

**BRIEFS**

**\$4.8b WB loan to Indonesia likely**

PARIS, July 17: A Consultative Group for Indonesia (CGI) sponsored by the World Bank met in Paris on Thursday for its inaugural session, expected to yield commitments of officials aid of some 4.8 billion dollar for the financial year to March 1993. Western aid experts said. The World Bank has recommended donor commitments at this level to make sure disbursements of aid will match the 4.3 billion dollar total recorded in 1991-92, and so enable Indonesia to pursue structural reforms while maintaining growth at a sustainable pace, reports AFP.

**High interest rate slows growth: WB**

RABAT, July 17: World Bank President Lewis T Preston said high interest rates slow growth in developing countries but will fall as a result of economic reforms. Asked to comment on the revision on rates by the German Bundesbank, Preston told a news conference, "there has been a slowdown in economic growth as a consequence of high interest rates to contain inflation", reports Reuter.

**China to fix growth rate at around 9 pc**

BEIJING, July 17: The Chinese government plans to fix the growth rate in the economy to around nine per cent for the next few years, three to four per cent higher than predicted, spokesman Yuan Mu said here Thursday. Since January, the growth rate has been 10.6 per cent, Yuan said at a press conference. We hope to keep this rate and the government is now considering a revision of the six per cent figures," he added, reports AFP.

**Turkish oil prices rise by 5 pc more**

ANKARA, July 17: The Turkish government announced another five per cent increase in oil prices, the second in the last 10 days, to take effect as of Thursday, the head of Turkish state refineries Tupras said. Tupras General Director Mehmet Isik said the price increase was needed in order to "cope with crude oil price rises in world markets and rises in foreign currency." Turkey imports around 85 per cent of the 35 million tons of crude oil that the country consumes annually, reports AFP.

**Canada's inflation drops to lowest level**

OTTAWA, July 17: Canada's inflation has dropped to its lowest level in 30 years, giving the beleaguered conservative government room to turn its attention to the country's stubbornly high unemployment rate. Consumer prices in June were just 1.1 per cent higher than a year earlier, making Canada's inflation rate the lowest among industrialised countries, reports Reuter.

**Independent inquiry criticises Abu Dhabi**

LONDON, July 17: Abu Dhabi, the majority shareholder in the collapsed bank of Credit and Commerce International (CCI) has been criticised by an independent inquiry for withholding vital information from the Bank of England on the scale of the bank's fraud, the Financial Times reported Thursday. The inquiry into last year's collapse of CCI led by Lord Justice Bingham, highlights a nine-month delay by the Gulf Emirate in communicating details of the huge losses and fraud as a "serious omission", the business daily said.

**Mechanisation to help eliminate workers**

KINGSTON (Jamaica), July 17: The government expressed concern that the mechanization of Florida sugar harvesting will eliminate the need for Jamaican guest workers within two years. Anthony Irons, a spokesman for the Labour Ministry, said about 3,000 jobs for Jamaican cane cutters would be lost this season. "We're hoping to have at least two seasons (of jobs) left," he said. Florida sugar producers recently said the industry would be fully mechanised in less than five years to cut costs, reports Reuter.

**Japan to set up import zones**

TOKYO, July 16: Japan hopes to designate and start construction of five Foreign Access Zones (FAZ) within this year to facilitate imports from overseas, a Ministry of International Trade and Industry (MITI) official said. The plan was offered at Thursday's third meeting of the import board, an organisation of foreign business and Japanese business and government leaders, he told a press briefing, reports Reuter.

**Export of manufactured goods can only narrow US trade deficit**

The only way the United States can hope to narrow its trade deficit is to increase exports of manufactured goods significantly, but an analysis of US export trends shows that the needed surge is unlikely, according to a new study.

Greater sales of services and agricultural products of increased profit repatriation from foreign affiliates of US firms can't substantially reduce the deficit because none of these has the size or the growth potential of manufacturing, says the report. "Narrowing the US Current Account Deficit: A Sectoral Assessment." It was published recently by the Institute for International Economics (IIE), a Washington DC economic policy study group.

"Manufactures trade has been and will continue to be the critical determinant of US trade and current account performance," says the report, by Allen J Lenz, a former Commerce Department and National Security Council official and a visiting fellow at IIE. Manufactures made up 62.5 per cent of total US trade in 1990, compared with 53.2 per cent in 1981, says the report.

