BRIEFS

Japan will pay $ 75 m to UNTAC

TOKYO, June 26 : Japan is to pay 75 million dollar toward the 600 million dollar needed to fund the United Nations Transitional Authority in Cambodia (UNTAC) until the end of October, officials said Friday, says AFP.

The money, equivalent to some 9.6 billion yen, represents Japan's assessed contribution toward the initial estimated cost of the Cambodian UN mission, approved by the General Assembly May 22.

Malaysia for talks on illegal workers

KUALA LUMPUR, June 26: The Malaysian government will meet envoys of more than 20 countries next week to discuss plans to deport illegal foreign workers by the end of the month, Foreign Minister Abdullah Ahmad Badawi said Friday, reports Reuter.

The meeting with the ambassadors, including those from some African nations, will take place on Monday or Tuesday, before cabinet sits on Wednesday, he told reporters.

Iraq calls for urgent Security Council meet

UNITED NATIONS, June 26: Iraq has called for an urgent meeting of the Security Council to consider its allegations that the American and British war planes deliberately set fire to harvested wheat and barley fields ready for harvesting, leading to loss of thousand of tons of grain and hardship to the families of farmers, reports PTI.

In a letter to the Security Council President, Iraq said the planes flying at very low altitude over wheat and barley fields in Ninawa dropped thermal flares of American manufactured RR-170 type.

EC fails to fix working hours

LUXEMBOURG, 26: The 12 European Community states failed Wednesday to reach agreement on a directive fixing the maximum length of the working week due to differences between Germany and other states, notably, France, diplomats here said, reports AFP.

Ministers ran into differences over calculation of the proposed 48-hour maximum, which includes overtime. Working groups will study the question in the hope of reaching a Community-wide agreement by the end of the year, the sources said.

Pak foreign reserves fall

KARACHI (Pakistan), 26 : Pakistan's foreign reserves fell slightly to 801 million US dollar in the week to June 18, compared with 804 million US dollar the week before, the State (Central) Bank of Pakistan said, reports Reuter.

On a monthly basis, the reserves rose to 682 million US dollar in May, compared with 601 million US dollar in April and 422 million US dollar in the year-ago month.

ICO members happy on new pact

LONDON, June 26 : Coffee producers meeting at the International Coffee Organisation(ICO) looked more cheerful on Wednesday after a working committee on a new pact to regulate the coffee market made further progress on identifying key issues, reports Reuter.

"In my view, what we have achieved Thursday has taken away the bad feelings we had over the very slow progress in the last two days, " said Arnoldo Lopez, committee Chairman and Vice-President of Costa Rica.

US recovery still too slow

WASHINGTON, June 26 : The US recovery still appears to be plugging ahead, but at a pace that so far is doing nothing to bolster President Bush's re-election chances, reports AP.

And analysts are worried that things will get worse before they get better. Already, the unemployment rate has shot up to its highest level in nearly eight years and many analysts were forecasting that economic growth will actually look worse in the April-June quarter than it did from January through March.

Dollar closes lower in Tokyo

TOKYO, June 26 : Share prices on the Tokyo Stock Exchange slid Friday, while the US dollar closed lower against the Japanese yen, reports AP.

The dollar closed at 125.60 yen, down 1.02 from Thursday. After opening at 125.35 yen, its lowest mark since Feb 10, it ranged between 125.31 yen and 125.65 yen.

US House passes $13.8b foreign aid cut bill

WASHINGTON, June 26 : The House of Representatives on Thursday approved a cut-to-the-bone 13.8 billion dollar foreign aid bill that includes assistance to the former Soviet Union, reports Reuter.

The Bush administration had complained that the money in the bill — nearly 1.3 billion dollar below the amount it requested — was inadequate to support the transition to democracy and free markets around the world.

But with republicans deserting the administration, the house voted 418-2 to approve the cut. The vote reflected deep reluctance to spend on foreign aid during bitter election year when the United States faces serious domestic problems and little money to deal with them.

The bill, which funds US worldwide foreign aid programmes for the fiscal year starting October 1, was approved by a final vote of 297-124. It now goes to the Senate where the administration hopes it can be made more acceptable.

Besides decrying cuts in certain programmes, the administration also opposes a 20 million dollar contribution to the United Nations fund for population activities, promising a presidential veto if it survives.

It says no money should go to the fund because it has a programme in China, which is accused of using coercive population control methods.

