

Massive airlift to Sarajevo

WASHINGTON, July 8: The relief flights to Sarajevo's airport have been arriving with "incredible speed," a UN spokesman said July 7. But he cautioned that fighting and sniper fire continues at Butmir Airport and the situation remains difficult, reports AP.

Francois Giuliani, UN spokesman, said that UN peace-keepers and humanitarian aid workers have been handling up to 19 flights a day, compared to the originally estimated eight plane-loads of supplies expected to be processed each day.

The massive airlift to aid some 380,000 people is being coordinated by the UN High Commissioner for Refugees (UNHCR) and the UN Protection Force (UNPROFOR). Sarajevo has been under siege for the past three months. As soon as UNHCR's trucks unload the aircraft, smaller trucks transport the food and medical supplies to more than 900 municipal districts.

The airlift which began July 3 includes military food rations, infant milk powder, medical kits and European community "family packets" of pasta, vegetable oil, sugar, tea, rice, flour and tinned meat.

Financial crisis may collapse int'l sugar body

LONDON, July 8: The 42-nation International Sugar Organisation will be closed down if its financial crisis is not resolved by the end of the month, member governments have decided, reports AP.

"But we have firm pledges of the money that we need," Alfredo Ricart, the inter-governmental agency's Chief Executive said Tuesday.

The problems for the organisation — which carries out statistical and analytical work and acts as a forum for producer-consumer discussions — are the result of the non-payment of dues by some member governments.

The biggest debtors are Brazil, Russia and the United States, which owe 211,000 (407,230 dollar), 123,000 (237,390 dollar) and 66,000 pounds (127,380 dollar) respectively.

But Ricart said that at an emergency meeting here on Monday to consider the organisation's future, Brazil and the United States said they would pay up this year.

French truck drivers create havoc in Europe

PARIS, July 8: From Belgian autoworkers idled by missing assembly parts to the Portuguese supermarkets whose produce is rotting in trailers somewhere in France, the roadblocks by French truck drivers have created havoc in Europe, reports AP.

Thousands of foreign trucks are stuck in traffic jams on French highways and smaller roads, causing millions of dollars in business losses, since the protest began June 29, France's European Community partners are beginning to complain.

"We are absolutely appalled at the road blockages in France and their effect on road users," British Transport Secretary John MacGregor said Tuesday.

"There is a wider issue here — it is about road safety."

Early Wednesday, representatives of the French trucking companies called on the drivers to go back to work. It was unclear whether the truckers would heed the call.

The statement followed an agreement by the government to draft a law reforming pricing and competition.

The French government on Tuesday had sent Transportation Minister Jean-Louis Bianco into talks with French trucking companies.

Unification of Romania, Moldova inevitable

BUCHAREST, July 8: Each new ethnic Romanian casualty in the fighting in Moldova stirs a dilemma here, reports AP.

Romanians feel growing sympathy for their kinsmen to the northeast, but many are increasingly wary about getting involved in Moldova's seemingly intractable conflict with Russians and Ukrainian separatists.

Only months after President Ion Iliescu said unification with Moldova was "historically inevitable" — Romania controlled most of it before World War II — support for the idea appears to be waning.

Romania has just struggled through two years of painful free-market reforms.

Construction — a propelling force in the fast-growing Asian economies

In many of the Asian and the Pacific economies, the construction sector provide a strong support to their rapid industrial and overall economic growth. Apart from the construction sector's significant direct contribution to gross domestic product (GDP) (varying from less than 2 to more than 12 per cent) and employment, its linkage effects on the rest of the economy exert strong influence on the performance of the economy. Construction involves such vital areas as roads and highways, dams, bridges, industrial and office installations, hotels, and residential houses. A thriving construction industry not only adds its own contribution to the growth of GDP, but stimulates other industries, such as the metal, cement, timber, glass and other industries, to the growth of which it also contributes. In several countries of the region, high rates of economic growth thus have been paralleled with high rates of growth in the construction sector in recent years (see table). The rapid pace of growth, however, has led to well-known constraints to restrain the growth of the construction sector itself (owing to shortages of cement and steel supplies, for example), which in turn has led to inadequate provision of infrastructure in adequate provision of infrastructure in which construction plays a major role.

