

BRIEFS

Economists' outlook on economy weakens

WASHINGTON, Sept 15: The National Association of Business Economists revised its forecast for economic growth this year to 1.8 per cent, down from a forecast of 2.7 per cent last year. "While the consensus for growth has moderated, it does not call for a recession," said Joseph Duncan, president-elect of the association. The NABE released the new forecast at its annual meeting in Dallas. A association also released a poll showing that two-thirds of 243 members surveyed expect Arkansas Gov. Bill Clinton to win the presidential election, reports Reuters.

Russia begins credit spending

WASHINGTON, Sept 15: US farmers may begin to pocket a penny a bushel more for their corn as Russia begins spending the first of 900 million dollar in credit guarantees authorised by President George Bush. And in the electoral battleground states of the Corn Belt — Illinois, Missouri, Michigan and Ohio — could that add up to votes during the presidential election in November? David Senter of the American Agriculture Movement thinks that's exactly what was behind the Bush administration's announcement Monday, reports AP.

US may reduce interest rate

WASHINGTON, Sept 15: Stagnant growth and dormant inflation at home and monetary policy developments abroad are improving the chances for another reduction in US interest rates, economists say. In considering rate changes, the Federal Reserve balances three principal factors: the strength of the economy, the behaviour of prices and the value of the dollar. And all three are pointing toward a Fed decision to push US rates another notch lower, perhaps by early October, economists said, reports AP.

Some states share in wine exports

WASHINGTON, Sept 15: Although California wines lead a surge in US exports, other states also are helping fill wine glasses around the world, according to American trade experts. US wine exports grew from 35 million dollar in 1985 to 145 million in 1991, says a report in this month's issue of AgExporter magazine put out by USDA's Foreign Agricultural Service. "Most of the double-digit growth can be attributed to greater awareness of California wines, which account for well over 90 per cent of the export market," it said, reports AP.

New private bank in Myanmar

BANGKOK, Sept 15: Another private bank has opened in Myanmar, the official radio Yangon said in a broadcast monitored here Monday. The Yadanarpon Bank Ltd opened Monday in the country's second city of Mandalay, about 550 kilometres (342 miles) north of Yangon, the radio said. Altogether four private banks, including Yadanarpon, have opened since the ruling military regime took power in September 1988, reports AP.

World commodity price rises

GENEVA, Sept 15: Overall world commodity prices are expected to rise about seven per cent in 1993, while fuel prices could climb nine per cent, a UN study said on Tuesday. World export prices for primary commodities are expected to grow by about one per cent in 1992, after a fall of some 11 per cent last year, the United Nations Trade and Development Conference (UNCTAD) said. "On balance, the slump in primary commodity prices which continued into 1992 may be expected to be followed by generally firming prices in the course of the year and a moderate upturn in 1993," it said in an annual trade and development report, reports Reuters.

Illegal fund raising plan

PARIS, Sept 15: The president of the National Assembly was indicted Monday for allegedly concealing knowledge of an illegal fund-raising scheme when he was Socialist Party treasurer. The indictment has been expected since the newspaper Le Monde revealed in July that Henri Emmanuelli, one of France's four highest-ranking officials, had been summoned by the judge investigating a wide-ranging campaign financing scandal, reports AP.

Far East to play greater role in world oil market

SINGAPORE, Sept 15: The Far East, already the world's second largest oil user, will play growing role in the international oil industry this decade as the region's surging economies outpace the West, energy analyst Danie, Yergin said, reports Reuters.

"As we move into the next century this will be the centre of economic growth," the President of Cambridge Energy Research told the Asia-Pacific oil conference.

"From 1986 to 1997 we see almost no oil demand growth in the US and almost no growth in western Europe. In the same period we see a doubling of demand in Asia," Yergin said.

OECD nations in Asia will see growth gains of only about two per cent per year in the period, reaching around six million BPD by 1997. But non-OECD Asian countries will report growth of over six per cent per year to around 12 million BPD.