The bill includes 417 million dollar the administration had sought for the former Soviet Union, three quarters of it for humanitarian and technical aid, and 400 million dollar for central and eastern Europe — 50 million more than requested.

Separate bills awaiting action in the House and Senate would give the Bush administration broad authority to help the former Soviet states and contribute 12 billion dollar to the International Monetary Fund.

As is usual in the annual aid bill, much of the money goes to the Middle East. Israel would get 1.2 billion dollar in economic aid and 1.8 billion dollar in military grants and Egypt would receive 815 million dollar in economic aid and 1.3 billion dollar in military financing.

The administration had also complained about an overall cut in military aid that it said would compromise US security interests and elimination of 202 million dollar in debt reduction for Latin America under the enterprise for the Americas initiative.

But representative David Obey, a Wisconsin democrat and Chairman of the appropriations subcommittee on foreign operations, scoffed at the administration's dismay at the cuts. He said officials had lobbied against them even while the administration was pushing for passage of a balanced budget amendment to the US constitution.

But he said house republicans "are so panicked by the collapse of the Bush administration in terms of public support they are running in full flight from anything associated with George Bush."

Obey said the 700 million dollar had been saved by ending all grant military aid to the NATO allies.

He called the bill "the tightest foreign aid bill in the history of the country" and said it struck a reasonable balance between meeting US international responsibilities and meeting needs at home.

Before approving the measure the house cut an additional 35.9 million dollar from the bill, including a 10 per cent reduction in the US contribution to the World Bank and its affiliates.

It also cut 24 million dollar in development assistance as a signal of disapproval of India's human rights record in Kashmir and Punjab and eliminated military education and training aid to Indonesia because of its human rights record in the former Portuguese colony of east Timor.

Standard Chartered pumps $400m more in India

NEW DEHLI, June 26 : Standard Chartered Bank, facing the prospect of huge losses in a massive securities fraud, is pumping about 400 million dollar more into its Indian operations, Press reports said Thursday, reports AFP.

The London-based bank said in Bombay Wednesday that the money would "provide funding for its Indian business and (go) to meet local reserve requirements," the Press Trust of India (PTI) reported.

The bank had earlier transferred about 470 million dollars to improve its liquidity and meet possible losses in the securities scam.

Standard Chartered has to recover about 120 million dollar from the bank of Karad, a small private bank now under liquidation, and about 180 million dollar more in payments relating to other securities transactions.

PTI quoted a spokesperson for the bank as saying in Bombay that it was in the process of registering its claims for the money owed to it with a special court hearing cases stemming from the billion dollar securities fraud.

Standard Chartered would take "all appropriate steps" to recover its losses, the official was quoted as saying.

The US House of Representatives voted on Thursday to cut 24 million dollar from a foreign aid bill to signal disapproval of alleged human rights abuses by India in Kashmir and Punjab, reports Reuter.

The funds, removed by a vote of 219 to 200, were part of 1.4 billion dollar in development aid in the bill. Proposing an amendment to cut the aid, republican representative Dan Burton of Indiana said human rights abuses were "out of control" in Kashmir and Punjab, where he said Indian troops were responsible for gang rapes and people were being imprisoned without trail for up to two years. Burton showed the house a picture of an alleged victim of torture.

"This is an India-Bashing amendment," democratic representative Robert Mrazek of New York said.

Japan's economy still in adjustment phase

TOKYO, June 26 : Japan's economy remains weak and is still in an adjustment phase, the Economic Planning Agency (EPA) said in its monthly report Friday, reports AFP.

The report said : "The national economic slowdown is continuing while consumer spending is decelerating."

EPA officials said sales of nationwide department stores, the barometer of individual consumption, fell two months in a row in March and April on a month-to-month basis, while sales at Tokyo's department stores fell three per cent in May from April.

"This indicates that consumers are favouring inexpensive products rather than luxury goods," an official said.

Plant and equipment investment by major companies in the manufacturing sector fell 7.7 per cent during January-March quarter from a year earlier, the report said.

Housing starts have begun to show a slight recovery with 117,000 housing units starting in April, up 1.7 per cent from March and up 0.4 per cent from a year earlier.

But corporate earnings have continued to drop and many companies believe that the national economy is slowing as indicated in the Bank of Japan's latest quartery survey of business sentiment known as "tankan," the report said.

