BRIEFS

Lanka to get WB loan to buy 7 planes

COLOMBO, Aug 17: Sri Lankan national air carrier Airlanka is likely to get a World Bank loan guarantee to purchase seven new planes from the European airbus industries, local press reports said. The deal was in jeopardy as donors had placed a strict ceiling on government guaranteed commercial loans and the government also announced it would not guarantee any loan to buy the planes. Informed sources said that the loan is likely to be guaranteed by the commercial lending arm of the World Bank known as the International Finance Corporation (IFC), reports Xinhua.

More $29m UK aid to Somalia

LONDON, Aug 17: Britain is sending an additional 18 million pound (29 million dollar) in aid to the Horn of Africa, much of it for Somalia. Baroness Chalker, Overseas Development Minister, announced the new funds on Sunday. The aid is in addition to 23 million pound (44 million dollar) given in response to a United Nations appeal. Drought and warfare in Somalia already have killed tens of thousands — perhaps hundreds of thousands. Aid workers say another 1.5 million people could die within weeks if food does not arrive immediately, and that millions more need emergency assistance, reports AP.

'Big four' forecast huge losses

TOKYO, Aug 17: Japan's 'big four' securities houses are likely to suffer huge pretax losses in the first half of the current business year because of the plunge in stock prices, the Kyodo news service reports. The 'big four' are the Nomura, Daiwa, Yamaichi and Nikko securities companies. Quoting the Nihon Keizai Shimbun on Sunday, the news agency says Nomura, the biggest brokerage house, posted an unconsolidated pretax profit of 44.10 billion yen (about 340 million US dollar) in the whole of the previous fiscal year, ended March 31, reports Xinhua.

Proposal for $35.4b defence budget

TOKYO, Aug 17: Japan's defence agency has proposed a fiscal 1993 budget of 4.72 trillion yen (about 35.4 billion US dollar). The Yomiuri Shimbun reported today the proposed outlay for heavy weapons is 926 billion yen, 19.6 per cent of the total budget, failing below 20 per cent for the first time. The agency is now seeking appropriations for advanced weapons such as aegis destroyer, multiple launch rockets, F-15 interceptors and patriot ground-to-air missiles, reports Xinhua.

President polls amid economic crisis

BRAZZAVILLE (Congo), Aug 17: Balloting opened Sunday to choose a President in a campaign that has focused on rescuing the country from economic collapse. The voting came one day after Congo's 32nd Independence Day.

The front-runner was geneticist Pascal Lissouba, a former Marxist endorsed by outgoing President Dennis Sassou-Nguesso.

Lissouba faced Bernard Kolelas, a French-educated lawyer and longtime opponent of one-party rule. First returns from the election were not expected before Monday. There were 2,950 voting stations and 1,332,821 voters registered. The first round turnout was nearly 60 per cent, but it was expected to be lower in the second round, reports AP.

Chinese retail sale soars to $15.4b

BEIJING, Aug 17: Retail sales in China soared to 84.7 billion yuan (15.4 billion dollar) in July, up 15.2 per cent from the same month last year, the China Daily said Saturday. The July figure also showed a 0.3 per cent increase from June, the English-language daily said citing the state statistical bureau, which attributed the rise to the hot weather and the Olympic games. Soaring temperatures throughout the month led to a sharp increase in purchases of drinks, fruit, refrigerators, freezers and air conditioners, while Olympic fever resulted in the sale of 680,000 televisions in July — an increase of 12.8 per cent on a year ago, reports AFP.

