BRIEFS

Costa Rica arrests Peruvian banker

SAN JOSE (Costa Rica), July 13: A Peruvian banker accused of bribery on behalf of the Bank of Credit and Commerce International was arrested and then released by Costa Rican authorities, the daily newspaper La Nacion reported on Saturday. Brian Jensen was captured by Costa Rican judicial police on June 22 in the City of Cartago, some 20 km (12 miles) east of San Jose, but was released three days later on bail of 500,000 colone (about 4,000 US dollar), it said. Jensen is charged with paying bribes of more than three million US dollar to Peruvian officials to entice the government of former President Allan Garcia to put around 270 million dollar of the country's international reserves in BCCI, reports Reuter.

Grain may cost 10,000 rouble a tonne

MOSCOW, July 13: Russian officials recommended that prices for this year's grain crop should be around 10,000 rouble a tonne, Interfax news agency reported. They also recommended that the government maintain its current retail prices for bread, pasta and cattle feed until the end of the year. The recommendations were made in an agreement signed by Russia's Agriculture Ministry, Grain Production Committee, Agrarian Union and Private Farmers' Association, reports Reuter.

Thai-Myanmar border trading to reopen

MAE SOT (Thailand), July 13: Myanmar has agreed to reopen border trading posts with Thailand after Thai traders said they would help fix a currency exchange rate and check goods for bombs, a Thai negotiator said on Friday. Myanmar closed the two official trade crossings in May after two bombs exploded at Myawadi on the Myanmar side of one of the posts, killing two people and wounding two, reports Reuter.

UN inspectors for agri ministry visit

MANAMA (Bahrain), July 13: The vigil by UN inspectors outside Iraq's Agriculture Ministry entered its second week Sunday with no sign that Saddam Hussein's government is ready to permit access to the building, suspected of housing documents on missile programme. The UN Security Council is expected to take up the matter early this week if the deadlock is not broken, UN officials say. "It's in Iraq's best interest to go ahead and allow access to the building," said the head of the inspection team, US Army Maj Jen Karen Jansen, reports AP.

Algeria may form technician-based body

ALGIERS, July 13: Prime Minister Belaid Abdesslam was holding talks at the weekend to form a technician-based national union aimed at rallying Algerians still shaken by the June 29 assassination of president Mohamed Boudiaf. The 64-year-old "father of Algerian industrialisation," named premier last week to replace Sid Ahmed Ghozali, who resigned, has called for a "war economy" in Algeria, where armed Islamic extremists are waging a guerilla campaign, reports AFP.

Search for missing fishermen launched

SAN FERNANDO (Philippines), July 13: A search was launched Monday for 25 fishermen listed as missing two days after Typhoon Eli slammed into the northern Philippines, the regional police commander said. The fishermen were abroad nine motorized outriggers that were last seen Saturday off Baler, the provincial capital, according to Chief Superintendent Pantaleon Dumlao, Police Director for central Luzon, reports AP.

Unity born of adversity displayed

BORDEAUX (France) July 13: The scandal-plagued Socialist closed an important party congress on Sunday, displaying a unity born of adversity. Beginning with the congress opening session Friday, the Socialists rallied in vigorous support of Henri Emmanuelli, speaker of the National Assembly. The respected daily Le Monde reported last week that Emmanuelli stands to be charged in a long-running campaign financing scandal stemming from President Francois Mitterrand's 1988 re-election campaign, reports AP.

South Africa needs growth, not just redistribution of wealth

Economic policies for a post-apartheid South Africa will have to generate growth, not just redistribute wealth, in order to raise the living standards of the majority black population.

The success of the current or any future government will depend on how it revitalises the economy, while reducing the current gross inequities of income and economic opportunity, says a recent article in "Finance and Development," the quarterly publication of the International Monetary Fund (IMF) and the World Bank.

South Africa has one of the most skewed income distributions in the world, says the article, "Economic Challenges Facing South Africa," by Desmond Lachman, a division chief in the IMF's European Department.

While South Africa's overall per capita income is around $2,300, making it a middle-income country, a large portion of the non-white population has a per capita income one-fourth that amount, says the article.

Of South Africa's 40 million people, 75.2 per cent are black, 13.6 per cent white, 8.6 per cent colored (mixes race), and 2.6 per cent Indian, according to The World Factbook 1991, published by the US Central Intelligence Agency.

South Africa's incomes are skewed along urban/rural, as well as racial lines, with many of the poorest South Africans living in the so-called black "homelands."

The black population made some progress toward white living standards during the 1970s as vigorous growth in the South African economy "enabled many blacks not only to increase their employment but also to unionise and thereby to achieve real wage increases," says the article.

