

BRIEFS

WB to okay \$600 m loan to Russia
 WASHINGTON, Sept 21: The World Bank will approve in about a week a 600 million dollar loan to Russia for imports of basic necessities, bank President Lewis Preston said Sunday. Preston also said an energy loan to Russia would be signed before the end of the year. The World Bank would provide 500 million dollar of the total 850 million dollar loan. US Treasury Secretary Nicholas Brady welcomed the bank's support of Russian economic reforms and called on Moscow and the International Monetary Fund (IMF) to continue discussion on a new phase of cooperation, reports AFP.

US to donate \$50,000 to Pakistan
 ISLAMABAD, Sept 21: The United States, which cut economic and military aid to Pakistan two years ago, will donate \$50,000 to help the nation recover from the worst flood in its history, a news agency said Sunday. Compared to other wealthy industrialised nations, America is making a small donation that indicates how uneasy relations remain between two countries that only a few years ago were staunch allies. For more than a decade, Washington and Islamabad had a very close relationship because the United States considered Pakistan to be a front-line state in the fight against the Soviet Union's designs on Afghanistan, reports AP.

Kuwait permits Iran's goods display
 KUWAIT CITY, Sept 21: Kuwait agreed that Iran will hold an exhibition of its products here by the end of this year. This was agreed upon when Prime Minister Saad Al-Abdullah Al-Sabah discussed with visiting Iranian Minister for Commerce Abol Hussein Vahaji how to promote trade exchange and economic cooperation between the two countries. The two sides also agreed on signing a trade protocol, reports Xinhua.

WB help for environment
 WASHINGTON, Sept 21: Last year marked the end of a period devoted largely to stopping the bad things the World Bank was helping inflict on the environment, the bank's environmental affairs chief said Sunday. "It's no secret that a number of projects went ahead without any environmental assessment," said Mohammed El-Ashry, Director of Bank's Environmental Department. Now, he told reporters, questions are being asked about whether it is enough just to assess each project. "We now have in place a set of policies and procedures... that can give us confidence that we are moving rapidly in the right direction, reports AP.

NZ's sheep, beef sector may improve
 WELLINGTON, Sept 21: New Zealand's sheep and beef sector is expected to improve in the 1992/93 season despite lower sheep numbers and production. The optimistic outlook for the sector was made by New Zealand's meat and wool boards' Economic Service when releasing its annual review at a board's meeting recently. One of the indications would be the expectations of improved prices for wool and sheep products, the service said, reports Xinhua.

Pound continue to fall in Tokyo
 TOKYO, Sept 21: The British pound continued to fall in Tokyo Monday on expectations that Britain would lower interest rates and on disappointment about the thin margin of victory of the French referendum on European unity. Share prices on the Tokyo Stock Exchange ended mixed, with the Nikkei index going into negative territory in the last hour after being up over 240 points at mid-morning. Sterling closed at 2.5683 marks, down sharply from 2.6078 mark late Friday in New York. The dollar ended at 1.4770 mark in Tokyo Friday, reports AP.

Britain expected to lower interest rates

LONDON, Sept 21: Britain, freed from the constraints of the European currency grid after a humiliating policy reverse, was on Sunday reported to be about to cut interest rates to pull its battered economy out of recession, reports Reuter.

Sunday newspapers agreed a new rate cut would come soon, followed by further reductions to bring the current 10 per cent cost of borrowing down to eight per cent in weeks or months.

Chancellor of the Exchequer Norman Lamont raised rates in two stages to 15 per cent last Wednesday in a failed attempt to defend the pound.

The markets took no notice and, in a move that amounted to an effective devaluation, he was ignominiously forced to pull sterling out of the European Exchange Rate Mechanism before cutting interest rates back to 10 per cent again.

Britain's hard-pressed busi-

nessmen and home-owners have been calling for lower interest rates to help end the country's worst recession since World War Two, but Lamont's previous policy of keeping the pound strong meant a cut was ruled out.

The Sunday Telegraph forecast interest rates would be reduced by one point to nine per cent ahead of Thursday's recall of parliament from its summer recess to debate the crisis.

This would be followed by another cut to eight per cent in time for the annual conference of Prime Minister John Major's Conservative Party on October 6.

The Sunday Times commented: "The Prime Minister has made it clear to close colleagues he will use sterling's new freedom on the foreign exchanges to boost the domestic economy."

