

**BRIEFS**

**Luxembourg warned of inflationary steps**

BRUSSELS, July 11: The Luxembourg economy, performing well despite slowing growth rates and a recession in its key steel industry, is open to some potentially inflationary forces, the OECD said. The main one is Luxembourg's decision to raise indirect taxes to comply with tax harmonisation in the EC, the Organisation for Economic Cooperation and Development (OECD) said in its two-yearly report on the Grand-Duchy. "The government should be careful to prevent this harmonisation... from having anything more than just a temporary effect," it urged, reports Reuter.

**Austerity plan in Italy announced**

ROME, July 11: Italian Prime Minister Giuliano Amato on Friday announced a crisis austerity plan aimed at trimming 25 billion dollar from the country's runaway 150 billion dollar budget deficit. Emerging from a marathon eight-hour cabinet meeting, Amato said the plan would raise 12.6 billion dollar from new taxes on real estate and bank accounts. It would raise another 6.25 billion dollar by selling off public assets to the private sector, he said, with the rest coming from cuts in public spending, reports AFP.

**GPA not to abide by all options**

DUBLIN, July 11: GPA Group PLC, the world's largest aircraft-leasing firm, is unlikely to take up all the options it has on 220 new airliners worth dollar 9 billion, aviation sources said on Thursday. Last month, the Shannon-based company decided to cancel a dollar one billion flotation on London, New York, Tokyo and Dublin stock markets because of what was described as lack of interest from institutional investors, reports Reuter.

**More Saudi gold sale to US unlikely**

LONDON, July 11: Further huge Saudi silver and possible gold sales are unlikely, dealers said, after the former Chief Operating Officer of the Jeddah-based National Commercial Bank was fined 170 million dollar by the US Federal Reserve Board. Dealers linked the flood of silver sales on Tuesday to NCB accounts run by Sheikh Khalid Bin Mahfouz. He resigned from the bank to fight charges he allegedly defrauded investors in the defunct Bank of Credit and Commerce International (BCCI). "Dealers estimated NCB silver sales at over 40 million ounces worth 160 million dollar, which fits the fine," a dealer said, reports Reuter.

**No trading in Calcutta stock**

CALCUTTA, July 11: Trading was paralysed on the Calcutta Stock Exchange and during the whole of the week ended July 10 not even a single transaction was possible. This was due to keeping the market officially closed from Monday, to Wednesday and operators refusal to effect deals in the subsequent days. The reason was that instead of engaging themselves in trading, brokers and their assistance were connected with the verification of Harshad Mehta's shares for submission to the special court along with related documents, reports PTI.

**Japan to give Russia \$100 credit**

TOKYO, July 11: The Japanese government will disburse 100 million US dollar in loans from its export and import bank to Russia in August, Kyodo news agency said. Kyodo quoted officials as saying Japan would extend the credit to the Russian bank of foreign economic affairs (Vneshebank) under a decision reached in December, 1990 by the Tokyo government to help finance Soviet emergency purchases of foodstuffs. The officials were quoted as saying the Tokyo government will also let Russia use the money for medicines, cigarette filters, and other goods in response to its request, reports Reuter.

**India likely to import rice from Vietnam**

NEW DELHI, July 11: India is negotiating with Hanoi for rice imports in view of dismal procurement of paddy during the current kharif (monsoon crops) marketing season. An Indian team visited Hanoi last week. Negotiations between the two sides are still on and the deal may be struck later this month, local Press reported yesterday. Vietnam is learnt to have offered rice to India at 195 US dollar a ton whereas its last sale in the international market was for 178 US dollar a ton, reports Xinhua.

