BRIEFS

US unemployment rate drops

WASHINGTON, Oct 4 : The US unemployment rate dropped slightly in September to 7.5 per cent, its lowest level since May. The labour department reported Friday. The jobless rate fell 0.1 per cent last month from August's 7.6 per cent, though economists had expected the rate to rise due to hurricane Andrew and the termination of some 97,000 summer jobs. Analysts anticipating a rise in the unemployment rate had expected the Federal Reserve to cut interest rates again, says AFP.

EC to gear up trade war with US

LUXEMBOURG, Oct 4 : European Community Foreign Ministers will be battling to keep European union on track when they meet here on Monday and Tuesday and also gearing up for a trade war with the United States. The agenda for the meeting reflects almost all the fights which are turning the current six-month British Presidency of the community into a nightmare. It includes the struggle over ratification of the Maastricht European union treaty, a currency crisis and confused attempts to muzzle the community's central executive, reports AFP.

Current account surplus up in Japan

TOKYO, Oct 4 : Japan's current account surplus swelled 28.2 per cent from a year earlier to 7.11 billion dollar in August, but declined from 9.64 billion dollar in July, the finance ministry said here. The current account figure was the biggest ever recorded for August, a ministry official said. He said the August surplus reflected a modest growth in exports a fractional increase in imports and continued contraction in the invisible trade deficit which includes services such as tourism and shipping, reports AFP.

Jt venture business magazine proposed

TAIPEI (Taiwan), Oct 4 : A Chinese Communist party newspaper in Shanghai has proposed setting up a joint venture monthly business magazine with a leading Taiwan newspaper owned by a prominent Nationalist, the Taiwan paper's editor said Saturday. The joint venture, if it goes through, would represent a landmark deal between two former enemies who have tip-toed around political conflicts to forge closer trade, cultural educational ties, reports AP.

US negotiators agree on aid bill

WASHINGTON, Oct 4 : House and Senate negotiators reached agreement late Friday on a 14 billion dollar foreign aid bill that also includes a 10 billion dollar loan guarantee for Israel. The bill still must receive final approval from both chambers, and be signed by President Bush, before becoming law, reports AP.

As they ironed out differences between their versions of the bill, the conferees.

Asylum seekers rise in Germany

BONN, Oct 4 : The number of refugees seeking asylum in Germany reached a record 319,674 for the first nine months of 1992, an 88 per cent increase from the same period last year, the German Interior Ministry said here Friday. In September 45,779 asylum-seekers entered Germany compared to 40,071 in August, some 17,240 were Romanian, 7,617 were refugees from former Yugoslavia and 4,669 came from Bulgaria, a ministry report said. German authorities studied 15,803 applications for asylum in September, a total of 6.2 per cent of total requests, or 974 people, were granted asylum, reports AFP.

Privatisation plan in Poland accepted

WARSAW (Poland), Oct 4 : Parliament accepted Friday a long delayed mass privatisation plan in a 180-146 vote with 17 abstentions. The draft was sent to parliamentary commissions for further analysis after deputies rejected a motion by Confederation of Independent Poland, a right-wing populist party, to discard the plan altogether. The vote is seen as a major success of the government of MS Hanna Suchocka, who took her office in mid-July with determination to continue pro-market economic reforms, reports AP.

Inflation can only be slowed by severe adjustments

The sharp slowdown in inflation in the United States and other major industrialised nations — a circumstance most policymakers have said for years is exactly what they wanted — is both a result and a cause of the weakness of the economic recovery.

"Like most virtuous achievements narrower inflation, while admirable can turn into a disaster if it surprises too many people and goes too far too fast," says John H Makin, a research scholar at the American Enterprise Institute, a Washington policy analysis group.

US inflation, as measured by the broad Gross Domestic Product deflator, registered only 2.4 per cent during the last 12 months, the lowest level since 1964, says Makin, who predicts the rate is heading lower. Two other key measures of inflation in the United States, the producer price index and the consumer price index, show annualised average price increases for 1992, 1.7 per cent and 2.9 per cent respectively.

Writing in the September AEI Economic Outlook newsletter, Making notes that the current slowdown in inflation or "disinflation," is caused by the absence of price increases across the economy not the collapse "of one key commodity. In 1986 the inflation rate dropped sharply when oil prices suddenly collapsed.

Despite the overall damage it causes, inflation can benefit some people such as debtors, who see the burden of their debts diminish as prices and wages rise, particularly if their debts are long-term. In the United States moderate inflation has helped make the payments on home mortgages, the principal long-term debt of most Americans more manageable.

But unanticipated disinflation after three decades of steady or accelerating price advances, says Makin, is shifting the burden of real dosses in the United States from lenders to borrowers. "If disinflation becomes deflation, with prices actually falling the pain will be magnified."