Some 50 to 65 per cent of

new world oil demand this decade will come from the Asia-Pacific region, tightening world oil supplies and potentially driving prices higher, analysts said.

The trend, spurred by falling Asian output, will raise Asian reliance on Middle East oil from 73 per cent of imports in 1990 to 90 per cent by 2000, the highest import dependence in the world according to Singapore's Institute of South East Asian Studies.

"Asian demand growth of four per cent a year in the 1990s is not unreasonable but production will grow only three per cent leaving a clear deficit," Shankar Sharma, the institute's coordinator of energy projects, said earlier this summer.

Indeed, growth in some countries and South China has been in the double digits.

Much of the gain will be in transportation fuels, like jet and diesel fuel, as populations soars and industries boom.

"We're looking at five million BPD demand growth in Asia this century — 75 per cent of it is in transportation," Yergin said.

Except for the temporary impact of the current economic slowdown in Japan and South Korea, there is little spare refining capacity left in the Far East and more than 3.5 million BPD of new capacity will be required by 2000, Yergin said.

Despite fairly ambitious plans for refinery construction and expansion in the region, few of the announced new refineries are moving forward, Hawaii's East-West Center said recently.

The group estimates considerable imports could be required to meet demand, heightening the region's role in world markets.

Forecasts of 1995 and 2000 product balances add up to a diesel deficit of nearly 870,000 BPD by the year 2000 — a figure so daunting that it leads one to ask how the

shortfall can be managed," the East-West Center said last month.

The Far East will need heavy injections of both capital and technology to meet its relentless demands.

Cambridge Energy estimates regional refiners and government may be faced with a price tag of 70 billion dollar for new downstream development by 2000.

The sheer size of the bill is prompting exploration of new strategies for the 1990s, including deregulation, already underway in various Asian nations, privatisation of government monopolies and joint ventures with foreign firms.

But Yergin warned that a new wave of environmentalism also has the world oil industry on the defensive and Asia will not be immune.

Energy legislation in the US, notably the clean air act, has demoralised the US oil industry with high costs and uncertainties, prompting companies to spending, he said.



MILAN: Activity increased at the Milan stock exchange September 14 with share prices rising about six per cent in early trading. This follows the decision September 13 to devalue the lira by seven per cent against other currencies in the European Monetary System (EMS). — AFP/UNB photo

German interest rate cut a display of cooperation

BRUSSELS, Sept 15: Germany's move to cut interest rates Monday was seen here as a display of cooperation that could boost the cause for European Union ahead of Sunday's crucial French vote on the Maastricht treaty, reports AP.

Although money markets showed disappointment in the modest size of the rate cuts announced by the Bundesbank, a spokesman for European Community Finance Commissioner Henning Christophersen called them "satisfying".

He expressed hope the move and simultaneous cuts in other countries such as Switzerland, Belgium and the Netherlands, "would mark the end of the era of increasing interest rates, which is a condition for economic recovery."

The Bundesbank, finally bowing to weeks of international pressure, trimmed its discount rate by 0.5 points to 8.25 per cent and its more closely watched lombard rate by a quarter of a point to 9.5 per cent.

EC officials said the move accompanied the realignment of EC currencies Sunday night which effectively devalued the battered Italian lira by seven per cent after weeks of monetary turmoil.

European leaders had for weeks been arguing against the realignment on the grounds they needed to show a united monetary front on the eve of the French vote on the

Maastricht Treaty which is still too close to call.

But on Monday they defended the currency shifts on the same grounds, proclaiming that the realignment and German interest rate cut showed the EC's commitment to monetary stability.

The spirit of Maastricht

has triumphed over purely nationalistic considerations," French Prime Minister Pierre Bergey told French radio.