In China, the output value of the construction sector accounted, on average, for 5.8 per cent of GDP in the 1980s. It had expanded to be the third largest industry in China, ranking only behind agriculture and manufacturing. The construction sector consumed approximately one quarter of total annual steel output of the country, 40 per cent of the country's timber output, and 70 per cent of annual cement output. The rapid expansion of the construction sector gave a direct and strong stimulus to the development of these related industries up to 1988 when a slow-down began under enforced austerity plans which had the construction industry as the prime target for restraint.

Selected developing economies of the ESCAP region. Annual growth rates of construction (Percentage)

	1986	1987	1988	1989	1990	1991
China	17.5	13.3	8.0	-8.5
Indonesia	2.2	4.2	9.5	11.8	8.3	...
Malaysia	-14.0	-11.8	2.7	11.6	19.5	15.0
Republic of Korea	5.0	12.7	9.5	16.1	22.2	...
Singapore	-22.4	-9.8	-4.4	1.5	7.2	...
Thailand	-2.9	13.3	21.3	21.3	22.7	14.3

Similarly, the construction sector in Singapore experienced a major boom during the period 1980-1984, which reflected the accelerated house-building and the construction of the rapid transit railway system. With the completion of the railway construction and a slackening of house-building the sector ran into a downturn, which was a major cause for Singapore's economic recession in 1985-1986. Growth in the sector has revived since 1989, reaching 7.2 per cent in 1990.

In Indonesia, the construction sector benefited greatly from the recent investment boom and economic growth, which created the demand for the utilities and the services. The construction sector received a steady flow of orders from infrastructural, industrial, house-building and other developmental projects. Like the manufacturing sector, it therefore also recorded annual growth rates well in excess of overall GDP growth. Lately a slack in housing demand has been a factor in slower growth in construction in 1990-1991 compared with 1988-1989. Growth of the construction sector had its spill-over effects, not only on the wood-based and other construction material industries, but also on the expansion of a professional class of architects, surveyors, engineers and contractors with superior professionalism.

The construction sector has played an even more important role in other fast-growing economies, such as

Malaysia, the Republic of Korea, and Thailand. In Malaysia, the construction sector has experienced strong growth since 1989, with a peak rate of 19.5 per cent growth in 1990. A 15 per cent growth was estimated for 1991. Both private and public sector housing construction contributed to the growth of the sector. Private sector housing construction was brisk as a result of the significant upsurge in domestic demand in response to the increase in private sector income as well as the availability of finances from banks and other financial institutions on attractive terms. The public sector housing construction was limited to those within the Special Low-Cost Housing Programme and the programme of rehabilitation of private sector abandoned housing projects. Construction of office space, commercial and industrial buildings also expanded rapidly. Within the public sector, construction activities were focused on projects associated with the provision of infrastructure related to social development, public works and transport. As in other countries the construction material industries responded to the strong demand from construction and expanded output at a brisk pace. For example, production of iron and steel bars and rods increased by 19.9 per cent, cement by 22.7 per cent, cement roofing tiles by 18.9 per cent, ceramics tiles by 22.7 per cent and ready-mix concrete by 21.5 per cent in 1990. These rates accelerated during the first half of 1991 when they were 40.6, 31.2, 22.7, 29.9 and 9.1 per cent, respectively.

In the Republic of Korea, the construction sector contributes perhaps the largest percentage share of GDP among the Asian and Pacific countries. The 1990 data showed that the output value of construction accounted for 12.9 per cent of the Republic of Korea's GDP, making it the third largest industry in the country. Endeavouring to improve the often-congested highways and harbours, both public and private sectors of the Republic of Korea set up a large number of projects. In addition, housing and other building construction which responded to strong private demand was stimulated by the imposition of taxes and penalties by the government on vacant real estate holdings. Between 1988 and 1990, domestic construction orders rose in current value by 187 per cent, which meant that they more than doubled in real terms.

In Thailand, construction accounted for 8.9 per cent of GDP in 1989. The rapid expansion of the construction of infrastructure and the buoyant development of real estate have contributed to growth. Thailand's construction boom started in 1987 and has continued since. Growth in the sector averaged at about 22 per cent during the three years 1988-1990. Growth slowed somewhat in 1991 to 14.0 per cent. Production of construction materials also expanded at similar rates (20 per cent in 1990), yet shortages developed, particularly of steel and cement. Despite recent expansions, local supplies currently provide only 162 million tons of cement, for example, while demand in 1991 was estimated at around 218 million tons. Output from local steel mills is also insufficient to meet the increase in demand. The shortfalls have to be made up through imports. In order not to aggravate the inflationary pressure, the government has extended the import duty cut on bar and billet steel for another year to cope with the shortage.