**Operations of UN fund for commodities under review**

AMSTERDAM, July 11: The United Nations Common Fund for Commodities, originally created as a bank to serve commodity pacts, is reviewing its operations following criticism that it is trapped in an outmoded role, reports Reuter. A working group will consider other uses for about 150 million dollar frozen in its first account, reporting back to the executive board in October, the UN body said on Thursday. "The aim is come up with ideas on what to do if the first account remains dormant," one official told Reuters. Attacked by critics as an anachronism, the Amsterdam-

based common fund's main aim has been undermined since most commodity pacts have withered away and borrowing to buy up commodity surpluses was discredited when the tin pact collapsed in 1985. The 105-nation fund now sits on millions of dollar which it cannot use. This impasse was criticised by delegates at last February's UN Conference on Trade and Development (UNCTAD) in Colombia, some of whom argued that the fund needed to abandon the idea of helping interventionist commodity pacts altogether. World Bank officials sug-

gested it could help developing countries by underwriting hedging or swap operations. The fund official said that the working group was not specifically geared to investigate this option but was rather a broad-ranging inquiry into all possibilities. The aim is to maximise the organisation's positive impact on all developing producing countries, especially the poorest. But whatever recommendations are made by the working group, there can be no speedy change in common fund policy. Even a minor amendment to the agreement laying the ground rules for its operations

is likely to take between one and two years, and complete renegotiation would take much longer. Meanwhile, the activities of the common fund — which was negotiated in 1980 but only established in 1989 — are limited to support for small-scale research, development and diversification projects financed by its smaller second account. Project financing from this account started last year. Only a handful of grants have so far been made, although several dozen proposals from 18 different international commodity organisation are waiting on the books.

**UN urges donors to resume aid to Kenya**

NAIROBI, July 11: A United Nations official has appealed to international donors to resume their economic aid to Kenya as the country has invested a great deal in human development, reports Xinhua. Mahbub-ul-Haq, Special Adviser to the Administrator of the United Nations Development Programme (UNDP), told reporters here on Friday that after careful assessment, he is convinced that the current development plan in Kenya is geared towards human development issues. Haq, who is on a visit to Kenya during his tour of some African countries, said that Kenya is spending less than three per cent of its Gross

Domestic Product (GDP) on military activities while military spendings in most African countries account for nearly nine per cent of their GDP. About eight per cent of Kenya's GDP is used for health and education. The east African country is among the leading African countries in life expectancy with an average of 60 years, he added. Kenya is currently experiencing an aid embargo imposed by West donor countries last November pending economic and social reforms. It was reported that France has decided to resume economic aid to Kenya amounting to 26 million US dollar this year.

**Dollar falls in New York**

NEW YORK, July 11: A brief rally for the dollar lost momentum Friday and sent the American currency lower against all major currencies, reports AP. Gold also fell. On the New York Commodity Exchange, gold bullion for current delivery fell 40 cent to close at 348.30 dollar a troy ounce. A late bid at New York Republic National Bank quoted the metal down 30 cent at 348 dollar. The dollar came under heavy selling pressure after a report that the Dutch central bank was raising its reserve requirements, said Tom Hoge, corporate trader for Credit Suisse. Some traders initially misinterpreted market news accounts, believing the Dutch were moving to tighten their money supply, which would increase the guilder's value against the dollar. As it turned out, the move by the Dutch central bank was only technical and didn't reflect a change in monetary policy, said Hoge. Nevertheless, many traders sold dollars and bought German marks on the report, believing any action by the Dutch would portend higher rates in Germany, another trader said. Traders also said they expected the dollar's brief rally earlier this week to conclude quickly because of the poor US economy, political uncertainty and higher rates of other currencies. "We basically corrected what I considered to be an ill-conceived move in the first place," said Hoge. In New York, the dollar closed at 1.4940 German mark, down from 1.5130 late Thursday. In Europe, the dollar closed at 1.4975 German mark, down from 1.5165 late Thursday.



TOKYO: A model sits in the seats of Toyota's future concept car 'Shariary' July 10 at the exhibition of the All Toyota Design society. The 3.12-metre-long, 19-metre-wide single-seated vehicle is designed for summer resort use. — AFP photo

**ANC urges European bankers to stay away from bond issues**

JOHANNESBURG, July 11: The African National Congress appealed Friday to European bankers not to become involved in any bond issues for the South African government and related organisations, reports AFP. In a statement, the organisation claimed it had received information that two South African Parastatals were preparing to raise bond issues on the European money markets. The organisations would not name the Parastatals or the banks allegedly involved. The statement said the planned bond issues were a "flagrant violation of financial sanctions" imposed by the UN and the Commonwealth, and which it said should stay in place until an interim government was formed.

