

BRIEFS

Currency turmoil may hit growth

WASHINGTON, Sept 20: US Treasury Secretary Nicholas F. Brady and Japanese Finance Minister Tadamasa Hata have agreed that currency markets could endanger growth in the world, a Japanese official said. The official, who spoke on condition he not be named, said the two would favour a push for stability at a Saturday meeting here of cabinet ministers from the world's seven most powerful financial countries. Up and down in the market last week brought withdrawal from the European Monetary System by Britain and Italy. The system is designed to keep rates stable as a step toward establishing a single currency for 12 of western Europe's major countries, reports AP.

Russian oil output falls

MOSCOW, Sept 20: Russian oil production fell 14 per cent in January-August 1992 against the same period of 1991, Ivestia newspaper said, quoting a study by a government economic think tank. It did not give an absolute production figure. Oil output fell 13 per cent in the first six months of the year. Production is expected to drop to 395 million tonnes in 1992 from 460 million in 1991, reports Reuters.

US Senate okays loan to Israel

WASHINGTON, Sept 20: A bill extending 10 billion dollar in loan guarantees to Israel over a five-year period has overcome its first parliamentary hurdle. A Senate sub-committee Friday approved the guarantees, which were included in a foreign aid appropriations bill totalling 13 billion dollar, instead of the 15 billion dollar requested by the White House, reports AP.

Italian labour unions to strike

ROME, Sept 20: Italy faces a wave of strikes over the next few weeks as labour unions react angrily to the government's budget-cutting plan, which would reduce health and pension benefits and raise taxes. The country's three main labour federations, CGIL, UIL and CISL, representing millions of workers, on Friday announced a series of four-hour strikes by region from Tuesday through Sept. 29. Thousands of workers nationwide walked off their jobs briefly Friday in wildcat strikes to protest the austerity measures. Public employees, including everyone from postal workers to busdrivers, planned a general strike for Oct. 2, reports AP.

UNHCR recommends airlift to Sarajevo

GENEVA, Sept 20: Sadako Ogata, the UN High Commissioner for Refugees (UNHCR), announced here Saturday that she was recommending a resumption of the international airlift of relief supplies to Sarajevo. The UNHCR suspended the flights on September 3 after an Italian transport plane was shot down by a ground-to-air missile near the Bosnian capital, reports AP.

Rally demands Collor's impeachment

RIO DE JANEIRO (Brazil), Sept 20: More than 700,000 Brazilians rallied in heavy rain to demand the impeachment of President Fernando Collor de Mello as new reports surfaced linking one of his aides to drug traffickers. The demonstration Friday at the central square of Sao Paulo, Brazil's largest and richest city, was the largest since Collor's younger brother Pedro in May accused him of corruption, reports AP.

Moscow's deferral of debt supported

MOSCOW, Sept 19: German and US leaders have told President Boris Yeltsin they would support Russia's request for the deferral of its massive foreign debt to the two states, a presidential spokesman said on Friday. Anatoly Krasikov said in a statement that both countries supported Moscow's bid for a multi-year deferral of a portion of its debt. "It was stressed that in telephone conversations of the Russian President with Chancellor Helmut Kohl and US President George Bush both leaders expressed their understanding and support for the position of Russia," he said, reports Reuters.

G-7 pledges to calm unruly currency market

WASHINGTON, Sept 20: Rich industrial nations tried to soothe rattled currency markets on Saturday by temporarily putting aside their differences over how to spur lagging global economic growth, reports Reuters.

In a terse communique, economic policymakers from the Group of Seven industrial nations presented united front and pledged to work together to calm unruly currency markets.

But they gave little indication of how they would accomplish that or whether they had any contingency plans to step in if the crisis continues on Monday.

The G-7 agreed on the importance of restoring stability in exchange markets in Europe, US Treasury Secretary Nicholas Brady told reporters following the 7-1/2 hour meeting.

The currency crisis has left the European Monetary System in shambles, rocked the British and Italian governments and raised fresh doubts about Europe's drive for political and economic unity.

In the run-up to the meeting, Britain and Germany engaged in a public mud-slinging contest over who was to blame for the turmoil. Britain pointed the finger at Germany's high interest rates, an accusation that Bonn vehemently rejected.

But to listen to the participants, Saturday's meeting was devoid of such rancour as G-7 policymakers sought to cool their hot rhetoric. It was calm and quiet, Brady said. There wasn't a lot of finger pointing.