The economic prospects of the fast-moving economies of the region promise the continued growth of the construction sector, although the rates might moderate from the recent heights they have reached. Major construction projects, such as the multi-billion dollar programme to modernize the network of infrastructure of Taiwan Province of China, the similar multi-billion dollar new airport and related construction in Hong Kong, and the expected phasing out of China's three-year-old austerity programme would provide a major boost to construction and related industries in the region, while the construction boom has also continued in countries such as Indonesia, Malaysia, the Republic of Korea and Thailand. Other countries in the region, however, have achieved far more moderate rates of growth in construction that has strong links with the rest of the economy.

ESCAP-study-92

WB ready to reinforce ME peace process

WASHINGTON, July 8: The World Bank stands ready to reinforce the Middle East peace process and "to play a technical role in the economic dimension" of the multilateral track of the peace talks, said Koch-Weser, the Bank's Regional Vice President for Near East and North African Affairs, said July 7, reports USIS.

"I believe very strongly that the economic agenda — on very pragmatic issues like water issues for example — lends itself particularly to early progress in regional cooperation... because countries can see the plus sum gains of joint efforts on these joint problems," the World Bank official said.

Koch-Weser said leaders in the region, in the European Community and in the United States, as well as participants in the multi-lateral talks have asked the Bank "to provide technical input to these peace discussions."

Briefing about the growing rôle of the World Bank in the Middle East, Koch-Weser said the Bank's new Middle East North Africa (MENA) regional grouping is covers all of the Arab countries and Iran from

Morocco to Iran. It also efforts the opportunity to start some regional initiatives," he said.

Until December 1, 1991, the World Bank grouped the countries of the Middle East and North Africa together with the countries of Eastern Europe, he said. But because of the rapid increase in the numbers of members and recipient countries in Eastern Europe and with expanding and intensified programmes in the Near East and North Africa, the Bank concluded that the region had become too large.

Future Bank lending to developing nations of Eastern Europe will not have to come at the expense of the Middle East, he stressed: "We have a headroom in the World Bank for expanded lending in all regions of the world. ... There's room for growth in both."

Asked to explain the criteria for lending policies of the Bank to projects and countries, Koch-Weser said loans are primarily based on need, broadly defined by per capita income, and past performance in implementing projects. He said one of the criteria of the Bank is "if the private sector commercial lender is able to

do the job, we would not lend. We are a lender of last resort."

"It takes many years for countries who have defaulted on commercial loans to reestablish their creditworthiness in the commercial market. In this region, commercial banks would also look at the political risk," he said.

In reviewing the Bank's 1992 fiscal year projects, Koch-Weser focused on shorter term investment programmes and highlighted the importance of privatization, "the increasing role of the private sector as an engine of growth," and the need for government economic and management reforms in the public sector.

Koch-Weser underscored two longer term challenges confronting the region: the need to develop its human resources and human capital more effectively; and the need to cooperatively address regional environmental issues, including air and water pollution, natural resource management, the use and sharing of water resources.

He suggested that universities and research institutions in the region should begin to "work across national boundaries."

G-7 leaders expect trade accord by year end

MUNICH, July 8: President Bush said Wednesday that all leaders at the Group of Seven summit expect a world trade agreement by the end of the year, reports AP.

Bush, at a news conference following the annual economic summit of leading Western democracies, said he was keeping an "open mind" toward admitting Russia to the G-7 economic alliance which now includes the United States, Britain, Germany, France, Italy, Canada and Japan.

Russian President Boris Yeltsin was attending some summit functions and was meeting with the leaders later Wednesday.

Bush's opening statement was disrupted by a man who identified himself as an American writing for a Dutch magazine, who stood and challenged the president on US domestic issues, including solving the problem of the homeless.

"I'll get back to you. Please sit down. It's not fair to everyone else," Bush said. The young man asked why Bush was not answering his question, and the President, said, "Maybe... you're rude."

India ready to begin fresh talks with IMF

NEW DELHI, July 8: India is set to begin talks in a month or so with the International Monetary Fund on converting its current standby credit into a longer-term Extended Fund Facility loan, a senior Finance Ministry official said here, reports Reuters.

"The IMF has said it is willing to start negotiations and there is no constraint on that," said Montek Singh Ahluwalia, Secretary of Economic Affairs in the Finance Ministry.

"We have said we wanted to begin negotiations with the IMF on the EFF and we expect those negotiations to begin in a month or so," he told Reuters.