China intensifies reforms for political, economic reasons

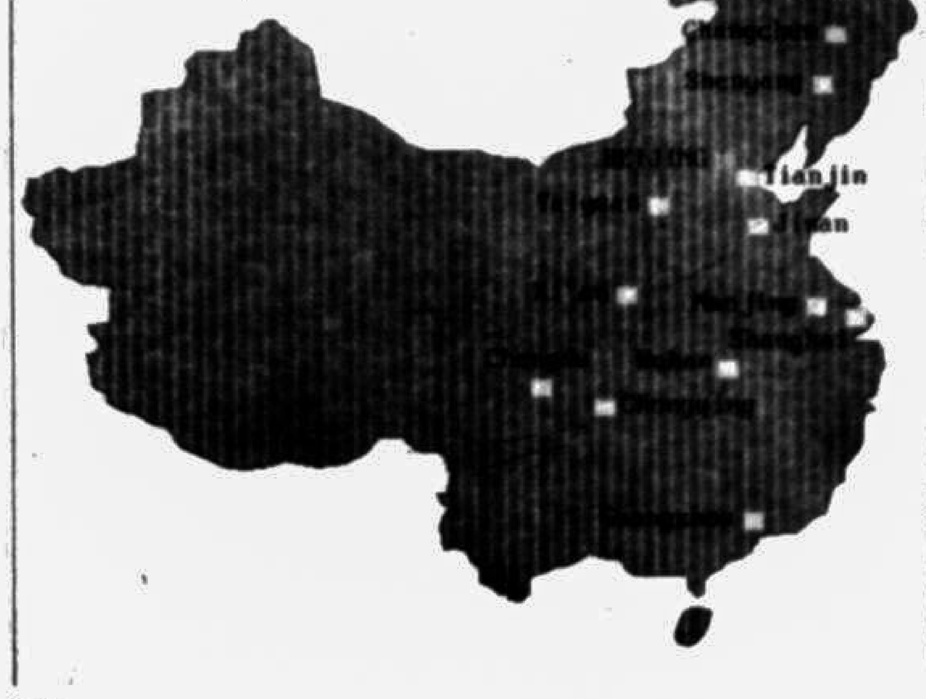
China's leaders are seeking to intensify the pace of the economic reforms they initiated 13 years ago, both for political reasons and to expand the successes already achieved, says the annual Central Intelligence Agency (CIA) analysis paper of the Chinese economy.

Chinese leader Deng Xiaoping is trying to move the policy debate toward "greater tolerance" of high-growth measures, arguing that China should be open to any initiative that speeds economic development, the paper says.

In a January trip to China's south coast, Deng visited the areas that have shown the most success in implementing locally designed, market-oriented reforms, notes the paper, entitled "The Chinese Economy in 1991 and 1992: Pressure to Revisit Reform Mounts." During Deng's visits to Guangdong Province and the Shenzhen and Zhuhai Special Economic Zones (SEZs), and in later documents, the Chinese leader firmly endorsed reformist themes such as the importance of the SEZs, the need to open to the global economy, and the contribution of non-state firms to China's development.

Deng also encouraged Guangdong to become a "fifth tiger" in the league with Hong Kong, Singapore, South Korea, and Taiwan. This challenge was consistent with the apparent unifying principle of the reformers that "local initiative — not a centrally mandated agenda — should drive China's economy," says the paper.

Deng's renewed reform efforts "were probably sparked by the splintering of the Soviet Union and the inability of hardline policies in place since late 1988 to solve systemic problems . . . particularly the large inefficiencies in many state enterprises," the paper says.



Deng also wants to have his reform agenda moving ahead when the 14th Chinese Communist Party congress meets later this year, the paper adds. It notes that party congresses generally are held every five years, so this may be the last chance for the party's aging leaders to "put their stamp on China's future."

China's economic performance, the paper says, has been good enough so that Deng's decision to speed reform efforts "was probably prompted by his desire to ensure long-term success of his modernisation strategy and not by an imminent threat to the party's credibility from slow economic growth."

During 1991, Gross National Product (GNP) increased 7 per cent, and industrial output was up 14 per cent, according to China's official statistics, says the paper, adding that the Chinese data is sometimes unreliable. Non-state enterprises led the economic expansion. Output from private firms increased by 24 per cent, while the "foreign invested" sector jumped 54 per cent, the report says. Growth appears to have been even faster in 1992, says the paper.