The calm facade was clearly calculated to soothe markets

since sharp divisions among the G-7 — Britain, Canada, France, Italy, Japan, and the United States remain bubbling just under the surface.

The United States has been arguing for more than a year that sky-high interest rates in Germany are sabotaging growth throughout Europe and must be brought down.

But the independent Bundesbank has resisted, fearful that a loosening of the monetary reins would spur on inflation already it wasn't until this week that Germany lowered interest rates — for the first time in five years — but the paltry size of the quarter percentage point cut failed to sat-

isfy the United States, Britain or the financial markets themselves.

Traders said the currency markets could face new strains on Monday if French voters reject the Maastricht Treaty on European political, economic and monetary union.

Speculators, fresh from their successful assaults on the British pound and Italian lira, could set their sights on the French franc if the treaty were to go down to defeat.

Both Britain and Italy effectively pulled their currencies from Europe's grid of semi-fixed foreign exchange, rates this past week. Italy has said it plans to return on Tuesday, but

Britain has set tough conditions for re-entry, including changes in Germany's economic policies.

European Community Finance Ministers, here for the annual meeting of the International Monetary Fund and World Bank have already agreed to meet Sunday to plot strategy should the Maastricht Treaty be turned down and currency turmoil ensues.

President Bush, hoping to capitalise politically on a crisis that has rocked Europe but left the United States largely unscathed, has invited the IMF's policy-making interim committee to the White House for a chat on global growth.

US officials said they expect Bush, who is locked in a tough race for re-election, or stress the crucial need for faster growth as a cure to what ails the currency markets.

Bush's strategists hope that a revival in Europe's economy will translate into more jobs in the United States as demand for American exports — which had been one of the country's few economic bright spots until recently — increases.

The currency turmoil pushed other issues far into the background.

Russian officials briefly attended the G-7 meeting for a discussion on their country's economic needs but won no clear-cut promise for new financial help as rich nations seemed preoccupied with dealing with their own problems.

Thatcher's reaction

AFP adds: Britain has resumed control of its own destiny with the decision to temporarily take the pound out of the European Monetary System (EMS), former Prime Minister Margaret Thatcher said in Washington Saturday.

"We had blundered into monetary instability, Thatcher told an economic conference organised by the cable television channel CNN.

This week the United Kingdom resumed control of its destiny.

The former conservative Premier congratulated her conservative successor John Major and Chancellor of the Exchequer Norman Lamont on their decision to take the pound temporarily out of the exchange rate mechanism of

the EMS, which Thatcher described as an economic strait jacket.

The rigid exchange rates which the ERM imposed had obstructed business and economic growth, making imports artificially cheap and exports artificially expensive, she added.

The pound plunged sharply in value after quitting the system, in which other currencies were put under strain by the rise in the German mark, its strongest element.

Britain entered ERM while Thatcher was still premier, but she repeatedly criticised plans for greater European political and economic union, saying they undermined the national sovereignty of European Community member states.

Currency crisis hurts poor

AP adds: Third World governments complained on Saturday that turmoil on world markets and high European interest rates are slowing their growth and even preventing them from telling how much they are growing.

"It's affecting the evaluation of our assets, our earnings and our terms of trade," Syria's economy minister, Mohamad Imady, told reporters.

He added that it also affects the budgets of wealthier countries and the availability of aid.

Abubakar chaired a group of 24 Third World countries at the joint meetings of the World Bank and International Monetary Fund. They represent more than 100 other countries in what the bank calls low-income and medium-income groups, which are also attending.

Chinese corrupt staff snapped most stock forms

HONG KONG, Sept 20: Ordinary investors had access to less than half of the application forms in China's chaotic stock lottery last month after corrupt officials snapped up most for themselves, a government news agency said, reports Reuters.

The disclosure by the Beijing-controlled China news service was the most damning to date of official corruption in a lottery that drew more than a million would-be shareholders in South China's capitalist showcase Shenzhen.

Frustration over reports of corruption led to a night of rioting on August 12 that prompted panicked officials to double the lottery the following day.

"More than half of the application forms were swallowed up by many officials from banks, insurance companies, securities firms, armed police and public and public security, commercial units and monitoring departments," the Hong Kong-based agency reported.

"Due to the unfairness, countless people who came a long way and queued up for days went home empty-handed," CNS said.

