keramane, who was quoted by the United Arab Emirates daily Al Itihad, put Algeria's debt at 25 billion dollar and said servicing would be nine billion dollar this year — or 75 per cent of the country's income of 12 billion dollar.

He said debt-servicing was almost double the principal loan and had accumulated in just two years.

Multi-billion-dollar railway planned in China

HONG KONG, May 28: The Kowloon Canton Railway Corporation (KCRC) plans to build a multi-billion-dollar railway across central and western new territories to link Kwat Chung with Shenzhen's light railway, South China Morning Post reported today, according to Xinhua.

Chairman Kevin Hyde Wednesday said that the 35-kilometer railway, about the length of the existing heavy rail between Hung Hom and Lo Wu is yet to be approved by the Hong Kong government and could be built within five years.

Shenzhen firm takes 60 pc shares of LA co

HONG KONG, May 28: A glass company in China's most prosperous special economic zone of Shenzhen has acquired a controlling share in a US firm in its first overseas venture, a report said Thursday, according to AFP.

The Southern Glass Co with a staff of 400 in Shenzhen which borders Hong Kong had acquired a 60 per cent equity in the Los Angeles-based Standard Glass Co, the semi-official Hong Kong China News Service said.

McDonnell may turn down Taipei offer

TAIPEI, May 28: A proposal by Taiwan Aerospace Corp (TAC) to form an aircraft leasing company to promote sales of McDonnell Douglas aircraft is unlikely to be accepted by the US plane maker, it was reported here Wednesday, according to AFP.

The semi-official Central News Agency (CNA) said TAC had proposed forming a plane leasing company with McDonnell Douglas to promote sales of the US company's new generation MD-12 commercial aircraft.

But the latest issue of the New York-based Aviation Week and Space Technology had said, "Such a TAC bargaining position almost certainly would scuttle the prospects of a joint venture with McDonnell Douglas and spell the death knell for the MD-12," the agency reported.

French firm wins Vietnam contract

HANOI, May 28: The French firm Sedivers announced here Wednesday that it had signed the first major contract linked with Vietnam's national power line project, beating out companies from Japan, South Korea, China and Ukraine, reports AFP.

Export Director Rene Tabouret said in a statement that Sedivers would provide insulators and accessories for the line, which will run for 1,400 kilometers from northern to southern Vietnam.

Tabouret declined to reveal the value of the contract signed with Vietnam's electricity company Number One, but informed sources said the average bid was about 30 million dollar.

Japan announces aid to PNG

TOKYO, May 28: Japan will extend 50,000 dollar in emergency aid and 93,850 dollar worth of medicines and other relief goods to flood-hit Papua New Guinea, the foreign ministry said Wednesday, reports AFP.

The south Pacific nation will use the aid to repair damage caused by massive flooding in recent weeks, the ministry said.

O & Y gets protection for London project

LONDON, May 28: Olympia and York, the world's largest developer, obtained court protection Thursday for its massive Canary Wharf project in London, a move that dismantles existing plans to restructure its 12.2 billion dollar in debts, reports AP.

In a statement released in London, the Toronto-based company said it was asking the court to appoint an administrator to oversee the 71-acre office development that has been a severe drain on Olympia and York's finances.

RBI orders liquidation of a bank, takes over another

NEW DELHI, May 28: India's central bank has ordered the liquidation of a private sector bank and virtually taken over another in a crackdown stemming from a billion-dollar securities scandal, press reports said Thursday, according to AFP.

The Reserve Bank of India (RBI) appointed a liquidator for the 46-year-old Bank of Karad Ltd, and replaced the board of directors of the Metropolitan Cooperative Bank Ltd with an administrator, it was announced in Bombay Wednesday.

Operations at the 46 branches of the Bank of Karad all over the country were sus-

pended with effect from Thursday, newspapers quoted RBI sources as saying in Bombay.

Founded in 1946 in the town of Karad about 300 kilometres southwest of Bombay, it has a capital base of 13.3 million dollar and deposits of about 200 million dollar. Depositors will be allowed to draw up to 1,000 dollar each.

As news of the liquidation decision reached Karad, shareholders and depositors held street protests outside the bank's nine branches in the town, newspapers said.

Bank of Karad figured upfront in the scandal involving Harshad "Big Bull" Mehta,

accused of siphoning money from the government bond market and investing it in the stock market for personal gain.