An EC official, who asked not to be named, said the German initiative could help a "yes" vote in France. The fact that political cooperation was more important



FRANKFURT: Bundesbank President Helmut Schlesinger speaks at a press conference September 14 to announce a cut in the discount lending rate by 0.5 of a percentage point to 8.25 per cent. The decision was made in an extraordinary session — the first in the history of the Bundesbank — after it had come under pressure to ease its tough monetary policy. — AFP/UNB photo

'BCCI collapse impact on UAE banks little'

ABU DHABI, Sept 15: The BCCI collapse last year had little impact on United Arab Emirates banks trying to recover from the Gulf crisis, the UAE's central bank said in its first public comment on the issue, reports AFP.

The effect of the Bank's Credit and Commerce International's collapse on UAE banks was "small and limited," the central bank said in its 1991 report released Sunday.

"The monetary policy adopted during the 1990-91 Gulf crisis contributed to restoring confidence to the UAE banking sector and enabled banks to overcome its negative effects and regain their role in ensuring liquidity to the national economy," it said.

"One of the main aspects of this confidence is that the impact of the BCCI crisis on the banking sector was small and limited," the report said.

Some UAE banks had deposits with BCCI, now under liquidation, as 77 per cent of it is owned by the UAE Emirate of Abu Dhabi.

Those having deposits with

BCCI will suffer for the next two to three years as they have to set aside large provisions to meet the BCCI loss," a UAE bank manager told AFP.

"But there are only three or four banks which have such deposits and they are expected to get bank part of their money."

But the rest of the banks saw net profits rise sharply in 1991 and the trend is expected to continue in 1992.

According to the state-run Emirates Industrial Bank, net profits of the 32 biggest UAE banks surged to 1.27 billion dirham (346 million dollar) in 1991 from 856 million dirham (233 million dollar) in 1990.

The UAE central bank also said Gross Domestic Product remained almost unchanged in 1991 at 125.4 billion dirham (34.1 billion dollar) despite a fall in oil revenues caused by a drop in oil prices.

But the GDP benefitted from 5.3 per cent growth in the non-oil sector.

A balance of payment deficit of one billion dirham (272 million dollar) in 1990 turned into a surplus of 5.2 billion dirham (1.4 billion dollar)

Lira's devaluation termed as insufficient to cure Italian economy

ROME, Sept 15: The seven per cent devaluation of the lira within the European Monetary System (EMS) announced on Sunday is bitter medicine, but will be insufficient to cure the Italian economy, economic and financial sources said here, reports AFP.

Nursing the limping economy back to health will take further drastic measures, they commented.

Noting that Premier Giuliano Amato's government had been forced into the big devaluation against other EMS currencies only two-and-a-half months after taking office, the observers, even employers, said it was "a defeat for Italy".

They pointed out that, even if the devaluation should eventually make Italian firms more competitive on foreign markets, the decision was made

quickly in the shadow of a struggling economy.

In the face of a worsened (and huge) budget deficit and an ever more fragile currency, financial sources had been saying for some time that Italy could not hold out for long without a radical policy change. But they also thought that there would be no devaluation until after the French September 20 referendum on the European Community's Maastricht Treaty.

The quick Italian acceptance of the hefty devaluation within the EMS was possible only because the government acknowledged that the economy was "hanging on the ropes", as one analysts put it.

The Italian currency had come under sharp attack on the foreign exchange market the past few weeks

India opens stocks to foreigners

NEW DELHI, Sept 15: India opened up its stock markets to foreign investors Monday as part of a series of steps announced this year to make the country more market oriented, reports AP.

Foreign investors will now be able to trade in stock, government bonds and buy into bank-operated mutual funds, according to an announcement by the Finance Ministry.

The investors, including pension and mutual funds, will be allowed to hold up to 24 per cent of a company's equity set aside for foreign investors. It did not say how much equity a company can set aside for overseas investors.

Foreign investors will be allowed to buy up to five per cent of a company's total stock, the announcement said.