Authorities in Shenzhen, a special economic zone abutting Hong Kong, are investigating an undisclosed number of officials and police suspected of abusing the stock lottery, CNS said.

At least 800 people filed complaints about embezzlement during the lottery, CNS said.

World economic activity declined in '91

WASHINGTON, Sept 20: World economic activity declined 0.3 per cent in 1991, the International Monetary Fund said here, owing to reductions in output in some industrial countries, the sharp drop in output in Eastern Europe and the former Soviet Union, and stagnation in the Middle East, reports Xinhua.

The IMF said in its annual report 1992 released Thursday that in contrast, the developing countries in Africa, Asia and Latin America experienced stronger growth last year relative to 1990.

"Despite the market slowdown in much of the industrial world," the report said, "Gross Domestic Product growth in the developing countries averaged 3.25 per cent in 1991. About the same as in 1990 while inflation was halved to a little over 40 per cent."

This maintenance of growth in the face of weakness in the industrial countries is attributed partly to reductions in macroeconomic imbalance and structural reforms in many countries.

These improvements in policy implementation helped to strengthen domestic demand by enhancing the confidence of both consumers and investors in the medium-term prospects of a number of countries, particularly in Latin America.

"Moreover, the decline in international interest rates alleviated the heavy costs of service in external debt, and there were signs that inflows of foreign capital had begun to recover in some countries," the report said.

However, the initial stage of the transition to a market economy in Eastern Europe and the former Soviet Union have been marked by output losses that have been greater than anticipated, partly because of the profound distortions that existed under the previous system.

The drop in output in the two regions since 1989 is es-

timated to have reached 20 per cent, and for some countries it has exceeded 35 per cent.

2.5 per cent in 1990 to less than one per cent in 1991.

The slowdown reflected recessions in Canada, the United

States and Britain, and a number of smaller industrial countries, as well as a deceleration

of growth in Japan and Germany from unsustainably high rates in 1990. The weakness in industrial countries was associated with adjustments in private sector financial positions, a renewed worsening of consumer confidence in most of the major industrial countries, especially the United States, relatively high real interest rates in Germany and the rest of Europe, and a sharp deceleration in fixed investments in Japan.

"Reflecting the weakness in economic activity, the average rate of unemployment in the industrial countries increased from 6.25 per cent in 1990 to seven per cent in 1991," the report said.

Consumer price inflation in industrial countries moderated to 4.5 per cent in 1991 from nearly five per cent in 1990, reflecting the slack in product and labour markets in most countries.

Following are economic growth estimates included in the "World Economic Outlook" released by the International Monetary Fund.

The first figure is the economy's actual performance in 1991 followed by the IMF's projections for 1992 and 1993. A minus figure indicates a decline in economic output.

Total world: 0.1 pc 1.1 pc 3.1 pc
INDUSTRIAL COUNTRIES: 0.6 pc 1.7 pc 2.9 pc
United States: 1.2 pc 1.9 pc 3.1 pc
Japan: 4.4 pc 2.0 pc 3.8 pc
Germany: 0.9 pc 1.8 pc 2.6 pc
France: 1.2 pc 2.2 pc 2.7 pc
Britain: -2.2 pc 0.8 pc 2.1 pc
Canada: -1.7 pc 2.1 pc 4.4 pc
Italy: 1.4 pc 1.3 pc 1.5 pc
European Community: 0.8 pc 1.4 pc 2.3 pc
DEVELOPING COUNTRIES: 3.2 pc 6.2 pc 6.2 pc
Africa: 1.5 pc 1.9 pc 3.3 pc
Asia: 5.7 pc 6.9 pc 6.6 pc
Middle East and Europe: 0.3 pc 9.9 pc 8.7 pc
Western Hemisphere: 2.9 pc 2.8 pc 3.9 pc
Eastern Europe: 13.7 pc -9.7 pc 2.4 pc
Former Soviet Union: -9.0 pc -18.2 pc -6.5 pc

According to the report, economic growth in the industrial countries declined from



Iranian delegation for OPEC meeting in Geneva on Wednesday. Iran refused to obey the meeting's decision not to produce more than the limit set by the meeting. — Star TV photo

India to provide Africa credit worth \$6m

NEW DELHI, Sept 20: The export and import (Exim) Bank of India and the PTA (the Preferential Trade Area of eastern and southern Africa) bank of Africa has agreed to provide a credit of six million US dollar to African nations, reports Xinhua.