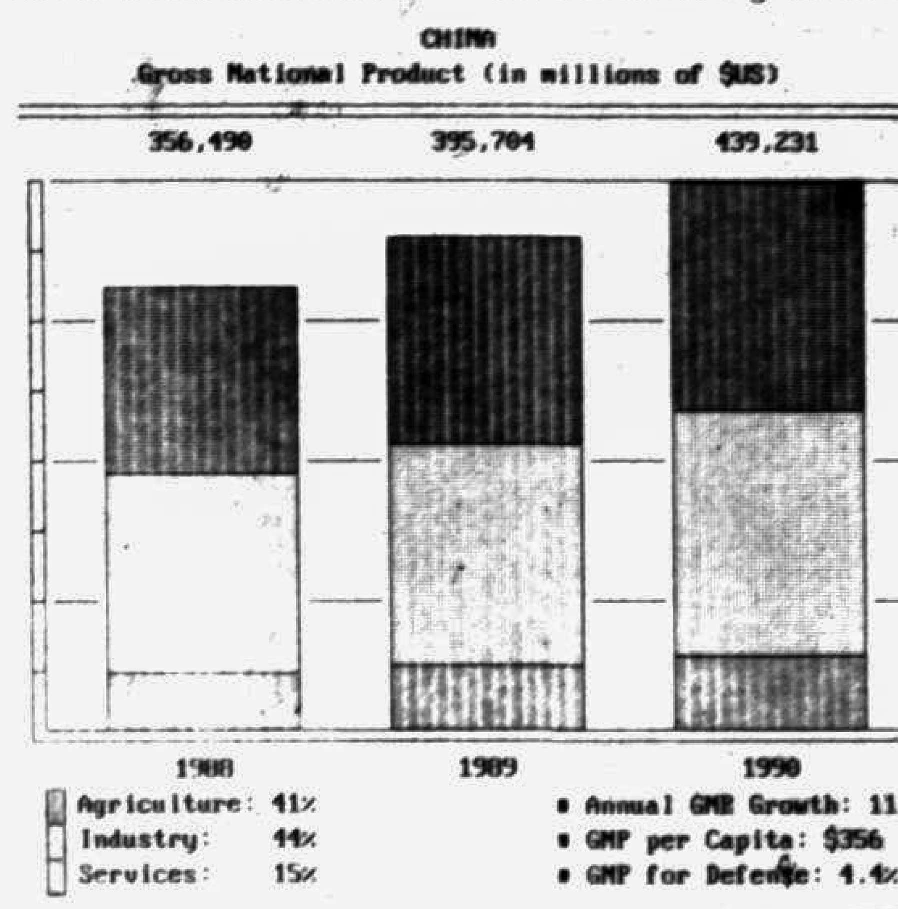
Foreign trade continues to be strong, with 1991 Chinese exports totaling 71,900 million dollar producing a trade surplus of 18,100 million dollar down only slightly from 1990's record of 18,700 million dollar says the paper. China's foreign exchange reserves also continued to climb, reaching a record of 143,000 million dollar by mid-February 1992, the world's sixth largest stock of hard currency.

China's export successes, however, are causing frictions with its trading partners, most notably the United States — its largest export market. The US trade deficit with China reached 12,700 million dollar in 1991, 22 per cent larger than during 1990. Both the Congress and the Bush administration are unhappy with the Chinese response to charges of unfair trade practices.

The 1992 US deficit with China, expected to reach 15,000 million dollar is being fueled by "Some Chinese and US traders (who) have apparently accelerated deliveries to the United States as a hedge against China's losing most-favoured-nation trade status, being hit with sanctions under the ongoing Section 301 market access investigation, or coming under some other possible US trade sanctions," says the paper. Some of China's Asian trading partners also have begun protesting its practices.

China's export growth is a result of reforms that increased the number of companies that have direct export rights and that allowed a surge of foreign investment, says the paper.

Despite the successes, China's economy remains hamstrung by factors that will be difficult to reform. These include inefficient state enterprises, difficulties in laying off unneeded employees, requirements to provide extensive social services to workers, the threat of inflation, government hardliners opposed to decentralisation, and the lack of a comprehensive reform plan, the paper says.



CHINA

Major Imports	Major Exports
Machinery	Textiles
Vehicles	Metal Products
Textiles	Rubber Products
Rubber Products	Livestock
Metal Products	Foodstuffs
Chemicals	Fuels
Raw Materials	Lubricants
Foodstuffs	Raw Materials
Livestock	Chemical Products
Industrial Machinery	

• Balance of Trade (1987): $300,000,000

The state enterprises pose the biggest problem. The industrial output from state firms increased at less than half the national rate and Chinese officials have acknowledged that at least one-third of state-owned enterprises are losing money, says the paper.