Several top bankers allegedly connived with Mehta in the scam which has shaken India's financial community since it came to light last month.

Bank of Karad, which allegedly worked in tandem with the Metropolitan Cooperative Bank, was accused of issuing false banker receipts worth about 300 million dollar without ensuring its broker-clients actually possessed the securities they claimed to hold, newspapers said.

Standard Chartered and the

Indian Canbank Financial Services Ltd were reported to have suffered the worst losses as a result of the false receipts.

Meanwhile, the Central Bureau of Investigation, the government agency probing the deal, has estimated that about one billion dollar was involved in the "fraudulent transactions" by brokers and banks, the Indian Express said.

Reuter adds: Fraudulent or uncovered Banker's Receipts (BRs) — promissory notes issued by a bank to pledge delivery of government securities — have been at the heart of the 30-billion rupee scandal.

Investigators are looking into possible collusion between

bankers and stock brokers to channel money from the government bonds market to the booming Bombay bourse through the BRs.

Venkitaraman said he asked the Maharashtra state government to take action against the Metropolitan Bank.

The bank, which had a capital base of only 50 million rupee, issued Banker's Receipts worth five billion rupee in its operations in the capital markets, UNI said.

At a meeting to review the BRs last weekend, bankers found that the five billion rupee was issued by Metropolitan to Standard Chartered Bank, The Economic Times said.

The meeting concluded that the total amount of uncovered or fraudulent BRs held by various Indian and foreign banks was around 30 billion rupee, the financial daily said.

Standard Chartered executives are in Bombay to investigate their Bombay bank's treasury operations, the newspaper said.

The London-based bank has provided 50 million sterling against possible losses at its Bombay operations.

The bank also advanced four billion rupee against BRs to the National Housing Bank.

RBI's Venkitaraman told UNI that a virtual news blackout over the scandal was necessary because the central bank was poised to act against the parties involved.

The RBI this week asked Bhupen Dalal, a Director and part owner of the Bank of Karad, to step down, The Economic Times said.

The Economic Times said the bankers' round table discovered that the Bank of Karad had issued nine billion rupee in uncovered banker's receipts.

RBI's Venkitaraman also told UNI the Managing Director of Canfin Bank had been suspended in the burgeoning scandal.

At least four officials of the Reserve Bank have also been suspended so far in the investigations, UNI said.



NUMBER NUISANCE: Some 3,000 participants in Pepsi-Cola's controversial "Number fever" lottery swamped the Pepsi's main office at Manila to demand their million peso prize on May 27. A riot erupted when the wrong number, 349, was announced May 25 on television and later withdrawn by the giant US softdrink company officials who said that the right combination was 134. —AFP photo

US step to market bio-tech foods

WASHINGTON, May 28: The White House has announced new guidelines that it says will speed the commercialisation of new biotechnology-produced foods, reports USIS.

Commercialisation of fruits, vegetables and grains developed through biotechnology could have "enormous repercussions" for expanding food production globally, David Kessler, Commissioner of the Food and Drug Administration (FDA), told reporters during the May 26 announcement at the White House.

Biotechnology is broadly defined as any technique that uses living organisms or parts of organisms, such as genes, to modify products or to improve plants or animals.

Such foods are not currently on the market and uncertainty about how the government might regulate these products has inhibited their commercialisation, the White House said.

Secretary of Health and Human Services Louis Sullivan said a number of companies are ready to bring some of these new products to the market shelves and the administration's new policy will provide guidelines for doing so.

Under the new policy, the level of government oversight on the new products will depend on the food's characteristics, not on the method by which it was derived.

Plant varieties containing substances that are the same as or substantially similar to substances found in other foods, such as proteins, fats, oils and carbohydrates, will not require any premarket review.

For example, if a high quality protein found in bananas were added to a variety of tomato, a premarket review would not be required before the tomato was put on the market shelf.

However, premarket review would be required when concentrations of any naturally occurring toxicants in the plant were increased, when an allergen not commonly found in the plant was introduced, when the levels of important nutrients were changed, when new substances were introduced into food that raised safety questions and when there were environmental effects.

Sullivan said that new discoveries in biotechnology will produce foods more pest and disease resistant, more resistant to cold and other adverse weather conditions, more tolerant of chemical herbicides, and with improved nutritional content.

"These new technologies will benefit all Americans by providing foods that are tastier, more varied, more wholesome and that can be produced more efficiently," Sullivan said. "The policy, we are announcing Wednesday, will ensure the safety of these foods while facilitating their availability as quickly as possible."