Regulations reserving skilled jobs for whites were eased and "influx" controls that limited black mobility were reduced. Differentials between white and black wages were sharply cut. "Whereas whites were paid almost double the wages that blacks would receive for the same job in the mid-1970s, the differential has now declined to around 15 per cent," says the article.

Progress during the 1980s has been slower, however, with the onset of an economic decline brought on by political uncertainty and international financial sanctions against South Africa. "This particularly curbed black employment and wage growth and slowed the earlier trend toward income equalisation," says the article.

The economic downturn, the article notes, brought a decline in the ratio of investment to Gross Domestic Product (GDP) of around five percentage points during the mid-1980s when South Africa was shut out of foreign capital markets. South Africa moved from net capital importer, to capital exporter, and annual GDP growth slowed to 1.5 per cent, well below the 2.5 per cent population growth. The slower growth increased the proportion of economically active population without employment opportunities from 25 per cent in the mid-1970s to about 42 per cent at the end of the 1980s.

Economic policies in the new South Africa will have to be carefully crafted to encourage foreign and domestic investment and to redirect present budget priorities so that a bigger amount of the social spending goes to non-whites, the article says.

Economic growth of about 3.5 per cent a year is needed to improve overall living standards, provide jobs for a labour force expected to grow about 2.5 per cent a year during the next decades, and to cut black underemployment, the article says. This growth rate, however, can be sustained only through a marked improvement in investment. "The ratio of investment to GDP would have to rise from its present level of 19 per cent to around 27 per cent by the end of this decade."

As the financial sanctions are lifted, capital for this investment should again start flowing into South Africa, reversing the current situation of capital outflows of two to three per cent of GDP a year. But international competition for capital is intense, so South Africa will have to make itself attractive to investment by pursuing sound policies to control inflation and cutting barriers to trade and investment, the article says.

Raising further the already-high tax level in South Africa would hurt foreign and domestic investment incentives and even cause people to work less and reduce their savings, the article says. The overall tax burden already amounts to 24 per cent of GDP, above average for countries at similar stages of development. The top marginal income tax rates are 42 per cent, and top corporate tax rates are around 48 per cent, both close to the levels of industrial countries.

So in looking for ways to improve social services for the black majority, the article recommends "redirection" of the current budget priorities.

South Africa already spends 14 per cent of GDP for social purposes, a high amount for a developing country, the article says. This includes six per cent of GDP spent on education and 3.5 per cent on health, amounts comparable to that spent in more industrialised countries. However, this spending is skewed in favour of whites, even though social spending on whites declined significantly during the 1980s, the article says. Per capita education spending for whites is more than four-and-a-half times that for blacks, says the article. "Similar differences, some less marked than others, characterise official spending on health, social security, and housing.

Equalising, but not increasing, social spending, "would provide substantial social benefits to the least privileged sectors of the country" without compromising a commitment to long-term social and economic development, the article says. The political difficulties of "equalisation" are considerable, since as social spending is increased for blacks, sharp reductions would be in store for other groups, particularly whites.

South Africa: Recent Performance, Medium-Term Forecast, 1991-2000
(Annual average, percent)

	1981-1990	1990	1991-2000
Real GDP growth	1.4	-0.9	3.5
Employment growth	0.7	-0.4	3.0
Nonwhite underemployment rate	41.7	36.6	
Real wage growth	1.4	1.9	0.7
Investment share of GDP	23.0	19.3	24.8

Source: International Monetary Fund

Singapore economy to grow by 7 pc, researchers predict

SINGAPORE, July 13: A researcher has forecast the Singapore Economy will grow seven per cent in 1992 and eight per cent the following year due to improving global economic conditions, a newspaper report said Sunday, says AFP.

Chow Kit Boey, Director of the Centre for Business Research and Development, noted that figures from the United Nations world economic survey, International Monetary Fund and the Organisation for Economic Cooperation and Development (OECD) all pointed to growth in the global economy, the Sunday Times said.

"Given that Singapore's growth is strongly related to OECD growth, the likely outcome is a marginally better performance for the Singapore economy in 1992 than in 1991," Chow said.

"The most likely growth rate prediction is between 6.75 per cent and seven per cent for 1992. On the same basis, the prediction for 1993 is seven to eight per cent."

The Singapore economy grew by 6.7 per cent last year and for the first quarter of 1992, it achieved a growth of 5.1 per cent. The government has forecast a growth rate of four to six per cent for the year.

Chow said she had based her forecast on a study of a model of the Singapore business cycles she developed in 1984 which uses a data base of over 200 monthly and quarterly time series.