US manufacturing trade registered a 3,600 million dollar surplus in 1982, then fell into deficit, reaching its deepest point in 1987 at 124,900 million dollar, accounting for much of the 160,200 million dollar US current account deficit registered that year. By 1990 the manufactures deficit improved to 73,100 million dollar narrowing further in 1991 to 47,700 million dollar although this was attributed to the US recession.

From 1982 to 1990, US trade in manufactures more than doubled. US manufactured exports increased from 155,300 million dollar in 1982 to 315,700 million dollar 1990, while imports jumped from 151,700 million dollar to 388,800 million dollar. According to the report, in 1989 the United States exported 13 per cent of the world's manufactured export products, while it imported 18.1 per cent.

"Given that it is the world's largest economy, substantial US predominance in world import shares is to be expected," says the report. "There is, however, no similar predominance in US share of world manufactures exports."

Of 27 categories covering more than 90 per cent of US manufactures trade in 1989, the United States had the world's largest export share in only three. The largest share was in aircraft exports, where the United States had 49.1 per cent of the market outside the United States, less than in 1981, reflecting growing competition. The other sectors were professional, scientific, controlling instruments, 28.4 per cent; and power generation machinery, 27.3 per cent. Office machines and computers, for which the US producers provide 28 per cent of world exports, was the only other category where the United States provided more than 20 per cent. In all of these, the US share in 1989 was below that in 1981.

The United States was the major importer for 23 of the 27

categories during 1989, including road vehicles, a crucial sector, says the report.

US imports of road vehicles increased from 27 per cent of world exports from non-US sources in 1981 to 31.6 per cent in 1989. The report estimated that the road vehicle trade deficit alone in 1990 was 42,900 million dollar much of that from Japan. Japanese auto company investments in assembly facilities in the United States, the report says, appear designed not to replace imports from Japan but to supplement them to meet expanded US demand.

Despite improvements since 1987, US-based manufacturing is still not sufficiently competitive in international markets to avoid deficits, the report says, even though the dollar's value has declined to its 1979-81 levels, when there was a US manufactured goods surplus.

Eliminating the US current account deficit by 1993 would require an extremely unlikely improvement of almost 75,000 million dollar in manufactures trade from a 47,700 million dollar deficit in 1991 to a 25,000 million dollar surplus by 1993, says the report. "Absent major additional exchange rate movements, changes in US trade balances by 1993 will be very modest and very much a function of relative US-foreign economic growth rates," says the report.

Beyond 1993, the report sees a likely "weakening of the overall US position" unless there is further depreciation of the dollar and greater investment in manufacturing research and development and plant and equipment. The report finds "few if any products important in world trade in which a US leadership position seems likely to emerge or to be enhanced in the 1990s."

This is occurring, the report says, even as goods and services trade are a growing part of US Gross National Product (GNP). In 1990, exports amounted to 20.6 per cent of GNP, up from 10.5 per cent in 1960.

A possible bright spot, the report says, is economic improvement in Latin America, where US goods can find a ready market. US exports to Latin America dropped in the early 1980s as the region fell into a debt-induced recession.

Expanding US exports, says the report, will also require educating many US firms still not interested in exporting. "Many US firms have never had the export orientation common to their foreign competitors," it says. This lack of commitment "represents a missed opportunity to make substantial inroads in the US current account deficit."

Foreign firms, on the other hand, view selling in the United States as an opportunity that cannot be passed up. Once they gain a share of the US market they are loathe to give it up.

The report recommends cutting US taxes and regulations that might discourage exports, and says US manufacturing export competitiveness should be considered when preparing future legislation and regulatory actions.

**Indian court extends scandal suspect's remand**

BOMBAY, July 17: An Indian court on Thursday extended the remand in custody of a key suspect in a billion-dollar financial scandal for two more weeks for further questioning by investigators, reports Reuter.

Judge, S N Variava of the special court set up to try the scandal accused, however, ordered the Central Investigation Bureau (CBI) probing the scandal to complete the interrogation of stock broker Harshad Mehta by July 30.

Mehta, the alleged king-pin of the scandal, was the first to be arrested. He has been in the CBI custody for nearly 45 days.

Variava said an investigating

agency could not use remand by way of punishment and keep asking for remand in different cases one by one, as in the case of Mehta.

The CBI has so far arrested 26 people, including top stock and securities brokers and bank officials, for their suspected involvement in the scandal. A number of them, including three of Mehta's brothers, have been let out by the court on bail.

The 31-billion rupee (1.2 billion US dollar) scandal involved alleged collusion between brokers and bank officials in diverting funds from the government securities market to the Bombay Stock Exchange to take profits.