Kessler said he does not believe that the new products will face trade barriers in other countries. He said the European Community is in the process of issuing its own biotechnology document that he believes will coincide with the new US guidelines.

Higher oil prices don't hit US

NEW YORK, May 28: Higher oil prices could push US inflation higher and cause other complications while leaving the economic recovery intact, analysts said, reports Reuter.

It leaves the Fed extremely happy that they did not ease in the last week or two, said Richard Hoey, Chief Economist at Dreyfus Corp, adding that it will reinforce the tendency of the Federal Reserve to wait for further data.

But the impact of steady policy falls unevenly, Hoey said, with sectors gasping for lower interest rates such as commercial real estate now unlikely to find relief.

Robert Brusca, Chief Economist at Nikko Securities Co International, expects the Fed and other central banks to react with vigour to keep the impact of higher oil prices confined to the energy sector. But he cautioned that a shift to a tighter monetary policy will be painful for the fixed income markets.

Analysts and traders said any predictions were tentative. "It's my opinion that the oil price increase will not stick," said William Arnold, Vice President and chief currency dealer at Chemical Banking

Corp. Supply and demand factors could dictate a retreat from the 22 dollar oil price level seen this week.

Mike Niemira, Economist at Mitsubishi Bank Ltd, said if the higher prices hold up they probably will show up very quickly in economic data.

He said not only can higher energy prices ripple through to related areas such as the price of an airplane ticket, but other manufacturers can use the higher energy prices as a cover to get their own price increases into the market.

In an environment where business conditions are improving, it's easier to do that, he said. Niemira thought it unlikely the US recovery will be derailed because of higher oil prices, but he said there could be a flat or negative quarter.

Darwin Beck, Economist at First Boston Corp, said the Consumer Price Index (CPI) might be 0.25 percentage point higher than it would otherwise be, depending on the amount of the oil price rise.

Obviously it will take something out of purchasing power, he said, but the economic impact may not be major. He said the Fed normally does not focus on food and energy prices

because the former depend on the weather and the latter are set by a cartel.

Merrill Lynch and Co Economist Bruce Steinberg thought there is really little to be overly concerned about.

If they do manage to get the oil price up that much, Steinberg said, it could add 0.2 or 0.3 percentage point to the Consumer Price Index in the coming year but only if higher prices persisted for the entire period.

Steinberg said anything over 24 dollar per barrel of oil has proven to be atop over the last six years, when that happens OPEC (Organisation of Petroleum Exporting Countries) members begin to cheat on their targets, he said.

A three-dollar per barrel increase in the price of oil could add 0.3 to 0.5 percentage point to inflation, said Allen Sinai of the Boston Co Economic Advisors Inc.

"It's not enough to derail what looks like an entrenched recovery," Sinai said, adding that the OPEC stance seemed to stem more from politics than from economic factors. The economics of demand and supply do not support more than a three-dollar or four-dollar rise in the price of oil, he said.

Japan's labour shortage eases

TOKYO, May 28: Japan's chronic labour shortage had eased slightly because a recent economic slowdown has put downward pressure on the jobs-to-applicants ratio for April, a trend likely to continue until the economy bottoms out, economists said, reports Reuter.

But the change is too slight to have a sharp effect on the unemployment rate which will remain low, they added. "Jobs-to-applicant ratio reflects moves in the economy more rapidly and clearly than the unemployment rates," said Haruhiko Nagai, an Assistant Manager at Sumitomo Trust and Banking.

The jobs data will be out after a cabinet meeting on Friday according to polls taken by Reuter, economists on average forecast April seasonally adjusted unemployment rate at 2.1 per cent, unchanged from March, while the jobs-to-applicants ratio is seen at 1.19 in April, down from 1.22 in March.

A day for a non-smoker indeed

SYDNEY, May 28: An Australian court on Wednesday ruled in a landmark decision that an employer was negligent in not protecting a non-smoker from the cigarette smoke of her colleagues, reports Reuter.

A Sydney district court awarded a woman psychologist Australian dollar 85,000 (US 65,000 dollar) in damages after she claimed that breathing in tobacco smoke for 12 years had made her asthma worse, ultimately leading to emphysema.

Lawyers for Liesel Scholem, 64, described the four-man jury's ruling as a world's first and said it put the onus on employers to provide a smoke-free environment.