**Taiwan to hire more foreign workers**

TAIPEI, July 11: Taiwan, grappling with a severe labour shortage, said on Friday it would allow the private sector to hire more foreign workers, reports Reuter. "Private companies will be allowed to import more foreign labour," Chao Shou-Po, Chairman of the cabinet's Council of Labour Affairs, told reporters. He said the government would limit the number of workers but did not reveal how large the quota would be or when it would take effect. Late last year Taiwan lifted a decades-old ban on the hiring of foreign workers by the private sector, allowing in 15,000 labourers from South-East Asia to work in six industries including textiles and construction.

**Belgrade continues all debt repayments**

BELGRADE, July 11: Yugoslavia, its economy hit by ethnic fighting and UN sanctions, is still making all debt payments to the International Monetary Fund, National Bank officials said, reports Reuter. "They said payments had continued to the IMF and the World Bank while other debt repayments had been temporarily suspended, including commercial banks. Yugoslavia is making its payments to the IMF," Gavril Djedovic, one of the general directors in the National Bank said. The payments have been approved by a United Nations committee observing the implementation of the sanctions. "Paying the debts and constructive cooperation with the IMF is of great importance for preserving the continuity of Yugoslavia in this international financial organisation," Djedovic said. "At the same time it is the key precondition for future foreign support to the economic programme of the Yugoslav government." Yugoslavia now includes only two republics, Serbia and Montenegro, after the secession of Slovenia, Croatia, Bosnia-Herzegovina and Macedonia in the past year. The foreign reserves of the recently-founded state, which has not been recognised abroad, are only 1.9 billion dollar and the foreign debt of the two republics is about 5.1 billion dollar.

**More ministers to go over share scam, says Indian MP**

NEW DELHI, July 11: Janata Dal MP, George Fernandes, Saturday said more ministers will resign in the wake of revelations in the multi-crore securities scam, reports PTI. Referring to P Chidambaram's resignation last night, he told newsmen "it is only a beginning. More will have to go." Fernandes, who claimed to have the names of some ministers involved in the scam, was asked whether he was going to reveal them now. He replied "before the session ends you will yourself come to know one by one." He wanted Chidambaram to disclose at what price he had purchased the shares from Fair Growth Financial Services firm and what was the market price of these shares at that time.

**First political victim of a massive financial fraud**

NEW DELHI, July 11: India's hard-to-please press heaped unusually generous praise today on the first political victim of a massive financial fraud, reports AFP. "A good man goes," the Economic Times headlined an editorial on the dramatic resignation of Commerce Minister Palaniappan Chidambaram, who also won an approving part on the back from the ruling party after quitting the cabinet. "Certificates of rectitude are rarely deserving in Indian politics but Chidambaram has been an exception," it commented, saying he had set an example for men in public life. "Why Chidambaram" queried the Hindustan Times,

and the weekend observer even demanded that he be taken back into the cabinet. Chidambaram, 47, a Harvard MBA, resigned Thursday after admitting to have invested 9,125 dollar in a financial company linked to the 1.2 billion dollar bank scam which has shaken India's financial system. The high-profile and articulate Minister made the investments in September 1991, when there was no hint of the scam involving the illegal diversion of funds from government securities to stocks, and showed them in his income tax returns. Premier P V Narasimha Rao, however, preferred to lose a valuable colleague rather

than have the slightest link with the scam taint his year-old government, facing an opposition united in its desire to embarrass it, the press said. Some saw the prompt acceptance of Chidambaram's resignation as an attempt by Rao to smoke out ministers who may be more deeply involved in the scandal which erupted in April. The 71-year-old Premier sent a strong signal to such ministers that "this is their very last chance to reveal if they are linked, directly or indirectly, to the scam," said the Times of India. Chidambaram was a key member of the Cabinet and together with Rao

**Japanese trade team visits N Korea next week**

TOKYO, July 11: Japan will send a large-scale private trade mission to North Korea next week to investigate possible cooperation in light industry and mining, a financial daily reported here, reports Reuter. The economic daily Nihon Keizai Shimbun said a Japanese trade organisation would send a delegation from major trading houses and manufacturers for talks with Pyongyang's trade promotion committee. However, the newspaper said it would be difficult for Japanese companies to start new investment and cooperation with North Korea in view of its accumulated debts with Japan, estimated at about 84 billion yen (672 million dollar).