The state sector's financial problems have slowed the growth of tax receipts and worsened the state budget deficit, which reached a record 12,200 million dollar in 1991, the paper says. The deficit situation, however, is probably worse than the figures make it appear because of the practice of granting preferential loans to money-losing state enterprises to keep them preferential loans to money-losing state enterprises to keep them afloat. This shifts part of the budget burden to the banking system, the paper notes.

Documents, apparently written at least partly under the auspices of Deng, have called for closing down enterprises that continually incur losses, expanding the nascent shareholding system, and trimming excess workers from factory payrolls, says the paper. Trimming excess workers, however, is extremely difficult in China since the promise of "cradle-to-grave" social protection is ingrained in the Chinese system. The Hong Kong press has reported riots by workers where managers tried to trim bloated workforces, the paper says.

— Washington Economic Reports

Singapore prefers share transfer, rejects welfare plan

SINGAPORE, Aug 17: Singapore's government has promised to transfer shares in lucrative public utilities to citizens but firmly rejected suggestions that it provides more welfare programmes and subsidies, reports AFP.

Prime Minister Goh Chok Tong said late Sunday that shares in the giant Singapore telecom would be sold at a discount to adult Singaporeans next year as part of a programme to enlarge the people's assets.

The announcement came amid suggestions by pressure groups that Goh use some of Singapore's massive reserves totalling 60.5 billion Singapore dollar (38 billion US) to pay for the rising cost of health care and education.

But Goh warned any drawing down of Singapore's reserves could boomerang on Singaporeans by resulting in a weaker Singapore dollar that would devalue their savings in the government-managed central provident fund.

Goh told a rally marking Singapore 27th National Day on August 9 that Singaporeans must 'avoid welfare and subsidies.'

Instead, Singaporeans should aim for 'a city of excellence and a society of distinction' by never removing the incentive for people to outperform others, adding, 'otherwise we will never reach developed-nation status.'

Goh, who took over from the long-serving Lee Kuan Yew in November 1990, said his government would maintain a policy of light taxes to encourage enterprise. Singapore's starting tax to encourage enterprise.

Singapore's starting tax rate of three percent compares with 15 percent for Japan and the United States and 30 percent for Sweden.

'Our tax rate is not only low but half of tax-payers pay less than 150 Singapore dollar (94 US) a year,' Goh said.

While subsidies would continue for housing, health care and education, government policy would aim at ensuring Singaporeans took home a 'good pay cheque' to spend as they liked, he added.

Goh said the government aimed to transfer shares in highly profitable utility companies to at least 30 percent of Singapore's adult population, raising the republic's share-owning class now estimated at 14 per cent of Singapore's 2.8 million people.

'I cannot promise to make every Singaporean rich but I can promise to make every Singaporean who completes 10 to 12 years education an asset owner,' he said.

Goh said besides Singapore telecom, shares in other utility companies would also be sold to citizens, among them equity in a company to be set up to run the public utilities board — electricity and gas supplies.

But he said restrictions would be imposed on the resale of such shares because they would be sold to Singaporeans at a discount.

Taiwan's foreign reserve surges to record high

TAIPEI, Aug 17: Taiwan's foreign currency reserves, the largest in the world, surged to a record high of 86.6 billion US dollar at the end of June, the central bank said at the weekend, reports Reuter.

The reserves rose from their previous record of 84.6 billion US dollar in may and 72.2 billion US dollar in June 1991, the bank said in a statement.

It attributed the rise mainly to recent appreciation of the mark and yen against the US dollar, which inflates the value of the reserves when expressed in US dollar.

The reserves were also boosted by increased interest income after the bank shifted some of the funds into new investment vehicles to maximise its return, it said.

Taiwan holds about 55 per cent of the reserves in the form of securities issued by foreign governments and institutions, and the rest as bank deposits. It was the biggest Asian buyer of US government securities in the first quarter of 1992.