She expects a turn around in the securities industries, the printing and publishing sector, manufacturing and electricity and gas sales which is a useful indicator of industrial activity.

But Richard Lee, an academic from the department of Business Policy at the National University of Singapore (NUS), cautioned that economic growth might be lower at between 5.2 and 5.9 per cent this year and between 5.7 and 6.7 per cent in 1993.

Yeltsin promises 50 pc cut in deficit

WASHINGTON, July 13: Russian President Boris Yeltsin has promised to slash government deficits and cut inflation nearly in half by the end of this year in return for a one billion dollar loan, says a senior international monetary official, reports AP.

Yeltsin's July 5 agreement in Moscow with International Monetary Fund Managing Director Michel Camdessus is the first installment on four billion dollar the Russians hope to get from the IMF.

It also opens the way for 24 billion dollar in aid from the United States and other countries this year. The officials, speaking on condition he not be identified by name, said that the 14 other republics of the former Soviet Union will need an additional 20 billion dollar.

The new agreement pledges that Russian prices, now rising about 15 per cent to 20 per cent a month, will go up less than 10 per cent a month, or 120 per cent a year, by the end of this year.

"Pretty high inflation indeed, but a significant curbing of the tendency," the official said last week, explaining details of the agreement on the condition that the information not be released until Sunday.

By way of comparison, prices paid by American consumers have been rising less than five per cent a year, according to the fund's figures, while Brazilian prices have been going up more than 500 per cent annually.

Estonia created its own money on June 18, a move being considered by Latvia, Lithuania, Ukraine and a few others, he added.

Malaysian economy facing deceleration

KUAL LUMPUR, July 13: Malaysia's booming economy has begun to show signs of a slowdown from the second quarter of the year after five years of robust growth, a survey by the country's economic Think-Tank said Sunday, reports AFP.

The Malaysian Institute for Economic Research (MIER) said that its latest quarterly survey indicated that manufacturers and businessmen in several industries had started to feel the pinch of an economic deceleration.

It said its quarterly "Business Conditions" survey index had slipped to 57.8 from 59.7 in the previous quarter, suggesting the beginning of an economic deceleration.

The business sector was facing supply constraints and problems of a week external demand and without fresh leads from abroad, local business sentiment was expected to remain cautious, MIER said.

Malaysia has been enjoying an average annual growth of eight per cent in its Gross Domestic Product since 1987. Its GDP growth is measured against 1978 prices.

A Malaysian banker recently said the Central Bank's forecast of an 8.7 per cent growth for 1992 might be difficult to achieve as signs of a slowdown were slowly creeping in.

"There are doubts if we can achieve the 8.5-8.7 per cent target as weaker pointers and data on private investment indicate the economy could be slowing down," said Ramon Navaratnam, Executive Director of Bank Buruh.

Navaratnam feared that rising inflationary pressures and widening trade balance of payments deficits could blunt Malaysia's growth.

No transaction at BSE yet

BOMBAY (India), July 13: Trading on the Bombay Stock Exchange (BSE) was paralysed for a third straight week in the fallout of a huge securities fraud that has resulted in a boycott by brokers, reports AFP.

No transactions in shares were conducted during the week ending Friday although the BSE which accounts for 70 per cent of all stocks.

Brokers continued to stay away to protest the orders of a Special Court trying suspects in the 1.2 billion dollar securities fraud that has ended an unprecedented stock market boom since surfacing in April.

The court has ordered the seizure of the assets of half-a-dozen top brokers and ruled that all transactions they conducted after April 1, 1991 — which is when the Court thinks the scandal started — could be declared invalid.

The BSE has consequently suspended trading in all shares standing in the name of top broker Harshad Mehta, alleged mastermind of the scam involving illegal diversion of funds from the government securities market to stocks, and other suspects.

"Big bull" Mehta's share holdings alone are estimated to be worth 50 billion rupee (1.66 billion dollar).

BSE authorities have also cautioned brokers to becareful in trading other shares, and brokers said they preferred to refrain from trading rather than risk exposure to bad deliveries.

Brokers say the Special Court's ruling could mean that transactions involving hundreds of thousand of stock investors could be declared illegal and have asked it to reverse its ruling.

NAGORNO-KARABAKH: An injured Armenian woman is carried on a stretcher as her daughter holds her hand after being injured during an Azeri air raid in the village Noragun in Nagorno-Karabakh on July 10. The air raid came one day after the 52 nations' Conference on Security and Cooperation in Europe (CSCE) agreed to send a team of 100 observers to the embattled enclave. —AFP photo

Iran's reforms hit middle class

TEHRAN, July 13: Price reforms hit more and more of Iran's 60 million population, the spectre of widespread discontent is swirling through the daily conversations of ordinary citizens, reports AFP.