**Japan to boost import, foreign investment**

TOKYO, July 11: Japan's Trade Ministry said it would next week start implementing a new law designed to boost imports and foreign investment, reports Reuter. The law, passed by parliament in March, is aimed at increasing imports through improving the infrastructure and easing foreign direct investment, the Ministry of International Trade and Industry said in a statement. The ministry will select about five sites for foreign access zones in the current financial year ending next March and ten more the following year, the statement said. It will also support local government efforts to improve import facilities around ports and airports.

**Zambia to ask aid club members to write off debt**

LUSAKA, July 11: Zambia said it would try to persuade creditor countries to write off debt and reduce debt services at the Paris Club meeting scheduled for July 20, reports Reuter. Dean Mung'omba, Deputy Minister in the president's Economic Office, said 600 million US dollar of Zambia's are billion US dollar annual foreign exchange earnings from copper exports went into debt servicing, while the mines needed 400 million US dollar for operations. This meant the country relied on external aid for its balance of payments and import needs. Zambia's external debt is 7.2 billion US dollar one of the world's highest per capita debts.

**Somalis need more aid to survive**

NAIROBI, July 11: Tens of thousands of Somalis will die of starvation unless the world doubles aid to the war-and drought-stricken African nation, the International Committee of the Red Cross (ICRC) warned, reports Reuter. ICRC Director-General Peter Fuchs, after a visit to the devastated Somali capital Mogadishu, called for United Nations assistance. "It's one of the worst crises I've seen," he said. Thousands have died in the anarchy following the overthrow of dictator Mohamed Siad Barre by rebels 16 months ago. The ICRC estimates malnutrition is as high as 80 per cent. More are likely to die even if relief efforts were stepped up now, Fuchs said. The ICRC appealed for an equivalent of 68 million dollar to fund the next six months of its land, air and sea relief operation to Somalia. It has already spent about 78 million dollar.

**Nepal presents deficit budget**

KATHMANDU, July 11: The Nepal government presented a 671.9 million US dollar budget for the 1992/93 fiscal year (July-June) that slashes import tariffs, reports Reuter. Finance Minister Mahesh Acharya also announced more convertibility of the rupee. Foreign exchange earners can now exchange 75 per cent of their earnings against 65 per cent previously. He said customs tariffs would be reduced by five to 25 per cent on a range of consumer durables including motorcycles and TVs. The budget shows a deficit of 11.97 billion rupees, which Acharya proposed to finance with borrowings. External borrowings are budgeted at 10.35 billion rupee. Foreign aid grants total 4.62 billion rupee. This was the second budget submitted by the Nepali

Congress party government of Prime Minister Girija Prasad Koirala since he came to power in May 1991 following the country's first free elections in three decades. The Himalayan kingdom, one of the 10-poorest countries in the world, adopted a new constitution in 1990 following bloody pro-democracy protests guaranteeing a multi-party democracy with vastly reduced powers for the once absolute monarchy. Acharya, in his budget speech to parliament said the government was committed to increasing the role of the private sector in the economy. He said the government would soon take steps to introduce a stock exchange in the country. He said the process of reaching full convertibility of the Nepali rupee would also continue. In an economic survey of the economy over the previous year, Acharya said the economy

experienced a mild recession. He estimated the Gross Domestic Product grew by 3.1 per cent 1991.92 against an average of 4.0 per cent over the previous four years. Acharya said the 1991/92 fiscal year ended with an annual inflation rate of 20.8 per cent against 9.8 per cent the previous year. Money supply increased by nearly 24 per cent. "The policy reforms were focussed primarily on the institutional and structural improvements in the economy rather than bringing about quick and dramatic results" he said. He was criticised in parliament for the government's inability to spend about half of the money allocated in the development budget. Acharya said that was because until recent local elections there were no local bodies set up to administer projects.