About a third are held in the United States, a third in Europe and the rest in Japan and other countries. Between 55 and 60 per cent are denominated in US dollar, central bank governor Samuel Shieh said in a recent interview.

The reserves have drawn fire for the United States, which runs a trade deficit with Taiwan. Washington said in may their huge size indicated Taiwan was manipulating its currency to gain a trade advantage a charge which Taipei denied.

S African firms for direct Gulf trade

DUBAI, Aug 17: South African manufacturers, starved for decades of direct trade with the Arab world because of anti-apartheid sanctions, are queueing up for the chance to exhibit at their country's first trade show in the Middle East.

"A new link: South Africa and the Gulf" is due to open in Dubai in early October. Exhibition organisers say the show was oversubscribed by 40 per cent, reports Reuter.

"All the exhibitors are new to the region and are looking for trading and joint venture partners," organiser Virginia Kearn said in a statement.

The 64 exhibiting firms hoping break into the Gulf's lucrative market will range from food producers and manufacturers of household goods to industrial producers and mining and engineering firms.

KANGCHENJUNGA RESURFACES: Two English Climbers, Nigel and Margaret, rummage through the debris of a plane fuselage and the mummified remains of a monkey while they look for artifacts from the crash of a plane, possibly the Air India "Kangchenjunga" on the Bossons Glacier above Chamonix, France August 16. The Kangchenjunga crashed January 24, 1966 with monkeys aboard destined for laboratories, leading to speculation that the aircraft has now come back to the surface. — AFP/UNB photo

Million homes in UK worthless than mortgage

LONDON, Aug 17: Up to one million British homes may be worth less than the value of the mortgage the owners took out to buy them, the Bank of England said in a report on Monday, reports Reuter.

The problem, known as negative equity, has been widely blamed for keeping the residential property market in the doldrums and harming consumer confidence and the economy.

The Bank's report, released ahead of its quarterly economic bulletin, suggested that, by the second quarter of 1992, 876,000 households suffered negative equity rising mortgage arrears lift the figure to one million.

The figures mean one in 10 British home-owners now have mortgage loans which are higher than the value of their house.

The Bank's estimates of households suffering negative equity are lower than the 1.5 million figure suggested in a recent report by merchant bank Morgan Greenfell.

Negative equity has become a major problem because residential house prices have fallen sharply after booming in the late 1980s.

The fragile market has been hit further by a wave of home dispossessions as borrowers default on loans. In the three most severely affected regions — southeast England, greater London and east Anglia, northeast of the capital —the Bank estimates that around two thirds of all first time buyers who have entered the market since 1988 are now likely to have some negative equity.

It estimates that the total amount of negative equity is around 3.6 billion pound sterling (6.9 billion dollar) for first time buyers and 2.3 billion pound (4.4 billion dollar) for former owner occupiers — a total of around six billion pound (11.5 billion dollar), or 6,000 pound (11,500 dollar), per affected household.

Japanese banks to lend China's polyester plant $45 million

TOKYO, Aug 17: Consortium of Japanese banks will lend 45 million dollar for China's 588 million dollar project build the nation's biggest polyester plant in Jiangsu province, a bank spokesman said Monday, reports AFP.

The project is part of China's Eighty Five-Year Economic Plan through 1995, the spokesman said.

The consortium, led by Sanwa Bank Ltd's Hong Kong subsidiary and Sumitomo Trust and Banking Co. Ltd, will sing a contract with China International Trust and Investment Corp, the borrower here Wednesday, the Sanwa spokesman said.

The five-year loan will carry an interest rate 0.45 percentage points higher than the London Interbank offered rate, he said.

Asia-Pacific currencies perform mixed against US dollar

HONG KONG, Aug 17: Regional currencies achieved mixed results against the US dollar in the week's trading with the Japanese yen recording the biggest gains following speculation of a cut in US interest rates, reports AFP.

The Thai baht also moved up slight against the Greenback as dealers waited for key US economic data for July. The Malaysian ringgit and Indonesian rupiah remained stable with slight gains.

However, not all currencies fared as well and the Australian dollar fell sharply with increased nervousness ahead of Tuesday's budget despite attempts by the central Reserve Bank to prop it up.