Complaints about high inflation, low wages, and the scarcity and soaring price of basic foods are increasingly heard in public meeting places, but stops, taxis and shops.

The price rises are part and parcel of the government's economic reform programme aimed at encouraging private sector activity to boost production.

President Ali Akbar Hashemi Rafsanjani warned recently that the transition from a heavily-subsidised state regulated economy — inherited from the early days of the 1979 revolution — to a market economy dominated by the private sector would be painful.

The danger is that the sharply increased cost of living in now affecting the middle classes, described by officials now as "underprivileged and vulnerable" — virtually the same terms they use for the very poor.

Like the poor they are having to bear the brunt of — according to Tehran-based western economists — at least 40 to 60 per cent inflation and swinging price rises across the board.

The sharp rise in the price of rice — the basic ingredient of daily meals —meat, cheese and fruit has lifted these essentials from the tables of all but the better paid.

A kilo of rice has soared from 1,200 rial (just under two dollar) to 2,400 in a mere four months. Since the Iranian new year in March, the prices of meat, fruit and vegetables have all risen on average between 20 and 30 per cent as well.

Cloths, newspapers and fares for collective taxis — upon which a great part of the working population relies for daily transport — have gone up anything between 30 and 100 per cent.

This is proving too much for unskilled workers, who can expect to earn 10,000 rial a day, and low-rank functionaries, who receive even less from the state, on average 150,000 rials a month.

6 more Indian ministers may resign over bond scam

NEW DELHI, July 13: At least six Indian ministers, including three members of the Federal Cabinet, may resign next week for involvement in the country's worst financial scandal, Indian newspapers reported on Sunday, says Reuter.

Commerce Minister P Chidambaram, one of the key architects of India's economic reforms, resigned on Friday over investing in a company alleged to be involved in the 32 billion rupee (1.2 billion dollar) scandal.

"More heads my roll," the Sunday Tribune reported.

The newspaper said that six of the 60 members of Prime Minister Narasimha Rao's Council of Ministers may give in their resignations this week.

Dollar finished higher in Europe

LONDON, July 13: The US dollar was lower in European trading late Monday morning but dealers said the sharp sell-off over the weekend appeared to have been halted. Gold prices were higher in very thin trading, reports AP.

In Tokyo, the dollar closed at 125.18 yen, down 0.57 yen from Friday. Later, in London, it was trading lower at 125.14 yen.

Other dollar rates at mid-morning compared with late Friday — 1.4824 German mark, down from 1.4975, — 1.3445 Swiss franc, down from 1.3565, — 05 Dutch guilder, down from 1.6860, — 1,122.25 Italian lire,

Australia hopeful about GATT talks

CANBERRA, July 13: The failure of G7 leaders to reach an agreement last week on the Uruguay Round of world trade talks was no reason to doubt a favourable outcome, Australian Trade Minister John Kerin Said on ,Sunday, reports Reuter.

The delay in resolving the General Agreement on Tariffs and Trade (GATT) talks, left the G7 leaders targets for "some justifiable ridicule," Kerin said.

But he added that the Uruguay Round of world trade talks was the most ambitious ever embarked upon.

"Just because deadlines go by there is really no reason at all to say that the round has failed... the last GATT round went seven years," Kerin said in an interview on the Channel Nine television network.

The impasse regarding agriculture subsidies was the biggest burble to a successful conclusion to GATT but a small nation like Australia had limited power to broker a solution, Kerin said.

G7, groups the seven largest capitalist economies: The United States, Japan, Germany, France, Britain, Canada and Italy.

The best Australia can hope is to pressure those with the largest subsidies, such as Japan, the United States and Europe, through its membership of the Cairns Group, Kerin added.

"We have about 17 million people and there is no other way for us to go as a country but to try to push for a rules-based system rather than a power-based system".

'Market economy should be China's final goal'

HONG KONG, July 13: The final goal of China's reform programme should be a market economy, according to a high-profile economist cited Saturday by China's Xinhua news agency, reports AFP.

"It is imperative to set as the goal of reform a complete market mechanism and strive to complete the transition to the new economic system," Xinhua cited economist Yu Guangyuan as telling a meeting held last week in Beijing.

Fellow economist and Vice Chairman of the China Research Institute for Economic Restructuring, Tong Dalin, told the same meeting, it's high time that the term market economy appeared in our press, and its concept and connotation were accepted and penetrated our theoretical studies."

The official agency, monitored in Hong Kong, said the problem of who to integrate centralised planning and market elements had been the most controversial issue for Chinese theoreticians since China adopted its opening and reform policies over the past 12 years.