The decision to pull sterling out of the ERM marked a serious reverse for Major and

Lamont, who blamed the German Bundesbank for failing to come to Britain's aid.

Pressure on Major increased on Saturday when he received a tough warning from his predecessor Margaret Thatcher that he must now go further and reject proposals for European unity.

An opinion poll on Sunday suggested that the "Iron lady" was backed by many of her compatriots.

The survey in the independent on Sunday newspaper showed 47 per cent would vote "no" to Maastricht if a French-style referendum was held in Britain, while only 24 per cent would say "yes".

UK to maintain tight policy

AFP reports from Washington: Britain will maintain a tight monetary and budget policy so as not to lose gains already made in the fight

against inflation, Chancellor of the Exchequer Norman Lamont said here Sunday.

"The fall in sterling we have seen since last Wednesday has produced some loosening of monetary policy. But we are determined to ensure that monetary conditions remain sufficiently tight to secure the government's inflation objective," Lamont said.

Lamont raised the question of whether the ERM should return to a system of fixed but adjustable parities as it was in the 1980s, or "a guidepath towards a single currency?"

Focus returns to German interest rate

An undated AP report says: French voters' approval of a European unity treaty brought some stability to world currencies on Monday and shifted the attention of the financial markets to Germany and its comparatively high interest rates.

Although the currency markets were roiled last week by

concerns that the treaty would fall in Sunday's French referendum, it has been stubbornly high German interest rates that have forced many European currencies to low levels.

Finance officials from the so-called Group of Seven major industrialised nations met in Washington over the weekend and pledged to jointly work to stabilize foreign exchange markets. But there was no news of a resolution of the German interest rates.

"We're back to square one with the same anxieties," Kathleen Stephansen, senior economist at Donaldson, Lufkin and Jenrette Securities Corp, said Sunday night after the French vote was clear.

Japan to maintain present rate

AFP adds from Washington: Japan has no intention of lowering its interest rates, considered at a satisfactory level by both the Japanese authori-

ties and European industrial countries, a senior Japanese official said here.

There is no support in Japan for such a movement, said Makoto Utsumi, special advisor to Finance Minister Tsutomu Hata, on prospects for lowering the Japanese discount rate, currently at 3.25 per cent.

Bush reiterates support for European union

President George Bush reiterated Sunday his support for European economic integration and called for closer economic ties among the world's seven wealthiest countries.

Bush, who invited the ministers to the White House shortly after the French vote on the Maastricht Treaty on European Union had passed by a narrow margin, pledged in a brief statement that the United States would support Europe during the integration process.

India, Israel sign accord on economic cooperation

LONDON, Sept 21: India and Israel Sunday signed their first industrial cooperation agreement, reports BBC quoting Israeli defence forces radio, says PTI.

A permanent body would be set up for the exchange of information between industrialists' associations to allow the expansion of trade and technological cooperation between the two countries, the radio said.

Last year, Israel's exports to India totalled about 80 million dollar and consisted mainly of polished diamonds and chemical products.

BCCI in HK returning funds to depositors

HONG KONG, Sept 21: The Hong Kong arm of the Bank of Credit and Commerce International announced Monday it has begun mailing cheques to its 35,000 depositors whose funds had been frozen since the bank was shuttered more than a year ago, reports AP.

The Bank of Credit and Commerce Hong Kong, which was closed in July 1991 amid a global financial scandal, said it is returning all of the funds to those who had US 12,820 dollar (100,000 Hong Kong dollar) or less in its vaults. Larger depositors were to be sent an initial cheque for 41 per cent of their money.

The payments are in line with a proposal accepted by the Hong Kong bank's creditors Sept 1 and approved two weeks later by the colony's Supreme Court.

A bank spokesman said it estimates that large depositors ultimately will receive 70 per cent to 75 per cent of their funds back, but that may take several more years.

The Hong Kong bank has been in receivership since March, after the collapse of months of talks to sell the bank to Indonesia's Lippo Group.

The Bank of Credit and Commerce International collapsed last year following a worldwide scandal and allegations that the bank was involved in arms smuggling and shady financial deals and was used as a conduit for intelligence agencies.

Sweden raises tax, reduces spending

STOCKHOLM, Sept 21: Sweden's coalition government and opposition parties announced Sunday an emergency package of 45 billion kroner (8.03 billion dollar) in spending cuts and tax increases in a bid to solve the country's deep economic crisis, reports AFP.