The Philippine peso also declined as President Fidel Ramos removed foreign exchanges restrictions.

Currencies in South Korea, Taiwan and New Zealand were lower while the Singapore dollar remained unchanged.

Japanese yen: The yen gained substantially against the US dollar this week, closing at the week's high of 126.03 yen, up from the previous week's finish at 127.95.

The yen opened at 127.63 to the dollar Monday and closed at the week's low of 127.92. But the yen steadily edged up against the Greenback until Thursday, ending between 127.38 and 127.91, dealers said.

Heavy selling of the dollar in the wake of prospects of a cut in US interest rates sharply accelerated the yen's rise Friday, prompting it to close below the 127-yen level for the first time since July 24.

South Korean won: The won weakened over the week to be traded at 790.20 won to the US dollar Friday, against the previous week's 788.80.

Dealers expected the won to go down marginally this week with the increased demand for dollar to pay import bills.

Hong Kong dollar: The Hong Kong dollar moved up over the week to close Friday at 7.7302-12 to the US unit. It had closed at 7.7320-30 a week earlier.

Australian dollar: The Australian dollar had a dramatic fall of nearly two US cent over the week, finishing the week at 71.85 US cent from 73.82 a week ago.

The decrease was largely due to market nervousness about economic factors, dealers said, with the central Reserve Bank spending up to 2.5 billion dollar (1.8 billion US) to support the currency on local and offshore markets.

The Reserve Bank's trade weighted index, which measures the dollar against a basket of major trading currencies, finished at 52.7 from the previous week's 54.4.

The next major challenge for the dollar will be the government's budget announcement Tuesday, which carries an expected deficit of around 14.5 billion dollar (10.4 billion US).

Singapore dollar: The Singapore dollar ended unchanged at 1.6110 against the US dollar at the close of trading here Friday.

Dealers said the dollar rose marginally at the start of this week's trading Tuesday, following the National Day holiday, but slipped back to last week's level.

The Singapore dollar was lower against the British pound at an exchange rate of 3.1084 against 3.0851 last week. It was also lower against the yen at 1.2771, compared to 1.2586 a week ago.

The OCBC Bank's trade weighted index for the local currency stood at 135.73, down from last Friday's mark of 136.11. The index is calculated against the currencies of Singapore's top 12 trade partners.

Taiwan dollar: The Taiwan currency eased its downward trend to close Friday at 25.1295 to the US dollar, down slightly from the previous week's 25.119 finish.

After a rise of 1.9 Taiwan cent Monday at 24.96, following a week-long drop, the local unit steadily lost ground and moved between 25.10 and 25.15 due to a decline in trade surplus and government intervention, currency traders said.

Dealers predicted the dollar would follow its sliding trend next week to move around 25.15.

Indonesian rupiah: The Indonesian rupiah opened the week at 2,034 rupiah to the US dollar, one rupiah stronger than the previous week's 2,035 level.

Thai baht: The Thai foreign currency market closed Friday at a bid rate of 25.27 baht to one US dollar, against last week's mid-rate closed at 25.32.

The baht was stronger than the Greenback as the international market was waiting for key US economic data, a local bank official said.

Philippine peso: The Philippine currency fell to 25.116 peso to the US dollar, from 24.99 a week ago, in the wake of President Fidel Ramos's move to abolish foreign exchange controls.

The move put a stop to the appreciation of the peso, which had gained strength due to an abundance of the Greenback on the local market. Government officials, however, said they did not anticipate a drastic depreciation of the peso following the lifting of restrictions.

Ukraine, Kazakhstan support rouble

MOSCOW, Aug 17: The battered rouble was given a vote of confidence this weekend, as Ukraine's top banker said he favoured using the currency and the President of Kazakhstan pledged full support for the rouble zone, reports Reuter.

The rouble should be above national interest and not simply a Russian banknote, Kazakh President Nursultan Nazarbayev told Commonwealth television on Saturday.

"I am going to propose moves to revitalise the rouble. If other (countries) do not agree to that we will do it jointly with Russia.

But Azerbaijan inched away from the rouble zone and introduced a new parallel currency, the manat, which will be used initially for about 20 per cent of wages and salaries.