The announcement came as Finance Minister Manmohan Singh prepared to fly to Washington to meet World Bank officials and Treasury Secretary Nicholas Brady to discuss the changes in liberalizing India's rule-bound economy.

Singh has been credited with aggressively pushing through Prime Minister PV Narasimha Rao's plans to scrap cumbersome government rules on foreign investment, boost exports and sell money-losing government firms.

But the Congress government's plans have run into difficulties after a financial scandal — the worst in the country's 45 years of independence — broke out in April.

Reuters adds from Bombay: Indian and foreign banks involved in the country's biggest financial scandal may ultimately end up losing far less than at first feared, the head of the Indian Banks Association (IBA) said.

In an interview with the Indian Express newspaper published on Monday, IBA Chairman P S Gopalakrishnan said the net loss after recoverable cash was returned would be five billion rupees.

Bankers and financial officials have said the scandal, which was exposed last April and sent stocks plummeting, involved funds totalling 35 billion rupees or almost 1.2 billion dollar.

"I am sure the banking industry will arise out of the ashes of the present scam much stronger and wiser," Gopalakrishnan said. He did not say how much has been recovered so far.

Investigators have traced money siphoned off from the Bombay interbank securities market to bank accounts in New Delhi and Calcutta. Worst hit in the scandal among the foreign banks has been Standard Chartered Bank (STCH L) which has made provisions of 100 million sterling to cover possible losses.

Gopalakrishnan, who is chairman of the Madras-based Indian Overseas Bank, said Indian banks were working on a code of conduct.

'Capital inflow damaging L America'

GENEVA, Sept 15: A recent revival of external capital flows into Latin America has been of a speculative nature and onerous to borrowers, a UN agency said, reports Reuters.

An estimated 40 billion dollar was transferred to the region last year, mostly accruing from bond issues and foreign investment, the UN Conference on Trade and Development said.

"Although the turnaround in financial transfers to Latin America in 1991 was substantial, a large part was attracted by high interest rates, currency appreciation or both," it said.

"There are forces which can discourage investment and damage industry by reducing competitiveness," UNCTAD said.

Increased overseas bond issues reflected perceptions among lenders that bonds had priority over bank credits for repayment, UNCTAD said in its annual Trade and Development Report.

India will send team to Taiwan for promoting economic ties

TAIPEI, Sept 15: India will send a trade delegation to Taiwan next month to promote economic ties between the two countries, the first such visit in four decades, trade officials said Tuesday, reports AFP.

The visit here by the 10-member delegation, to be headed by a vice-ministerial official, marked a significant stride in bilateral relations between the two countries that do not have diplomatic relations, the officials said.

The delegates including government officials and businessmen will meet with their Taiwan counterparts to discuss visa insurance and measures to beef up trade cooperation with this cash-rich island, they said.

New Delhi maintains official ties with Beijing which has claimed sovereignty over Taiwan since it drove the national forces to the island in 1949.

OPEC experts in confusion on world oil demand

GENEVA, Sept 15: OPEC members' energy experts were unable to agree on Monday just how much oil the world will need late this year, suggesting some wrangling lay in store when ministers start their output strategy talks on Wednesday, reports Reuters.

Sources familiar with the talks said specialists from the 13 OPEC nations offered broadly divergent views of likely demand for the group's oil in the last three months of the year, a key element ministers use to decide how much crude to pump.

Iran, Algeria and Libya, staunch advocates of boosting oil prices closer to Organisation of Petroleum Exporting Countries' a vowed target of 21 dollar a barrel, saw the world's thirst for their oil at the low end of forecasts, the sources said.

But the preparatory meeting failed to shed much light on the intentions of Saudi Arabia, the world's biggest exporter, which has been extremely reticent to state or even "leak" its desires for how the policy session will fare.

The sources said the Saudis were reluctant to be pinned down on an exact demand forecast, but said Riyadh's prognosis put it at the higher end of a rather broad range.