The package, announced by Prime Minister Carl Bildt and opposition chief Ivar Carlsson, calls for 16 billion kroner (2.85 billion dollar) in budget cuts and 28 billion kroner (five billion dollar) in new revenues, including higher taxes on tobacco and gasoline.

Under the plan, pensions will be frozen, providing estimated savings of four billion kroner (714 million dollar), and the pension eligibility age will be raised from 65 to 66 by 1994.

Child allowance benefits and study grants will also be frozen.

The defence budget was slashed by 1.2 billion kroner (214 million dollar) and housing allocations were cut by three billion kroner (536 million dollar).

Also included in the deal was a 10 billion kroner (1.79 billion dollar) labour market package designed to create 150,000 new jobs.

The agreement came after three days of all-party talks aimed at countering a severe economic crisis that saw the central bank last week forced to raise marginal interest rates to 500 per cent of stem the outflow of capital from the country.

Bildt and Carlsson, a Social Democrat and former Prime Minister, announced the urgent economic negotiations Thursday as Sweden was rocked by the financial and monetary crisis sweeping across the European Community.

Riyadh begins food aid to Somalia

RIYADH, Sept 21: Saudi Arabia set up an air bridge Sunday to fly in emergency food aid to Somalia where hundreds of people are dying every day from starvation, the official SPA news agency reported. The food will be flown in via Kenya by the national airline, Saudi Airlines, and teams of Saudi personnel will oversee its distribution on the ground. SPA did not specify the quantity of food that will be sent to Somalia, reports AFP.



WASHINGTON: Britain's Chancellor of the Exchequer Norman Lamont (R) speaking with US Federal Reserve Chairman Alan Greenspan and Treasury Secretary Nicholas Brady (L) at the beginning of the G-10 meeting September 20. They are expected to discuss the currency crisis and will attend an emergency IMF meeting responding to the French vote on the Maastricht treaty. — AFP/UNB photo

Policies of rich nations threaten poorest economies

WASHINGTON, Sept 21: The economies of the world's poorest countries are under threat from policies adopted by their rich neighbours, representatives of the Group of 24 developing nations said, reports Reuter.

Turmoil in industrial countries is devaluing our assets, Syria's Mohammad Imady of the Syrian Arab Republic, the G24's First Deputy Chairman told a news conference.

The deficits and the policies of developed countries are affecting available resources for developing countries.

The Group of 24, worried that their concerns will be

shunted aside by currency turmoil in Europe and the need to rebuild the countries of Eastern Europe, called on the rich to do more to fight global poverty, especially in Africa.

Ministers — reemphasised that financial and other assistance to Eastern European countries should be additional to and not at the expense of the assistance to the developing countries, the G24 communiqué said.

The weak economic recovery elsewhere in the world, large budget deficits and turmoil on financial markets had undermined stabilisation and

reform efforts.

G24 officials, meeting during the annual gathering of the International Monetary Fund and World Bank, had said they were worried their concerns would be given short shrift because rich nations are preoccupied by the currency crisis.

This is all we needed, a Latin American official said, referring to the crisis.

The currency debacle has left the European Monetary System in shreds and pushed other issues into the background at Saturday's meeting of the Group of Seven industrial nations — Britain, Canada, France, Germany, Italy, Japan and the United States.

OPEC decision on production expected to maintain price

NICOSIA (Cyprus), 21: The decision by OPEC to adhere to a "market share" of 24.2 million barrels a day until year's end should be adequate to maintain and probably increase prices, the Middle East Economic Survey reported Monday, according to AP.

The Nicosia-based oil and economic weekly said the figure was "such a conservative projection" of market demand "that even a very substantial production overshoot can be absorbed without too much trouble." Oil Minister of the world cartel met last week in Geneva to set the overall figure, but they did not set country-by-country production quotas.

The OPEC decision was rejected by Iran, which wanted tighter curbs on output. Tehran said it would produce oil according to market demand, but stressed it would not flood the market.

The weekly said the market-share decision succeeded in avoiding many of the pitfalls now associated with traditional methods of fixing output ceilings and quotas.

"Notwithstanding a certain ambiguity about what is meant by 'market share' in this context and doubts about the degree of commitment to production discipline

Officials still hope quick rescheduling of Russian debt

WASHINGTON, Sept 21: Officials are still hoping to reach agreement on rescheduling Russia's foreign debt by the end of September as planned, but many issues remain to be resolved after Saturday's meeting with finance ministers of the major industrial countries, reports AFP.