It said labour conditions remained tight, despite some easing in the shortage.

The report said wholesale prices were softening while consumer prices were stable.

An AP report adds : Share prices on the Tokyo Stock Exchange plunged to a 6-year low on continued arbitrage selling and profit-taking Friday, while the US dollar closed lower against the Japanese yen.

The 225-issue Nikkei Stock Average lost 330.99 points, or 2.05 per cent, to finish the week at 15,812.73, the lowest close since May 21, 1986. The average rose 290.05 points, or 1.83 per cent, the previous day.

The Nikkei was buoyed in the morning by buying momentum carried over from Thursday's rally but soon fell back on futures selling, erasing all the ground gained Thursday.

Traders said corporate buying this week ahead of shareholders' meetings Friday had petered out, leaving the market vulnerable to arbitrage selling and profit-taking, particularly on blue-chip issues that rose Thursday.

"Once the market loses momentum, there's really nothing to restart it," said Paul Migliorato, a trader at Jardine Fleming Securities. "It's a repeat of things we've seen in recent days — a lack of interest in doing much."

Global growth may slow down as North checks budget deficit

UNITED NATIONS, June 26 : Leading industrialised nations could stimulate economic growth by scaling back plans to cut their government budget deficits, and diverting the money to investments, a UN report says, reports AP.

The 1992 UN World Economic Survey says strict efforts to reduce fiscal deficits in Germany, Japan and the United States could lead to lower global economic growth.

The savings could be directed toward strategic investments and aid to developing nations and the nations in Eastern Europe and the former Soviet Union struggling to convert to market economies.

The report is scheduled for release Sunday. Copies were given to reporters Wednesday.

Many economists are arguing that wealthy nations must cut their fiscal deficits — led by the United States at 400 billion dollar this year — to allow lower taxes and interest rates and to stimulate growth.

The study includes forecasts for global economic growth and trade. It suggests that with slower deficit reductions, economic growth and investment could be accelerated and unemployment reduced with only a modest rise in inflation.

"If the reduction in government deficits was cut in half and the difference was applied to investment, there would be a good economic outcome and no inflation penalty," said Barry Herman, chief of the UN's developed market economics unit and an author of the report."

The report says that if deficit reduction plans in Germany, the United States and Japan were reduced by half, inflation would rise less than 0.2 percentage points to no more than 4.1 per cent in any of the countries, but Gross Domestic Product could be boosted significantly.

Gross Domestic Product in the United States would rise to 3.7 per cent by 1996 from 3.3 per cent forecast for 1993. In Germany, the rise would be to 2.4 per cent from 1.8 per cent during the same period. In Japan, GDP growth would reach 3.7 per cent from 3.4 per cent.

"Resuming growth should be a major priority of the G-7," the Group of Seven leading industrialised nations, said Ji Chaozhu, the under-secretary-general of economic and social development.

However, as economic conditions worsened in 1991, governments trimmed budgets and payrolls, "accentuating the problem rather than remedying it," the survey said.

Unemployment bars Canada's recovery : OECD

OTTAWA, June 26: Canada's economy probably resumed recovery in the second quarter of 1992, but the upturn will be slow, with unemployment remaining high and private consumption less buoyant than in previous recoveries, the OECD said, reports Reuter.

The 24-nation Organisation for Economic Cooperation and Development said in its semi-annual report impetus for sustained recovery will come from a revival of the US economy as export markets expand strongly over the next 18 months.

Exports to the US, by far Canada's largest market, hit a record high in April.

Major for enlargement of EC summit agenda

PARIS, June 26 : British Prime Minister John Major whose country takes over the EC Presidency next week, said he wanted enlargement to be on the agenda of this week's summit in Lisbon even though the EC was not yet ready for negotiations, reports Reuter.

Major told the French daily Le Monde he was in favour of starting talks to admit Finland, Sweden, Austria and Switzerland at this week's European Community Summit in Lisbon.

Delors said on Wednesday that negotiations could not start until all EC members had ratified the Maastricht Treaty on economic and political union, and until the financial reforms needed to pay for the union had been agreed.

But Major said, "talking about the budget and ratification does not stop us from attacking the problem of enlargement because we shall have to wait quite some time between a decision in principle and the moment at which we shall be properly ready to negotiate."

Major, who intends to make enlargement one of the main themes of Britain's Presidency, said he hoped full negotiations could begin at the beginning of next year, with admission of the four applicant countries in 1994 or 1995.