"It is a tremendous precedent in Australia and internationally," lawyer Ronald Everingham told reporters. The message to employers is, "if you are not smoke-free, go smoke-free tomorrow," he said.

Foreign capital to Thailand halted

BANGKOK, May 28: Hundreds of millions of dollars of investment earmarked for Thailand has been put on hold following last week's slaying of pro-democracy protesters by the country's military, economic experts say, reports AFP.

For Thailand that would be a disappointment. Before the political crisis, experts were forecasting growth of up to nine per cent in what has been one of the world's fastest growing economies.

That Military Bank President Supachai Panichpakdi said he was looking toward next year before there is any sign of improvement. "We may have to wait until the second half of 1993 for the recovery," he said.

Olam Chapatrat, Senior Executive Vice President of Siam Commercial Bank, was even more pessimistic, predicting full recovery would take three to five years.

Tourism, the country's biggest single foreign currency earner, was already in a slump following last year's Gulf War, and hotels and airlines are reporting a drop in visitors.

Tourism brought in 4.36 billion dollar in 1991 but experts are now warning of a drop this year, instead of the

increase projected earlier by the Bank of Thailand.

Most major hotels have slashed room rates as the battle for fewer visitors heats up.

The Oriental, the city's most famous hotel, has faxed businessman announcing tariff cuts, while another luxury hotel, The Dusit Thani, is offering up to 50 per cent off quoted rates.

"Most of the major hotels are deserted at the moment," a western businessman said. "They are like ghost hotels."

The English-language Nation newspaper, quoting a source in Thai International Airways, said bookings, on the national carrier have fallen 50 to 80 per cent in recent days.

A company survey revealed that 246 of 376 passengers booked on a flight from Tokyo had cancelled. An incoming flight the same day from Paris had only 22 people on board.

Meanwhile, the country's volatile stock market has continued to drop as the political instability drags on, and market analysts see no upturn in sight.

Milam visits CIRDAP headquarters

William B Milam, ambassador of the USA in Bangladesh, visited the CIRDAP headquarters in Dhaka, Thursday, reports BSS.

He was briefed by Director ATM Shamsul Haque on the activities of the inter-governmental regional centre.

Milam said he was impressed by the programme of the CIRDAP and looked forward to close cooperation with the centre a press release added.



Milam with ATM Shamsul Haque at the CIRDAP

Overseas money eludes Seoul Stock

SEOUL, May 28: Before the Seoul Stock Market opened to international investment earlier this year, market analysts had warned of a flood of Japanese capital swamping corporate South Korea.

So foreign ownership rules were drawn up to regulate the anticipated torrent of foreign money into the bourse.

The flood never came, reports Reuter.

In fact there is something of a drought.

Five months after the South Korean stock market was thrown open to direct, but limited, foreign investment, US institutional funds are conspicuous by their absence, brokers say. So too is Japanese money.

"Prior to market opening, several local analysts and businessmen had expressed fears of a Japanese capital invasion," said the Korea Economic Report, distributed monthly to overseas Korea Trade Promotion Corp offices.

"In retrospect, worrying about how to attract Japanese capital might have been a more fruitful endeavour."

For investors banking on foreign funds revitalising a stagnant market, the trickle is proving a disappointment, brokers say.

The regulators thought there was going to be a tidal

wave of foreign money. There wasn't," says Melissa Brown, Research Director at Barclays de Zoete Wedd (BZW) in Seoul.

By May 13, foreign investor purchases totalled 993.5 million dollar and sales 261.7 million dollar, resulting in a net purchase of slightly over 730 million dollar, according to figures released by the industry watchdog, the Securities Supervisory Board.

That is a drop in the ocean for a stock market capitalised at 936 billion dollar.

"Up to now, the inflow of foreign funds has undoubtedly been modest," said Lucky Securities in its May report.

"Part of the reason lies in the fact that liberalisation has only been partial so far."

Partial liberalisation limits foreign investment to 10 per cent per overall, and individual foreign investment in a single share to three per cent.

Foreign investors are required to register for an identity card — a measure designed, at least in part, to keep tabs on so-called "Pachinko" funds from Japan.

Pachinko, a form of Japanese pinball is used in South Korea as a euphemism for black market funds, money derived from questionable or gangster-related sources, laundered through institutions such as Pachinko parlours or

nightclubs. "Identity cards are not going to stop black market or any other source of Japanese funds entering the Seoul market," a local broker said.