"End of the month? That might be a little quick. But that's a goal," US Treasury Secretary Nicholas Brady said Saturday after the meeting between the Group of Seven (G-7) finance ministers and central bank governors and senior Russian officials.

Russian Deputy Premier Alexander Shokhin had said he hoped to see an agreement between his government and the 17 creditor governments in

the Paris Club "within two weeks."

The World Bank estimates Russia's foreign debt at some 70 billion dollar, 33 billion of it to the Paris Club governments.

But several problems remain if the deadline which emerged at last week's talks in Paris between Russia and its creditor governments is to be resolved.

The first is establishing exactly how much money Russia will need to borrow in 1993, something International Monetary Fund experts are still working on.

The Paris Club negotiators are also puzzled by Russia's proposal to take responsibility for the entire debt of the former Soviet Union.

IMF staff contradicts debt relief achievements

WASHINGTON, Sept 21: While it has become fashionable to claim the debt crisis is over, staff of the International Monetary Fund say it is too soon to sign off on an era which provoked a decade of stagnation in Latin America, reports Reuter.

It has become almost cliché to say that the debt crisis is over. This however is too simple, a technical expert from the IMF told reporters at a briefing.

Indeed, a political corruption scandal swirling around Brazilian President Fernando Collor de Mello has clouded a

pending debt accord for the Third World's biggest debtor country.

The IMF official noted that debt relief achievements are only part of the cure and that much hard work remains to be done to sustain structural reform programmes in debtor countries. He noted also that several countries continue to face severe debt problems.

In the three years since the Brady Plan went into effect, seven countries have completed or are near completing commercial bank debt reschedulings. These include Mexico, Costa Rica, Venezuela,

Uruguay and Nigeria, debt deals are expected by the end of the year in Argentina and the Philippines.

The official said, the amount of bank debt owed by these debtor countries has been cut by near 50 billion dollar taking into account lower interest rates and collateral accounts.

The official noted that despite the improved economic conditions in debtor countries, new bank lending is slow in coming and remains limited to trade finance and project loans.

World has fewer malnourished people now

WASHINGTON, Sept 21: There are 150 million fewer malnourished people in poorer countries than two decades ago despite famine in Africa, UN food experts report, according to AP.

Despite the addition of 1.8 billion humans over the last 30 years, the number of well-fed people has increased, says the report "Food and Nutrition: Creating a Well-Fed World." Average food available rose from 2,290 calories per day per person in 1961 to 2,700 calories in 1990, it says.

"Right now, there's enough food to feed everyone, if in fact it could get to the people who need it," John R. Lupen, Director of the United Nations Food and Agricultural Organization, said in an interview about the report.

He credited the "green revolution" that improved grain varieties, the spread of better farming techniques, safer storage and better distribution. The statistics also were improved by the addition of China's one billion people, who Lupen said are "in good shape nutritionally."

Special fund fails to change plight of Indian jute industry

CALCUTTA, Sept 21: The Rs 100-crore 'special fund' for the jute industry has not brought any change in the plight of the industry, according to the Information and Broadcasting Minister, Ajit Panja, reports PTI.

Addressing a seminar on the new economic order and future of jute industry, organised by the Jute Corporation of India officers' forum, Panja said this fund was sanctioned by the former Prime Minister the late Rajiv Gandhi for modernising the jute industry.

He said that had this fund

been utilised properly and helped improve the state of the jute industry he could have pleaded for some more funds with the Deputy Chairman of the Planning Commission.

He felt that if the jute industry was revived it could transform the economy of West Bengal, but the state government did not seem to be having any interest in this.

Another report from Washington says: Japan has decided to give another 250 million dollar to India this year from its overseas economic cooperation fund.

Global economy remains fragile, warns WB expert

WASHINGTON, Sept 21: World Bank chief economist Lawrence Summers said the economic outlook for the global economy—a major theme at gatherings ahead of the IMF/World Bank meetings next week — remains fragile, reports Reuter.

There is more uncertainty in the global forecast at this point than there has been in sometime, Summers told a news conference Saturday afternoon.

He spoke as finance ministers and central bankers from the industrialised nations huddled to deal with the European currency crisis and a pro-

longed recession in many countries.