**New law takes effect next week**

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**US trade bill worries Japan**

Another report adds: Japan is concerned about a proposed US trade bill which it says contains protectionist clauses that would weaken the multilateral free trade system, a Foreign Ministry spokesman said. Sadaaki Numata told a press conference: "we view with concern the trade expansion act which was apparently just passed by the United States House of representatives." The US House on Wednesday passed a controversial trade bill renewing "super 301" authority, which expired two years ago. It permits imposition of tough retaliatory sanctions against countries found to trade unfairly. Tokyo believes the bill runs contrary to the objective of maintaining and strengthening the multilateral free trade system, he said. "We therefore strongly hope that such a bill will not become law" Numata said. The bill must pass Senate and White House scrutiny before becoming law and a Ministry of International Trade and Industry official said Thursday that MITI will be watching developments closely.

**Pricing issue bears little impact on Wall Street**

NEW YORK, July 11: The news may be good on inflation these days, but it isn't making much of an impression on Wall Street, reports AP. One measure of pricing pressures in the pipelines of the economy, as reported by the government on Friday, has just posted its first decline in five years. More upbeat statistics are expected on Tuesday, when data are due on the consumer price index for June and the first half of 1992. But these developments haven't received more than a lukewarm welcome in the stock market. Indeed, some analysts and investors are questioning whether victories in the battle against inflation are being achieved at the expense of losses in a wider economic war.

The producer price index of finished goods rose at an annual rate of 2 per cent over the first six months of the year. The so-called core rate of PPI inflation, which excludes the index's highly variable food and energy components, dropped 0.1 per cent in June for its first decline since February of 1987. More news of the same tenor is expected when the consumer-price numbers come out Tuesday. "Consumer price inflation should continue to be well behaved in June, said Stephen Roach at Morgan Stanley and Co. Only modest upticks are expected for food and energy, and the core rate should remain subdued at 0.2 per cent for the second month in a row."

A long-term easing of the inflation trend through the 1980s, which Wall Streeters came to call "disinflation," has been celebrated enthusiastically and often in both the stock and bond markets. But the problem now is that some traders in stocks, at least, are starting to view low inflation as a symptom of an economy that can't get a consistent recovery going from the recession. "The Federal Reserve's actions suggest that the monetary authorities believe reflation is a bigger risk to our future economic prosperity than is a third dip in the economy," says Edward Yardeni, chief economist at C J Lawrence Inc. "Shooting for price stability in an economy that is under extreme stress from numerous deflationary forces, is very dan-

gerous. This is not the right time or place to aim for price stability. "Economic recoveries require some inflation to give business managers the confidence to hire workers and to rebuild inventories. If they can't make price increases stick in a recovery, then they'll lose their confidence in the recovery." Investors' confidence in the recovery has also wavered of late, making for some erratic times in the stock market. In the past week the Dow Jones average of 30 industrials eked out a 0.27 gain to 3,330.56. The Nasdaq composite index for the over-the-counter market rose 4.38 to 567.71, while the American Stock Exchange market value index was down .33 at 382.32. If the stock market can re-

sist the blandishments of favourable inflation news, it also has been able to shrug off the latest round of cuts in interest rates instigated by the Federal Reserve. "Lower interest rates are simply not encouraging loan demand," observed Brian Fabbri at Midland Montagu Economics in New York. "This lack of loan demand is a principal factor behind the inadequate growth in the money supply, as well as a major concern to policymakers who must feel as though they are pushing on a string. "Confidence is certainly one of the key ingredients that is missing. The confidence to borrow is linked to the confidence to hire and expand operations, which is in turn linked to the confidence to spend."

**Shanghai metals dominate market**

BEIJING, July 11: Trading on China's first futures market, the Shanghai Metals Exchange, has surpassed 800 billion yuan (148 million dollar) during its first six weeks of operation, an official report said Saturday. Initial trading in the seven metals focused on spot trading, but forward contracts have since dominated the market, the English-language China Daily reported. Trading has increased steadily since the market opened on May 28, selling copper, lead, aluminium, zinc, tin, nickel and iron, the China Daily said. As an example of daily trade volume, the newspaper said nearly 150 million yuan (27.7 million dollar) of metals were exchanged on Wednesday, reports AP.