The magnification has already occurred for many US homeowners who had come to see much of their future financial security in the rise of the nominal value of their houses. In many communities where real estate values soared in the late 1980s deflation has now set in. "This has not only left many households with loss of a financial cushion than they might have planned on it also has affected their attitudes which of course has translated into reduced spending," writes Irwin L Kellner, Chief Economist at Chemical Banking Corporation of New York in an article in the Los Angeles Times.

"There are more than a few families who find themselves today owing more on their house than it is worth; these folks wouldn't mind seeing inflation make a comeback," says Kellner.

Efforts by consumers and corporations in the United States to reduce the excessive debt they accumulated in the 1980s is one of the reasons the recession has lasted so long and why prices and hence inflations are rising so little, say Kellner and Makin. Consumers are postponing purchases. Companies, while shedding debt are also seeking to cut costs and increase productivity. For most firms, the best way to do this is to cut employees and squeeze more output out of the remaining workers. Hence, there are nearly weekly announcements by major companies of large layoffs, notes Kellner.

These highly-publicised layoffs Kellner says frighten "the great majority who are still employed but worry that they will be next. The result : spending has been dampened. In turn, this has led to disappointing sales, causing yet additional layoffs in a vicious cycle."

The combination of the recession and near-zero inflation is also inducing at many companies to hold off investing in machinery and equipment, says Kellner. This is not only to cut costs and avoid new debt, but also because the companies are not concerned about the prices of the needed capital goods increasing. "Their strategies would be exactly the opposite if they believed that prices of these items were about to rise."

Disinflation and the threat of deflation is occurring in all the major industrial countries, although for different reasons. The reason the collapse of inflation constitutes a problem, says Makin, is because "it has fallen further and faster than anyone intended or believed possible".

For the United States, 'the unanticipated acceleration of disinflation was the result of the failure of policymakers most companies and even households "to anticipate that US economic growth would remain very low while households and businesses are repairing their balancesheets in a disinflationary environment."

In Japan, the Japanese central bank has been engaged in deflating the "bubble economy" of the 1980s for too long, probably collapsing property and stock prices more than should have occurred, says Makin.

In Europe Makin says the German central bank's determination to push up interest rates to keep inflation under control has dampened other European economies that have pegged their currencies to the German mark.

The recent German decision to lower rates somewhat, however, appears to have eased the situation.

"Perhaps the biggest problem," says Makin "is that each of the major economic areas has been operating on the assumption that recovery elsewhere would cushion its slowdown.

This does not mean that renewed inflation is now desirable, says Makin, warning that inflation, once its starts can only be slowed by severe adjustments much worse than what is now being experienced during disinflation.

"The global economy needs a moderation of the process of global deflation not more inflation," Makin says. Accomplishing this, according to Makin, will require some tax changes in the United States to increase savings and investment; a fiscal stimulus package in Japan larger than the one already announced — ultimately probably on the order of three to four per cent of Gross Domestic Product; and currency realignment or exchange rate flexibility in Europe that enables European economies to recover while Germany fights inflation.

A Washington Economic Report.

Russia, Ukraine won't shoulder debt repayment of other CIS

KIEV (Ukraine), Oct 4: Russia and Ukraine said Saturday they no longer accept responsibility for other former republics' share of the Soviet Union's 70 billion dollar foreign debt to Western creditors, reports AP.

In a series of meetings last winter, creditors had demanded that the 15 former Soviet republics accept joint responsibility for the debt, fearing that some of the poorer states would default.

But Russia's acting Prime Minister Yegor Gaidar and Ukrainian President Leonid Kravchuk said Saturday that system was "unworkable."

Russia and Ukraine now want each of the 15 states to take responsibility for its own share of the debt, said Eduard Pershin, a Ukrainian government spokesman.

"We have agreed that the old system of joint and several responsibility for the foreign debt of the former USSR is going nowhere and does not work," Gaidar told reporters before flying to Moscow. "Our ministers of foreign trade are working on a new draft.

Japanese team on 'growth centres of the world' visit to boost trade

BANGKOK, Oct 4: A powerful Japanese delegation is visiting the six Association of Southeast Asian Nations (ASEAN) to boost trade with the "growth centres of the world," one of its members said here, reports AFP.

The 70-member Japanese economic mission to ASEAN met with leading Thai businessmen here and both sides said afterwards they saw no major problems in Thai-Japanese trade relations.

Two-way trade remains heavily in Japan's favour, however, and both sides will continue to work to reduce the imbalance, they said.

A Japanese reporter with the mission later asked top Thai businessmen about the widespread packing of products here, particularly designer clothes, leather goods and audio and video tapes.

"We do not approve of it and we are doing our best to suppress it — as soon and as much as possible," replied Choowat Chatvacharakul, a member of the Thai Chamber of Commerce.

Leaders of the Japanese mission also paid courtesy calls Friday on Prime Minister Chuan Leekpai and Foreign Minister Prasong Soonsirt.

Delegation spokesman Takuya Okada said its visit here was "perfect timing" because they became the first foreign businessmen to meet with Thailand's new leaders, who took office only Thursday.