**China tightens money supply to curb inflation**

BEIJING, July 17: China is to keep a tight grip on its money supply in order to curb inflation which surpassed 10 per cent in the first half of this year, a Central Bank official was quoted as saying Friday, reports AFP.

Guo Zhenqian, Vice Governor of the People's Bank of China, said one of the main tasks for banks during the remainder of 1992 was to tighten credit, the China Daily newspaper reported.

In the first half of 1992, loans to money-losing enterprises totalled 19 billion yuan (3.5 billion US dollar), while the pace of individual bank deposits slowed compared to last year, Guo said.

Chinese deposited 133 billion yuan (24.18 billion US dollar) in banks in January

through June, bringing the total savings in the banking system to 1.044 trillion yuan (190 billion US dollar).

China Daily said the slow down in bank deposits reflected the public's interest in the growing stock and bond markets. Guo said the Central Bank had assigned quotas to banking establishments in order for them to limit their lending. But he refused to give figures, according to the English-language daily.

No bank is allowed to overstep its quota, he said. For the rest of this year, priority will be given to agriculture and rural small industry, the Vice Governor said. Inflation in China's 35 biggest cities has risen to 10.5 per cent since the start of the year, China daily said.

**Pro-market reformer chosen as Mongolian new PM**

ULAN BATOR, July 17: Mongolia's ruling party has chosen a pro-market reformer, Puntsagiin Jasray, to be the country's new Prime Minister, reports Reuter.

Diplomats said the 50-year-old economist, elected late on Thursday, would inject new life into Mongolia's efforts to dismantle its centrally-planned economy.

He replaces Dashryn Byambasuren, who pulled out of the election.

Jasray was the favourite for the job among the leadership of the ruling Mongolian People's Revolutionary Party (MPRP), but until Thursday he had ruled out running for election.

His last official post was as head of the now-disbanded state Planning Commission from 1985 to 1990.

A total of 147 delegates to a special party Plenum elected Jasray by a narrow margin over current Deputy Prime Minister Choyjilsuren Purevdorj in a second round of voting. Exact figures were not available.

The situation of the Plenum and people's support made me change my mind," Jasray told Reuters after the election, explaining his decision to stand.

The MPRP swept parliamentary elections late last month, capturing 71 of 76 seats in the Chamber.

Jasray's election must be approved by President Punsalagyn Ochirbat. Although the President endorsed the runner-up in the election, he is expected to approve swiftly the final result.

**Japan will assist \$ 2.4b to protect environment**

TOKYO, July 17: Japan plans to provide 300 billion yen (2.4 billion US dollar) in assistance to developing countries by fiscal 2000 to help protect the environment of their industrial cities, reports Xinhua.

The aid will be extended under the 'eco-phoenix plan' of the Ministry of International Trade and Industry, says the economic daily Nihon Keizai Shimbun Thursday.

The plan which is due to start in fiscal 1993, is designed to help resolve air pollution and water contamination in five to 10 model cities in China, southeast Asia and east Europe in five years.

The paper says the cities will be selected by the end of fiscal 1993, and the ministry will work out basic plans for environmental protection after two-year consultations with the governments of the countries concerned.

**EC plans to provide 25 pc food to famine affected states**

BRUSSELS, July 17: The European Community (EC) plans to provide a quarter of all the food needed to relieve famine in the Third World this year, European Commissioner Manuel Marin said, reports Reuter.

"We expect to cover 25 per cent of needs in 1992," Marin told a news conference.

Individual EC member states may top this up with extra help, he added.

East Africa, Southern Africa and Latin America are the worst affected regions and the main beneficiaries of 1.68 million tonnes of food aid for this year.

Drought has become so acute in east Africa that the EC has almost doubled the amount of aid it originally planned to supply in 1992.

By the end of June, about 770,000 tonnes of food had already been shipped or was about to be sent.

**Pakistan revises FCBC profit rate**

KARACHI (Pakistan), July 17: The State Bank of Pakistan said it had revised the rate of profit on five-year Foreign Currency Bearer Certificates (FCBC), effective on July 2.

Pakistan introduced the FCBC in dollar, mark sterling and yen within the country in March.

But the government withdrew plans to sell the FCBCs in the US and some other countries after fears expressed there that the offering could help launderers of drug money.

The decision followed fears expressed in the US after an advertisement in newspapers said the buyers would not be asked any question about the source of their funds.