Britain was often at odds with Brussels under Major's fiercely anti-federal predecessor, Margaret Thatcher, but now-a-days open confrontation is rare.

Russia unveils 2nd phase of reform plans

Liberal economy, convertibility of rubble dominate changes

MOSCOW, June 26 : Russia unveiled the second stage of its economic reform programme, promising to stabilise the slumping economy by 1994.

But government Economic Advisor Alexei Ulyukayev said plans to make the battered rouble currency convertible would have to wait until Russia signed deals on monetary policy with other former Soviet states.

"We plan to settle this issue by September, after which we will be able to proceed with rouble convertibility in a wise way," he said.

Ulyukayev said the 260-page document on reforms, dealing with issues like economic liberalisation and privatisation would be implemented over a three-year period.

"Our goal is to create the foundation for reliable growth in the Russian economy, he said.

Ulyukayev said the government was going ahead with plans to streamline the rouble's exchange rate against the dollar.

This would abolish the old "commercial rate", used for some compulsory purchases of foreign exchange, and halt subsidies to some firms. Subsidies currently allow firms to acquire cheap currency to buy essential imports.

"We still want to introduce a unified rate, but it will be a floating rate, not a fixed one, depending on supply and demand," Ulyukayev said. "It would be sheer foolhardiness to decide to fix the rouble exchange rate because of outside pressure."

The rouble has fluctuated wildly this year. It traded at 146.6 roubles per dollar at a central bank auction Friday, little changed from Tuesday's rate but down from 129 last week.

Russia launched its economic reform programme in January, lifting most state price controls in its effort to dump the socialist system for a market economy.

Since then inflation has soared, despite acute shortages of cash, and industrial production has fallen by more than 13 per cent debts between firms have reached trillions of roubles.

Ulyukayev said halting the slide in production and stabilising the rouble were the next key economic goals.

Russia also needed to agree monetary and economic policy with other former Soviet states. Deals with Ukraine and Estonia could form the basis for future pacts, he said.

Estonia this weekend became the first former Soviet republic to dump the rouble and introduce its own currency. Russia says it was fully consulted about the switch.

Russia signed a deal with Ukraine this week, paving the way for Ukraine to abandon the rouble in favour of its new grivna.

Russia, which has a huge trade surplus with other members of the Commonwealth of Independent States, planned new rules on clearing non-cash payments to improve the efficiency of the banking system, Ulyukayev said.

Deputy Prime Minister Alexander Shokhin said this week agreement with the International Monetary Fund was badly needed before a July meeting of the Group of Seven (G-7) industrialised nations which is due to address the question of aid for Russian reforms.

Shokhin, in charge of Foreign Economic Affairs, said a proposed one billion dollar loan might be considered as "a symbol of IMF support to our macro-economic policy".

But he said not all recommendations of the IMF, which advocates tougher monetary policy, could be adopted.

"We would move step by step, we would balance the budget, but we would not make any dramatic steps," he said.

Turkish economy likely to recover by this year

ANKARA, June 26: Turkey's growth will pick up this year after a sluggish 1991, but the recovery may slacken next year, the OECD said in its latest semi-annual report, reports Reuter.

"The projections for 1992 are for a recovery in economic activity, but policy will be tighter and so growth may decelerate somewhat in 1993," it said.

An increase in household consumption, helped by generous 1991 pay rises, would boost Gross National Product (GNP) growth this year to 5.1 per cent, compared to an 11-year low of 1.5 per cent in 1991. The government, which put last year's growth at only 0.3 per cent, has set a 1992 growth target of 5.5 per cent.

The OECD forecast 3.7 per cent growth for Turkey in 1993.

Using Turkish figures, it said inflation measured by the implicit price deflator would rise to 68 per cent this year from 66 per cent in 1991. The official annual may figure was 72 per cent.

HONGKONG : Models show embroidered silk chongsam, the oriental evening dress with typical slit during a fashion show June 25. The event was organised for the women attending the conference of the 75th anniversary of Lions Club International. — AFP photo

World industrial activity now 'taking shape'

PARIS, June 26 : A recovery of activity in the industrial world in now "taking shape" and output seems set to expand by around three per cent a year by 1993, the Organisation for Economic Cooperation and Development (OECD) said today, reports AFP.