South Korea has threatened to outlaw false name accounts but, as the broker pointed out, "domestic investors are perfectly entitled to trade in the name of Mickey Mouse or Donald Duck if they want to."

Japanese and Japanese-Korean funds are believed to have been in the market for years via false name accounts, brokers said.

The loophole is unlikely to be closed until the Seoul Stock Market climbs out of the doldrums.

It has hovered around 600 for most of 1992, down from an April 1989 peak of 1,007, capped by a credit squeeze and gloom over a trade deficit that doubled to approach 10 billion dollar last year.

For Japanese investors, the lack of Japanese Securities Dealers Association authorisation to trade in the Seoul market is the greater barrier.

In any case, brokers say, there is relatively little spare cash floating around since the Tokyo Market lost its lustre.

Only four brokers have been given the go-ahead for branches so far — two British and two American.

EC sees slow economic recovery

BRUSSELS, May 28: The EC Executive Commission predicted Wednesday a slow economic recovery for the European Community in 1992 and 1993, coupled with rising unemployment and government borrowing, reports AP.

"The European Community is undergoing a protracted phase of weak growth," the Commission said in its latest economic forecast.

"Short-term prospects are for a gentle recovery only," capping an economic downturn whose duration took "many economic commentators by surprise," the report

said.

The EC Commission forecast growth of 1.75 per cent in 1992 and 2.25 per cent for next year. Its last forecast, published in November, had been more optimistic, putting growth at 2.25 per cent this year and at 2.5 per cent in 1993.

The EC economy grew by 3.7 per cent in 1989, by 2.8 per cent in 1990 and by 1.3 per cent in 1991.

Unemployment across the EC and borrowing by the 12 EC states will continue to rise through 1993 because of the economy's slower-than ex-

pected recovery, the report said.

But it predicted inflationary pressures would begin to ease during that period as "a welcome return to wage moderation" emerges.

Despite the forecast of slow economic recovery, EC Economic Affairs Commissioner Henning Christophersen warned that monetary policy must remain "vigilant and stability oriented."

He added that "inflation remains too high," despite forecasts it would ease to 4.5 per cent in 1992 and four per cent in 1993, down from 5.2 per cent last year.

Danes in dilemma over European union

COPENHAGEN, May 28: Danes hold the first direct vote on the European Community's treaty for a tighter federation next week, and could change the shape of the Community if they reject the plan, writes AP.

Polls indicate voters are evenly split, with about 20 per cent undecided, over whether to ratify on Tuesday the so-called Maastricht Treaty, with calls for a common European foreign and security policy and a single currency by 1999.

Danes would have to give up their currency and some control over the country's external welfare and environmental programmes in exchange for free access to what would be the world's largest economy.

"My heart says 'no', but my mind says 'yes,'" mailman

Soren Kjaer said. "I feel outsiders will rule here. But we can't stand alone, especially if other Nordic countries join the union and we are out."

Britain's lawmakers this month became the first to vote in favour of the Maastricht Treaty, and final approval is expected in a few weeks.

France's parliament this month approved constitutional changes in anticipation of ratification.

But some officials in those countries and others in the 12-member community have expressed second thoughts about giving up so much power.

No one knows exactly what would happen if most of Denmark's 3.9 million voters say "no" to the treaty, which

was reached in December by the Dutch city of Maastricht. It requires ratification by all member nations by Jan 1.

"The EC system has in principle not prepared a plan in case a country rejects the treaty," said Danish EC Commissioner Henning Christophersen. "But that would be a disaster for Danish influence, economy and employment."

"If Denmark should vote 'no', we would still be a member of the EC, but we would be out of influence," said Foreign Minister Uffe Ellemann-Jensen.

Dutch Foreign Minister Hans van den Broek, however, has said, "A rejection of the Maastricht agreement can be the first step to the dissolution of the EC."

The other member nations could go on without Denmark, but the Community wouldn't be the same.

Denmark is to hold the Community's rotating chairmanship in the first half of 1993, when the treaty would go into effect and new members are to be considered. Denmark, as a bystander member, would effect negotiations with neutral applicants such as Sweden, Finland, Austria and Switzerland, who might want to opt out of certain provisions on security and political policy.

The Community's only neutral member in its defence policy is Ireland, which is holding a binding referendum on the Maastricht treaty on June 18.