PTA bank president Martin Ogan and Indian Exim Bank President Banerjee signed the agreement here Thursday.

Banerjee said that the agreement is expected to boost two-way trade between India and the member nations of the PTA.

He said that the agreement will open up new opportunities for the Indian industry as the ultimate risk of recovering the payments outstanding will be borne by the PTA.

PTA is an umbrella organization formed under the Preferential Trade Area for eastern and southern African States treaty of 1981.

S Korea plans direct trade with North

SEOUL, Sept 20: Seoul plans to allow direct trade with North Korea even before Pyongyang agrees to mutual nuclear inspections, a South Korean delegate to the just-ended prime ministers talks said at the weekend, reports AP.

Vice Economic Planning Minister Han Kap-Soo told journalists Saturday that Seoul was ready to send a private feasibility study team to the north for the construction of an industrial zone in the western port of Nampo.

"We do not have to link inter-Korean trade to the nuclear issue," Han was quoted as saying by the national Yonhap news agency, a day after he returned from the inter-Korean prime ministers' talks in Pyongyang.

"Direct trade can take place even before the nuclear issue

is settled" in accordance with a protocol on inter-Korean economic exchanges and co-operation signed by the two prime ministers in Pyongyang Thursday.

The feasibility study team was expected to visit Nampo by early next month. The north agreed with the south's Daewoo business group to build an industrial zone for South Korean firms in Nampo.

When the Southern delegation to the talks visited Nampo last week, Han said, they did not find any major problems other than an electricity shortage.

"We plan to start discussing cross-border transmission of electric power," Han said, referring to the first meeting of the Inter-Korean Joint Commission of Economic Exchanges and Cooperation on November 19.

EC to probe unfair trading of Hong Kong, Korean firms

BRUSSELS, Sept 20: The European Commission said that it was investigating charges that firms in Hong Kong and Korea were flooding the European Community market with cut-price computer floppy disks, competing unfairly with EC manufacturers, reports Reuters.

It could slap hefty duties on the disks coming from the far east if its inquiry vindicates an official complaint from the EC producers that their rivals are dumping the disk at cut prices in the community, disrupting the market.

The EC companies said this had affected profits and even triggered financial losses, a commission statement said.

Petrol, gas price hike checks Indian stock boom

BOMBAY, Sept 20: Higher petrol and cooking gas prices checked the boom that followed the lifting of restrictions on foreign institutions seeking to invest in India's capital market, traders said Saturday, reports AP.

The initial euphoria pushed the Bombay Stock Exchange (BSE) sensitivity index, based on some 30 blue chip companies, from 3,274.85 points to 3,383.62 after Monday's announcement on foreign participation in securities.

The National Index, a barometer of India's economy, also responded to the announcement inching up from 1,449.62 points to 1,494.95 during the week.

The BSE reaction followed the formal clearance for Foreign Institutional Investors (FII) to invest in the Indian

capital market, listing 18 liberalised guidelines for overseas companies.

New Delhi said it was allowing the FIIs to invest in all securities traded on primary and secondary markets, including equity holdings, debentures, warrants and schemes launched by domestic mutual funds.

The guidelines included the absence of any lock-in period for investments, no restrictions on volume and registration with an India securities watchdog body for five years.

BSE traders said the mini-boom faltered when brokers started profit taking for fear of prices slipping later at higher levels.

The Tuesday midnight hike in petrol and cooking gas prices saw heavy selling of shares in Tata Engineering,

Turmoil in Euro currency market helps firm commodity prices

LONDON, Sept 20: The sterling crisis this week and the instability of money markets following devaluations and suspension of Britain's EMS membership helped the commodities markets this week, especially with respect to sterling-quoted products, reports AP.

Foreign investors benefited from the pound's weakness, which made commodities quoted on the London market more interesting, while British dealers tried to offset losses by investing in cocoa, rubber or copper.

The precious metals, especially gold, were the first to profit from the fallout from monetary turmoil, by offering operators a possible refuge.

On their part, oil prices remained in limbo pending the outcome of the OPEC meeting in Geneva, which finally decided to align fourth-quarter production with OPEC market share.

On the London Metal Exchange, copper and lead, quoted in sterling, rose markedly, while the others, priced in dollar suffered from the US currency's firmness.

Gold: Gold prices gained more than two per cent, boosted by investor "refuge purchases" in reaction to the instability of the foreign exchange markets, sterling's exit from the EMS Exchange Rate Mechanism, and devaluations.