An EFF is usually repayable over 10 years as opposed to the 20-month period for India's current IMF standby credit.

The IMF cleared the way for new talks on the EFF when it approved the disbursement of the remaining 1.6 billion dollar of a 2.2 billion dollar standby credit sanctioned last October.

Finance Ministry source said India would try to borrow another 1.1 billion dollar and add it to the 1.6 billion dollar standby credit for a long-term 2.7 billion dollar EFF loan for disbursement next year. The government's fiscal austerity programme had been "endorsed" by the IMF, Finance Minister Manmohan Singh told economic journalists on Monday.

"Their money is safe." India brought its fiscal deficit down to 6.2 per cent of GDP in fiscal 1991/92 (April/March) from 8.4 per cent the previous year, a key condition of the standby credit.

The government envisaged reducing the deficit further, in line with IMF loan conditions, to 5.0 per cent of GDP in the current year. The IMF's approval to disburse the remaining 1.6 billion dollar of the standby credit was delayed by several weeks as Indian officials and a team from the fund haggled over Delhi's compliance with the loan conditions.

India had also promised to reduce the annual rate of inflation to nine per cent and restrict broad money growth to 13 per cent.

But by the end of 1991/92 the annual inflation rate was 12.5 per cent, in part fuelled by a spurt in broad money growth of 19 per cent, according to official figures.

Inflation has since come down to 11.34 per cent for the week ended June 20.

Singh told the economic journalists conference "the economy is still vulnerable to liquidity shocks" despite the fact that foreign exchange reserves have soared to over 6.2 billion dollar against 975 million dollar a year ago.

Bombay bond scam Systematic diversion of funds confirmed

NEW DELHI, July 8: The Janakiram Committee on the stock scam has confirmed that there has been a "systematic diversion of funds" from the banking system to individual accounts of certain brokers, reports PTI.

The Committee in its second interim report said while the first interim report had detailed three main devices through which the diversion had taken place, further scrutiny had revealed more methods through which this has taken place.

It said the banks and institutions had shown large payments as call money placed with other banks. However, in the books of the receiving banks there was no record of any call money accepted. Instead the amounts had been credited to individual brokers' accounts.

AFP adds: A special court in charge of India's 1.2 billion-dollar bank scam Tuesday granted bail to two officers of the Standard Chartered Bank, two from the Metropolitan Bank and a securities dealer.

Special Judge SN Variava ordered Arvind Mohan Lal and Jaideep Pathak of Standard Chartered and Hemant Vyas and KK Kapadia of the Metropolitan Bank free on bail of 1,600 dollars each.



SARAJEVO: Bosnian residents of Sarajevo buy goods on the black market July 7 in the besieged capital. UN airlifts of food and medicine have been arriving in the city now for several days and now routine cannon, mortar and handgun fire. — AFP/UNB photo

Ramos will follow IMF endorsed austerity plan

MANILA, July 8: President Fidel Ramos has affirmed his support for an economic austerity plan hailed by international financiers but which his predecessor was unable to push to fruition because of strong opposition, reports AP.

On Tuesday, the Cabinet approved a controversial 4.8 billion dollar foreign debt restructuring plan to be signed with commercial creditors later this month.

Ramos also said the government will follow an austerity programme endorsed by the International Monetary Fund which includes eliminating food subsidies, removing controls on oil prices and improving tax collection.

That sets the stage for battles with populist groups in congress committed to unilateral curbs on debt payments and maintaining safety nets for the millions of poor.

Ramos' success in pushing through his controversial programme will determine whether he can show the political will which the former defense secretary has said will define his six-year administration.

The brewing controversy is in fact an extension of a power struggle which was waged throughout the administration of former President Corazon

Aquino, who left office June 30.

Aquino's first Cabinet was divided between those allied with the late Finance Secretary Jaime Ongpin, who supported privatization of the economy and deregulation, and populist followers of Executive Secretary Joker Arroyo.

Although Ongpin and Arroyo left the Cabinet in September 1987, the internal struggle continued until the business-oriented faction gained ascendancy in the final years of her administration.

Aquino attempted to implement liberalization policies, including deregulation of fuel prices, as early as 1987. Those fledgling steps were often met with strong resistance from labor, farm groups, social activists and within her own administration.

Moves to raise oil prices in 1987 were followed by labor unrest and a coup attempt which nearly toppled her administration. Fears of instability often forced the Aquino Administration to slow down economic liberalization in the interest of its own survival.