HOLLYWOOD: Emmy-winning actors Robert Stack of the US and Jane Seymour of Britain announce the top nominations early July 16 for the 44th Annual Primetime Emmy Awards to be held August 29 in Pasadena, California. "Northern Exposure", a CBS drama series was nominated for 16 Emmy awards, more than any other programme. — AFP photo

**US increasing pressure on China for 'open market'**

WASHINGTON, July 17: The Bush administration is increasing pressure on China to open its markets by threatening to impose punitive tariffs on billions of dollars of Chinese imports into the United States, reports AP.

Unless the dispute is resolved by the end of meetings scheduled in Beijing for the week of August 17, the United States will move toward retaliation, Deputy US Trade Representative Michael H. Moscovice said Thursday.

"We hope that we will reach agreement in August," he said. "But we have no guarantee that we will..." At this point, I'm neither optimistic nor pessimistic."

US and Chinese officials made "substantive progress on some issues of importance" in two days of talks concluded Thursday in Beijing. But, Moscovice told reporters that "a substantial gap remains between our positions."

He said two more days of lower-level talks are scheduled in Washington July 30-31, a little more than two weeks before the next round of Beijing negotiations.

Last year, the United States set a deadline of October 10 for resolution of the dispute with China. But Moscow said if the disagreement isn't settled next month, his agency will publish a proposed list of Chinese-made products, subject to punitive tariffs.

By not waiting until after October 10 to publish the list, the trade office can impose punitive tariffs sooner.

The final composition of the list has not been determined, but Moscow said it probably will be one of the largest ever put together by the trade office and could affect imports totaling several billion dollars.

The administration used the same tactic earlier and obtained what Moscow called "a very successful world-class agreement" with China to end the illegal copying of US products ranging from blue jeans to computer programmes. The Chinese agreed to US demands just before a January 17 deadline.

The current dispute is far broader and covers a wide range of practices that the United States says restrict access to China's markets.

Moscow said he was encouraged in the most recent talks by China's promise not to enforce unpublished trade rules not available to US companies. China also delivered a comprehensive list of its trade bans, quotas and import controls and promised to eliminate specific categories of the restrictions.

However, he said the Bush administration had "particular concerns" about China's willingness to reform its import licensing procedures.

Robert Ryan, a senior trader with the Bank of New York, also said the German bank's increase was expected because Germany's economy was under pressure.

"It's a major gesture by the Bundesbank but it may not have a significant impact on the dollar in the longer term," Ryan said. "It's where do we go from here?"

In late European trading, the dollar was quoted at 1.4740 German marks, down from 1.4770. At the close in New York, the dollar was quoted at 1.4780 mark, down from 1.4810 late Wednesday.

The dollar later rallied after Perot announcement because the political picture is clearer and Congress would not be left to make the decision on the country's next leader, said Ryan.

Traders made no mention of the day's new economic reports, a slight decline in jobless claims for early July and sluggishness in new housing starts.

In Tokyo, the dollar fell to a closing 124.93 Japanese yen from 125.32 yen at Wednesday's close. Later, in London, it rose to 125.35 yen.

**Dollar falls against most currencies**

NEW YORK, July 17: The US dollar fell against most currencies Thursday as the German central bank raised a key interest rate and Ross Perot withdrew from the race for the US Presidency, reports AP.

Gold prices fell to 352.60 dollar a troy ounce, off 1.4 dollar from Wednesday's close. A late bid at New York Republic National Bank quoted gold at 352.30 dollar, off 85 cents.

The dollar fell after Germany's Bundesbank said it was raising its discount rate, but later rallied after Perot announced his withdrawal.

Steph Flanagan, a Vice President at Mitsubishi Bank Ltd, in New York, said that because the market had anticipated Germany's move for a week, there was not a significant change for the dollar. The Bundesbank announced it hiked the discount rate. 75 percentage point to 8.75 per cent.

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**Australian teenagers for creation of more jobs**

CANBERRA, July 17: Australia's teenagers faced with an unemployment rate of almost 36 per cent, urged the government today to "get real" and spend Australian 2 billion dollar (1.5 billion US dollar) on job creation schemes, reports Reuter.

The Australian youth policy and action coalition, representing 15 to 19-year-olds, said Canberra should spend the money on local council works, such as roads, under an emergency scheme to give youth a chance.

The Australian council of trade unions also called on the government this week to pump 1 billion Australian dollar (745 million US dollar) into the economy, patchily emerging from recession.

Neither appeal is likely to be fully met, despite a jobless rate among 15 to 19-year-olds of 35.8 per cent in June and a total national unemployment

rate of 11.1 per cent — the highest since the depression in the 1930s.