The first minister to arrive for the talks, Algeria's Hacem Mefli, said he favoured keeping an existing quota agreement in place to help get prices to the elusive 21 dollar goal.

Australia relying on TV programmes to come closer to Asia

SYDNEY, Sept 15: Encouraged by the success of the Hong Kong-based Star TV network, Australian broadcasters are trying to beam their own programmes to Asia and channel profits back home, reports IPS.

Australian Prime Minister Paul Keating has said he wants to bring his country closer to its Asian neighbours, and Australian broadcasters seem to have got the message. They are looking northward to improve the country's economic prospects.

They say they want to beam "the best of Australian television" to Asia, which has become a lucrative market for satellites television. The most successful so far has been Star TV, whose five channels have now become television staple in many cities across Asia from Manila to Islamabad.

Since last year, the government-run Australian Broadcasting Corporation (ABC) has been announcing it wants to launch its own satellite television service to Asia.

The ABC challenge may hardly rattle Star TV but on its heels in Nine Network Australia (NNA) — the country's highest-rating commercial television channel — which is also eyeing Asian pay television, along with a satellite television service.

Commented the Sydney Journal Financial Review "If we have developed pay-TV a decade ago and now had a sophisticated industry generating software for the domestic and Asian markets, it could be delivering exactly what Prime Minister Keating and Australia needs most-jobs and exports."

The Australian broadcast industry seems to be trying to make up for lost time. "The ABC is now far more active and involved in the development of radio and television in the Asia-Pacific region," ABC Managing Director David Hill said.

ABC just completed a two-year project to design and upgrade the national broadcasting system in Papua New Guinea. It is also bidding for a new UN financed national radio station in Cambodia.

Analysts here say if ABC secures the contract and establishes a solid foothold in Cambodia, prospects are good that the Australian communications industry may be able to eventually position itself as Asia's supplier of broadcast technology.

But already, the industry's plan for satellite broadcasts to Asia is in danger of landing with a thud.

ABC, for instance, had intended to use Indonesia's Palapa satellite to beam its programmes to Asia, hop-

ing to offer its broadcasts to Asian viewers with satellite dishes initially without charge, then switch to subscriptions after testing the market.

But Indonesia's Secretary-General to tourism, Posts and Telecommunications Jonathan L Parapak told Australian officials during a recent visit to Canberra that ABC broadcasts via Palapa might need to be encoded to meet the requirements Indonesia's Ministry of Information.

This means ABC would have to sell decoders to viewers in Asia. That return would require setting up a network of sales and service centres in the countries targeted by ABC, bowing whatever budget the station had set for the project.

ABC had estimated it will cost it US \$9 million dollar annually to run the satellite television service. It had already asked the government for about US \$3.6 million dollar to set up AE pilot programme using the Palapa satellite.

There are three Australian-owned satellites currently in orbit, but a spokesman for the Australian satellite communications authority said their footprint covers only Australia, New Zealand, Papua New Guinea, Fiji and other parts of the South Pacific. "None of the

Australian satellites in orbit or those planned in the near future will cover Asia," he added.

But NNA seems to be doing better than ABC. It recently bought a satellite earth station in Darwin, northern Australia.

While NNA has indicated more interest in the Asian pay-TV market, it is also studying the prospects of having joint ventures with Asian partners who would take care of marketing and subscription.

Since NNA's plans appear to be within Indonesia's guidelines for the use of its Palapa satellite, industry sources say there is a possibility of an ABC-NNA joint venture in Asian pay television.

The sources also point out that if NNA goes at the Asian market alone, chances are it will rely on its usual menu of popular shows from the United States. ABC at least prides itself as being a producer of quality Australian programmes, they say.

Ironically, there is an ongoing intense political debate in Canberra over pay television in Australia, where it is also illegal for a private home to set up a satellite dish. The three-year moratorium the government imposed on pay television operations expires on October 1, 1992.