The pickup, underpinned by continued disinflation and lower interest rates, should become increasingly firmly established without any further policy action by governments, the OECD said in its mid-year economic outlook.

But it said, intensified budget deficit-cutting, especially in Germany and the United States, and accelerated efforts to other structural reform targets, would be needed to secure a better basis for longer term growth and achieve a lasting reduction of unemployment, now affecting some 30 million people in the OECD area.

Overall, the OECD projected an increase in the combined average growth of its 24 members from a lacklustre 1.8 per cent this year to three per cent in 1993, up from last year's 1.0 per cent.

The report said North America would lead the recovery, with Gross National Product (GNP) growth in the United States accelerating to 3.7 per cent in the second half of this year, and to just over four per cent in Canada, and expanding at roughly the same pace through 1993.

Japan was set to "move gradually" out of its current phase of "financial adjustment", reflecting an extended equity price slump linked with the unwinding of "speculative activities in asset markets, the OECD said.

While the Japanese economy should return to about three per cent growth next year, recovery in Europe was likely to be slower, with more modest growth at slightly below 2.5 per cent, it said, stressing the dampening impact of high German interest rates in the region.

Overall, inflation has eased in the OECD area, except in Germany and some smaller member countries, and should come down further to an average of about three per cent by the end of next year.

High short-term interest rates required to contain inflationary pressures in Germany had spread to other European countries with exchange rates linked to mark, and were tending to depress domestic demand.

The OECD held out little hop of a rapid improvement in this respect. German interest rates could start to edge down...when inflationary pressures are seen to be easing, but this was "unlikely...before the first half of 1993, it said.

The Paris-based organisation acknowledged that recovery in the west had been slower than expected. It said the pick-up from recession in the United States was predicted to be slow and hesitant and has proved to be so.

But the upturn had also been delayed by such factors as the unexpected sluggishness resulting from the deflation of Japan's equity and real estate bubble the monetary tightening required by the high cost of German unification, and the deeper and longer than projected recession in Britain.

The OECD said some "risks, concerns and uncertainties" were still clouding the outlook.

They included the impact on business and consumer confidence in many countries of financial uncertainty and fear of unemployment, as well as a renewed widening of budget deficits and poor progress in structural reforms, including the stalled Uruguay round of trade bargaining.

While there was at present no serious concerns about the external imbalances and exchange rates among major countries, free trade and economic growth could be hampered by renewed protectionist pressures if Japan's growing external surplus was seen to be excessively large if financial market developments put downward pressures on the yen the report said.

The OECD strongly reaffirmed the need to maintain sound monetary policies, set in a medium-term framework and giving "priority to achieving price stability."

"Credibility is difficult to build but easy to undermine, it commented.

Sound public finances were equally essential, but budget deficits as a share of GNP had widened throughout the OECD in 1990-91, and not solely because of the slowdown, the OECD also said.

While global capital shortages might not appear critical at present, this will very likely become a pressing issue once OECD consumption starts to pick up again, it said.

Urging renewed deficit-cutting efforts, the OECD specifically referred to the swelling US federal fiscal deficit, and the poor outlook for improving fiscal positions in Italy, Germany and Britain.

More rapid progress in this area would help reduce monetary policy pressures, and lessen the risk of unwelcome exchange rate developments, especially a strengthening of the dollar against the yen, it said.

Drug money launderers use sophisticated tricks

LUGANO (Switzerland), June 26 : Drug traders are using increasingly sophisticated tricks to launder billions of dollar through the global financial system, an International Task Force said, reports Reuter.

The Financial Action Task Force on money laundering (FATF) also said that the number of prosecutions of money launderers since the group was set up three years ago remained low even though investigations were on the rise.

"Virtually no financial institutions are immune as money launderers become increasingly sophisticated in their techniques," the FATF said in its annual report.

It said criminals were turning more and more to non-bank financial institutions and to countries outside the FATF area to launder their money.

"Sometimes the currency is converted into gems, precious metals, or currency equivalent monetary instruments," it said.

The report was released at the end of Switzerland's one-year presidency of FATF in the city of Lugano where two years ago a court sent two Lebanese men to jail for laundering millions of dollar through Swiss banks for Colombian drug barons.

The FATF's Swiss Chairman told a news conference the amount of illegal drug money being laundered through banks and other financial institutions was still believed to be around 85 billion — the figure it estimated in 1990.