The engine of rapid recovery is not apparent, he said.

Asked about the risk of a worldwide recession, he noted that the last few revisions in growth forecasts for the major regions—the United States, Japan and the European Community — have been downwards.

The International Monetary Fund this week forecast growth in the industrial world of 1.2 per cent this year and 3.1 per cent in 1993. That follows meagre expansion in rich countries of 0.6 per cent

Euro currency market turmoil hits most Asian units

HONG KONG, Sept 21: Most currencies in the Asia-Pacific region lost ground against the US dollar over the week after European Monetary uncertainty drove players to the Greenback as a relatively safe haven, reports AFP.

Only the Australian dollar and the Philippine peso resisted the trend.

Japanese yen: The Japanese yen eased moderately to close the week Friday at 124.33 yen to the dollar in Tokyo, down 0.25 yen from its close of 124.08 yen a week earlier.

The European monetary uncertainty had no major impact on the Japanese currency, dealers said.

They said they were waiting for the weekend meeting of Group of seven industrialised nations finance ministers and central bank governors in Washington, and Sunday's French referendum on the Maastricht Treaty.

Australian dollar: The Australian dollar strengthened during the week against the US dollar as the bullish mood anticipating German interest rate cuts turned to confusion with European currencies going into crisis.

The dollar finished at 72.88 US cent compared with 72.32 cent the previous week, peaking at 73.35 at the height of the European

chaos.

Dealers expect the Australian dollar to be sidelined once the result of the French referendum is known.

The central Reserve Bank's trade weighted index, which measures the Aussie dollar against a basket of major trading currencies, ended the week at 53.7 points from the previous Friday's 52.2.

Singapore dollar: The Singapore dollar lost ground against the US currency, closing at 1.6085 here Friday, against 1.5975 seven days earlier.

Dealers said the Greenback made a good recovery in the last two days of trading, following the currency crisis in the European Community and the uncertainty over the British pound.

In the last three weeks the Greenback had slipped badly, hitting all-time lows several times. At the close of trading two weeks ago it fell to 1.5935, the lowest ever, and for the first time below the 1.600 mark.

Sterling took a heavy plunge with the pound hitting a low of 2.8205 compared with last week's mark of 3.1119.

The local currency was firmer against the yen at 1.2920, against the level of 1.2935 a week earlier.

The effective exchange rate index closed at 110.80 up 1.30 points from last week's 109.5. The local currency is pegged at about 7.80 against the Greenback.

Taiwan dollar: The Taiwan dollar declined slightly to close Friday at 25.281 to the US unit, down 3.35 Taiwan cent from the previous week's finish of 25.2475.

The unit advanced against major European currencies, however, finishing at 44.3 to the British pound against 50.5707 the previous week, at 4.95 to the French franc against 5.3254, and at 16.96 to the German mark against 17.7424.

Indonesian rupiah: The Indonesian rupiah lost ground to the Greenback to close the week Friday at 2,040 compared with the previous finish of 2,036.

But it gained against the German mark at 1,385.19 compared with 1,430.66, and against the British pound, at 3,662.81 rupiah over last week's 3,996.48.

South Korean won: The South Korean won remained stable against the dollar to close at 784.60 won Saturday, against 784.50 won at the end of the previous shortened trading week.

Dealers expect the won to weaken against the dollar in the coming days.

New Zealand dollar: The New Zealand dollar ended a rollercoaster week Friday worth 54.20 cent, not far off its close of 54.38 a week earlier.

But in the interval the currency underwent massive swings as it became a safe haven currency during the European drama.

It traded through a 200-point range in a couple of days, with big swings, within single days. Volumes at times became heavy, especially from outside New Zealand. With the crisis entering a quiet period ahead of the Maastricht vote on Sunday, the Kiwi stabilised back into its normal trading range.

Philippine peso: The Philippine peso rose to close at 25.140 peso to the US dollar Friday, from 25.461 the previous week.

Banking sources said the peso would have risen even higher had the central bank not intervened by buying huge amounts of dollar.

The government's decision to intervene in the market came after exporters threatened massive closures, saying they could no longer stay in business because of the appreciation of the peso.

Hong Kong dollar: The Hong Kong dollar closed the week stronger against its US counterpart at 7.7287-7.7297, compared with last week's close of 7.7295-7.7305.

The internationalised nations huddled to deal with the European currency crisis and a pro-

longed recession in many countries.