Uncertainties about the outcome of the September 20 French referendum on the Maastricht Treaty and general poor prospects for a world economic revival also helped gold.

Platinum: Higher. Prices rose in gold's wake and on fear of new violence in South Africa, which accounts for 80 per cent of western output.

An official of South African union Cosatu said the African National Congress and its union allies wanted to occupy President Frederik de Klerk's victims.

Silver: Firm. Silver prices firmed, following other precious metals, but gains were limited by uncertainties about a world economic rally.

Lack of interest by jewelers held price rises down. Copper: Sharply higher. The price of copper, measured in London in pounds, not dollar, moved sharply higher on the London Metal Exchange (LME) over the week, buoyed up by the fall of the pound on the foreign exchanges.

The rise in copper's price followed sterling's fall ahead of and following Britain's exit from the European Monetary system on Wednesday.

LME copper stocks rose 6,275 tonnes to 285,075 tonnes.

LEAD: Higher. Like copper, lead is measured in pound, and rose as sterling fell on the exchanges over the week.

Figures from the international lead and zinc study group also helped lead's price, suggesting that consumption had stayed firm in the face of world economic recession.

LME stocks of lead jumped 3,175 tonnes to 159,900 tonnes.

Zinc: Slightly higher. The price of zinc climbed over the week but then fell back to end only slightly higher than it had begun it.

LME stocks of zinc rose 1,125 tonnes to 354,750 tonnes.

Aluminium: Lower. LME aluminium prices fell, with the metal unsupported by any strong fundamental

demand and suffering from the rise of the dollar, dealers said.

Trading was said to be nervous with dollar-based metals markets falling as the dollar rose against European currencies.

LME stocks of aluminium rose, 1,500 tonnes to 1,360,500 tonnes.

Nickel: Unchanged. The price of nickel ended the week unchanged on the week before, having risen on speculation at the start but then fallen back on nervous trading.

LME nickel stocks rose 486 tonnes to 44,874 tonnes. Tin: Higher. The price of tin rose on the exchange, though falling back towards the end of the week as the general market nerves hit the metal.

LME stocks of tin rose 135 tonnes to 14,870 tonnes.

Coffee: Up slightly. Coffee prices firmed in advance of the September 21-30 meeting here of producer and consumer countries, which will try to get the two sides together on a new international agreement aimed at higher prices via export quotas.

Sugar: A bit higher. Sugar prices were helped by fears of flood destruction of at least nine per cent of Pakistan's sugar output, originally forecast at 2.6 million tonnes for 1992/93.

The market also benefited from Zimbabwe's purchase of 132,000 tonnes of raw sugar because of a drought.

Vegetable Oils: Irregular. Palm oil prices suffered from higher production and Malaysian stocks of the product.

Specialised review Oil World made a downward revision in its estimate of world production of the 10 main vegetable oils for 1992/93 to 227.63 million

tonnes, against 225.81 million tonnes forecast for 1991/92.

Oil: Quiet. After a slight firming early in the week pending the OPEC meeting in Geneva, Brent prices shed their gains after the organization's decisions to align production in the fourth quarter on its market share.

OPEC members did not set any real output ceiling, but merely indicated that they would produce to reflect demand facing the organisation, estimated at 24.2 BDP for the fourth quarter.

Rubber: Surging. Rubber prices, quoted in sterling, jumped by nine per cent on the week, pushed by the collapse of the British currency, which made rubber buying on the London market more interesting.

Grains: Slightly higher. The prices of wheat and barley were boosted by the granting by the United States of 1.15 billion dollar in food aid to Russia.

The market was also boosted by purchases of subsidised wheat by Pakistan, taking 220,000 tonnes, and Bangladesh, taking 25,000 under the United States export enhancement programme.

Tea: Firm. Demand was good at the weekly London auction, where average prices were unchanged at 180 pence per kilo for higher grade, weakened to 123 from 125 pence per kilo for middle grade, and were unchanged at 78 pence per kilo for lower grade tea.

The market was strong ahead of an agreement of a 38 million dollar line of credit from the Indian government to Russia for purchase of 19 million kilos of tea.

Cotton: Higher. The indicator price of cotton at Liverpool rose on fears of huge damage caused to Pakistani harvest by the flooding there. Pakistan is the world's fourth-largest producer of cotton.