Now, more and more economists are beginning to say yes to the term socialist market economy, it said.

Silver market slumps following large Saudi off-loading

LONDON, July 13: The off-loading onto the market of a huge quantity of silver, attributed to the main private Saudi Bank, saw silver prices fall four per cent in one day this week, reports AFP.

The National Commercial Bank of Jeddah sold between 600 and 1,200 tonnes of silver, market sources said. Brokers initially feared that further sales could follow, recalling similar actions by the bank in gold in 1990.

However, the operation seemed to be a none-off, they decided, coinciding with the resignation of the bank's Deputy General Manager Sheikh Khalid bin Mahfouz, linked to the scandal over Bank of Credit and Commerce International (BCCI).

After falling to its lowest level since last December, the metal started to claw back toward the end of the week.

On the London Metal Exchange (LME), copper reached its highest level for eight months after Polish miners' unions decided to launch an indefinite strike from July 20.

Silver: Partial recovery after heavy losses. The event of the week was the sale on Tuesday of a large quantity of silver, attributed to the National Commercial Bank of Jeddah, the main private Saudi Bank.

The amount sold has not been confirmed but estimates vary between 20 and 40 million ounces (600 and 1,200 tonnes), representing between five and 12 per cent of annual worldwide demand.

Silver is used mainly in photography and electronics.

The sale, which coincided with the resignation of a leading figure at the bank charged in the scandal over Bank of Credit and Commerce International (BCCI), was considered exceptional, and after its initial fall, the silver price made a partial recovery.

In 1990 the bank, which according to business daily the Financial Times has direct links to the Saudi royal family, shook the market by selling first 100 tonnes of gold (around five per cent of worldwide demand) followed by further sales.

Gold: Higher. Gold was supported by political instability in South Africa and by fears of a general strike there from August 3. It boosted its gains, towards of the end of the week, following climbs in silver and platinum.

Platinum: Recovery after erratic start. Platinum started firm but was later unsettled by the slump in silver prices.

Uncertainties over the situation in South Africa then brought a recovery in the platinium prices, especially after reports Thursday of a 26-hour wildcat strike in one of Impala's platinum mines.

Copper: Firmer. Copper rose to an eight-month high on the London Metal Exchange (LME) this week as technical trading and concerns over the looming Polish copper strike affected the market.

The strike, at the state-owned copper producer Kombinat Gorniczo Hutniczy Miedzi (KGHM), is due to start on July 20 after talks between management and unions broke down Tuesday.

Tin: Higher. The price of tin ended higher but down from its surge on Monday when the price of tin jumped following buying on the Kuala Lumpur Tin Exchange, traders said.

Profit-taking and certain amount of technically-based selling cut price back but concerns over a fundamental shortage of supply over demand limited the falls.

Sugar: Steady. Prices were supported from the start of the week by a truck drivers' strike in India which held up goods trucks across the country and disrupted sugar export.

The strike ended Tuesday after seven days and prices weakened slightly in response. According to brokers, India has 30,000 tonnes of refined sugar ready to export.

Rubber: Erratic. The price of natural rubber ranged through a narrow band in London, influenced by currency movements.

Higher-grade latex remained firm, supported by enquiries from Russia and Taiwan, and increased its price differential over tyre grades.

Vegetable Oils: Weaker. The prices of copra oil continued to weaken despite persistent drought in the Philippines, the world's leading producer, which between October 1991 and February 1992 saw prices double.

After a period of stability, prices started to fall in May under the weight of profit-taking.

Crude: Weaker. The price of Brent North Sea crude oil dropped below the 20 dollar per barrel level for the first time since the end of May, affected by weakness of demand and a surplus of North Sea light crude.

In its monthly report, the International Energy Agency (IEA) reduced its forecast for demand in OECD countries this year to 38.5 from 38.6 million barrels per day. In 1991 demand was 38.1 MBD.

Grains: Higher. Wheat and barley futures prices were supported by the drought in some EC member states the consequently improved prospects for British exports.

Hopes that a large production of the 1.7 million tonnes barley import requirement to Saudi Arabia will be sourced from the EC contributed to the gains.

Tea: Uneven. Demand improved at the weekly London auction but prices were uneven. The average price remained unchanged for higher-quality teas at 165 pence per kilo, lifted to 110 from 106 pence for medium grades and fell to 80 from 85 pence for low medium.

Cotton: Recovery after slow start. The trend remained weak in Europe as the summer holiday season got underway and the indicator price fluctuated uncertainly on the Liverpool market.

The cotton harvest in South Africa fell this year to its lowest level since 1975, Pretoria authorities said.