It is difficult to determine how much resistance Ramos will face until congress convenes at the end of the month.

Dollar plunges against major currencies in New York

NEW YORK, July 8: The US dollar plunged across the board Tuesday in hectic trading on world currency markets, reports AP.

Gold prices also posted declines. On the New York Commodity Exchange, gold bullion for current delivery settled at \$346.20 a troy ounce, off 30 cent an ounce from Monday. Republic National Bank said gold slipped 20 cent an ounce to a late bid price of 346.20 dollar.

Selling began overnight in Asian markets and was exacerbated by the Bank of Malaysia's sale of dollar for German marks, analysts said.

"That was just a speculative play," said Randolph Donney, Research Director at Pegasus Economic Group in Hoboken, NJ. But it "got the ball rolling" for further dollar-selling when trading shifted to European and domestic markets.

The dollar fell through the important psychological and technical support level of 1.50 German mark, which triggered even more selling.

Traders were monitoring developments at the Group of Seven meeting in Munich, Germany, where finance ministers for the leading industrialized democracies have gathered.

Participants in the 18th annual summit reviewed conditions in Russia and Yugoslavia but were largely reticent on issues involving foreign exchange. G-7 members often coordinate exchange-rate policies, and traders looking for clues on their positions were disappointed.

The dollar got a slight, temporary boost from comments by US Secretary of States James Baker, who hinted that German interest rates might decline in the near term.

But his comments were quickly discounted and dollar-selling began anew. "The dollar is in seriously bad shape here," said Donney, who added that the sentiment toward the US currency remains particularly bearish.

In London, the British pound rose to 1.9255 dollar from 1.9105 dollar late Monday.

Russian press feels pinch of laissez-faire economy

MOSCOW, July 8: In a world where the unthinkable has become ordinary, you can buy The New York Times from a subway news vendor along with Pravda, the former Kremlin bible that now calls itself an opposition paper, reports AP.

"Foreigners have been vying for a share of the market since the press was freed, but the economic chaos that followed the Soviet Union's demise has made both foreign and domestic publishers wary.

"It's foolish now to come out with a new newspaper," said Stepan Kisilov of Moscow News, which publishes an authorized Russian-language summary of The Times twice a month.

"At a time when there's no stability in the economic situation and when people are

counting the money in their pockets...naturally they'll choose those publications that they know," he said.

One paper Russians know well from the Cold War is The Times. Westerners know the name Pravda, once the powerful voice of the Communist Party and now struggling to survive.

Greater hurdles face new publications, such as the European Community magazine Europa and the weekly newspaper We-Myl published jointly by Izvestia, the former government newspaper, and Hearst Newspapers of the United States.

One problem is that they must compete with dozens of Russian magazines and newspapers. Another is that newstands are giving less space to publications and more to such

high-profit goods as vodka and cigarettes.

Most Soviet-era newspapers still publish, calling themselves the "opposition press," but are having trouble as the government tries to wean them from decades of state subsidies.

Soaring costs of newsprint and a more diverse readership are the greatest perils. The press boom of the Glasnost era may be waning, thanks to the very political and economic changes many publications promoted.

"Now, most of the subsidies have dried up or are drying up, and many print media have to stand alone," said Mike Adams of the Moscow office of Young and Rubicam, a US advertising agency. "They have to become real businesses."

Foreign companies never

received subsidies and were accustomed to higher production costs, but those costs continue rising as Russia lifts price controls.

"In an environment in which the price of printing rises five or six times in six months, you have to react fast," said Derk Sauer, a Dutch-based publisher whose three-year-old Moscow Magazine is the city's most visible foreign success story.

He said many foreign publications have failed "because they didn't appreciate the one big law of Russian publishing: The ink is more expensive than what you can sell the magazine for."

Compounding the cost squeeze is a lack of information about readers and their interests. Western publishers and advertisers consider de-

mographic information essential; Russian publishers often know little more than circulation figures.

"Glasnost has been around for six years, but the publishing business... only started to change in the last year," Adams said.

Despite all this, several new publications have plunged into this murky market, including a South African joint-venture business paper, The New Bridge, and the brash We-Myl, by Hearst and Izvestia.

Vladimir Shmiganovsky, the Russian publisher of We-Myl, said Hearst had suspended plans to start the paper two years ago because of political instability, and picked it up again late last year.

Russian and English editions appeared in February here and in the United States.