The government has already forecast a budget deficit for the year to June 30 next year of at least 10.5 billion Australian dollar (7.8 billion US dollar). The deficit was 9.4 billion Australian dollar (7.0 billion US dollar) in 1991/92.

Treasurer John Dawkins said on Friday that spending on jobless programmes could only be modest and that the government would continue to "hold its nerve".

The youth submission, contained in a report labelled "get real," was put to the government before a youth jobs summit on July 22 which the government is holding with unions, industry and youth groups.

The spending plan was drawn up by representatives of community youth organisations.

**KIO faces challenges in UK**

LONDON, July 17: Kuwait's London-based asset management operation, the Kuwait Investment Office (KIO), faces painful change in response to political and financial pressures, analysts say, reports Reuter.

The KIO which at its height handled Kuwait's 100 billion overseas empire, has seen the value of its holdings shrink to under 40 billion US dollar since the Iraqi invasion, and the near collapse of its seven billion US dollar investment in Spain.

Management changes, a domestic election in October and the global recession are just some of the challenges.

The role of the KIO has changed since the August 1990 invasion, says one financial source.

Previously, its task was to find a home for 10 per cent of Kuwait's annual oil income with no need to pay dividends in the short term.

But with loss of sovereignty and a catastrophic need for

cash, the KIO sold off liquid assets while publicly proclaiming it would not sell core stakes in blue chip companies such as Daimler-Benz AG (Daig F), Metallgesellschaft AG (Metg F) and British Petroleum Plc (BP L). Kuwait now badly needs to overhaul its finances as it faces a public sector deficit estimated at 18.4 billion US dollar and a 24 billion US dollar debt forgiveness programme for domestic banks.

It borrowed in the world capital markets for the first time last October and raised a 3.5 billion US dollar syndicated loan.

But economists say this was not enough to meet the funding needs of the state, which is also facing widespread public discontent over compensation.

The KIO now has to play its role as an active contributor to Kuwait's depleted coffers.

It has changed long serving top management. But critics say it is not clear what direction it wants to take.

**New reform process in China will put millions jobless**

BEIJING, July 17: Millions of workers will be laid off as China forges ahead with reforms to end guaranteed employment and create a free job market, official reports Tuesday quoted Labor Minister Ruan Chongwu as saying, says AFP.

Joblessness will most likely rise during the reforms process, the Xinhua news agency quoted Ruan as saying, adding that to ensure social stability, local governments have extended great effort to address the problem.

"The governments' dynamic initiative of breaking the iron rice bowl of guaranteed jobs and benefits will nevertheless be carried through regardless of the jobless problems in the

cities, the English-language China Daily quoted the Minister as saying.

State-owned urban firms had about 10 million hidden jobless, or surplus laborers, on their payrolls, he said.

"As labor reform gives employers complete control over hiring and firing workers, the newspaper said, that number of workers are expected to be squeezed out."

The rural surplus labor force has meanwhile surpassed 100 million people, Xinhua reported, putting added pressure on cities as peasants move to urban areas to find work.

Ruan's statement that the reform will push through carried the weight of a state council (cabinet) circular, con-

servative leaders are believed to oppose labor reforms, fearing that unemployment will lead to social unrest.

The circular, issued Monday to labor officials across the country, directed local governments to encourage free job markets and take all possible measures to keep urban unemployment below 3.5 per cent.

The measures include the expansion of the collective and private sectors, development of services, job training programmes and strict controls on the migration of rural people to cities.

It will take extreme efforts to hold to the 3.5 per cent limit in the jobless rate over the coming years, the China

Daily quoted unidentified labor experts as saying.

The 3.5 per cent target is equivalent to five million people out of an urban workforce of 140 million.

Since the end of last year, the number of urban jobless has risen nearly 500,000 to about four million, the reports said, indicating a current official urban unemployment rate of 2.9 per cent.

The reports did not say how many of the newly unemployed were laid off as part of reforms allowing inefficient state factories to shed excess labor.

But the China Daily cited a sampling of 10 cities and provinces showing roughly 50,000 such layoffs in the first

three months of the year, a number it said was equivalent to be total for the three previous years.

The labor minister's reported reference to the 100 million hidden jobless represented an implicit admission that China's longstanding claim of full employment is a distortion to disguise widespread underemployment.

Ever since China began on build up socialism, the government practiced a zero unemployment policy, the China Daily said. But the guaranteed jobs and benefits eliminated motivation for workers and production efficiency flattened.

The Chinese authorities began publicizing a programme