"At the same time, we wanted to find ways for furthering the economic exchange between Japan and the ASEAN countries, which Japan regards as the growth centers of the world," Okada said.

The Japanese team has already visited Brunei, Malaysia, the Philippines, and Singapore. It leaves today for Indonesia.

Bank of England rejects US Senate body report on BCCI scandal

LONDON, Oct 4: The Bank of England on Friday angrily rejected a US Senate subcommittee report which claimed it had covered up the "mind-boggling" fraud carried out in the late 1980s and early 1990s at Bank of Credit and Commerce International (BCCI), reports AFP.

"These allegations are untrue and the committee has no basis for making them," said the bank, which acted to close BCCI on July 5, 1991.

Britain's central bank said the committee, which released its 800-page report on its four-year investigation into various scandals at BCCI, had not seen "sufficient evidence" to judge the case.

Releasing the report Thursday, Democratic Senator John Kerry said BCCI had "systematically bribed political figures around the world" and engaged in "international global crime of a level that boggles the mind".

The Bank of England and the US Central Intelligence Agency were guilty of failing to close BCCI down while knowing fully about its illegal activities for many months, Kerry said.

However, a statement from the bank on Friday said the committee "had not received evidence from the Bank, had access to the bank's documents or sought to check any facts with the bank".

"Under these deficient procedures, Kerry's committee has seen fit to make a number of allegations about the bank for which there is no factual basis of any sort," it said.

In its unusually strongly worded statement, it rejected "unequivocally" the "extraordinary" accusations that it had "acted in some way in collusion with various parties, including BCCI".

At no time was there any agreement among the Bank of England, the government of Abu Dhabi, BCCI's auditors price waterhouse, and BCCI itself that BCCI's criminality should be kept secret, the bank stressed.

The bank added that a report by Lord Justice Bingham on its supervision of BCCI under Britain's banking acts would be published shortly and it would comment on the report then.

Brunei allocates $3.5 b for sixth 5-yr plan

BANDAR SERI BEGAWAN, Oct 4 : Brunei has allocated 5.5 billion dollar (3.5 billion US) for its sixth five-year development plan aimed at building infrastructure to reduce the small kingdom's overwhelming dependence on oil, reports AFP.

Details of the plan, the most ambitious to date and covering the 1991-1995 were outlined by officials of the economic planning unit at a recent meeting with community leaders, a government news release said.

The English-Andmalay-language newspaper Borneo Bulletin said Friday that the plan would speed up the development of human resources without ignoring the oil and gas industries.

"New plans are aimed at encouraging growth of the private sector and preserving a clean and healthy environment," the paper said.

Diplomats said announcement of the plan was delayed probably by the need to take stock of projects postponed or partially held up under the previous five-year development plan, when spending was projected at 3.7 billion dollar (2.3 billion US)

Saddam orders construction of new strategic petro-chemical complex

BAGHDAD, Oct 4: President Saddam Hussein ordered construction of a petro-chemical complex, only hours after the Security Council voted to seize millions of dollars of frozen Iraqi oil assets abroad, reports Reuter.

Baghdad newspapers, which ignored the UN resolution, said Saddam's military industrial experts were implementing the first stage of a strategic petro-chemical complex."

They said the project was being carried out under the supervision of General Hussein Kamal Hassan, Saddam's industry adviser and son-in-law.

The capacity of the plant would be 500 tonnes a year of chemicals, plastics and fibres to be used in manufacturing by several national industries, the newspapers said.

They said the plant would involve 35 production units, adding: "It is being constructed on a 30 square KM area and its first stage will cost 700 million dinar."

Several foreign companies were working on such a plant in 1989 but pulled out when Iraqi troops invaded Kuwait in August.

Iraq, under a blanket UN embargo, does not say how it is going to obtain materials to build the plant.

The Security Council decided on Friday to seize hundreds of millions of dollars in frozen Iraqi oil assets to pay for relief aid to Kurds and compensation to victims of Baghdad's seven-month occupation of Kuwait.

The official media, ignoring the resolution, gave prominence to Iraq's new offer to sell oil worth dollar 4 billion in six months.

"Iraq has proposed a multi-point plan to end a standoff with the United Nations over the resumption of its oil exports to secure the flow of basic civilian needs and to cover costs of UN operations in Iraq, The Baghdad Observer said.

Another report says: Iraq denounced seizure of its frozen oil-money as a kind of Texas-style bank a robbery by bandits hiding behind a UN Security Council resolution.

Information Minister Hamid Youssef Hummadi said in a statement to foreign reporters in Baghdad that the Council decided to "confiscate Iraqi people's deposits with foreign banks, at the same time Iraqi government was negotiating with the UN to export 4.0 billion dollar worth of oil."

The statement described Friday's resolution as illegal and added: "Moreover it is a modified form of bank robbery, Texas-style."

Hummadi's statement was Baghdad's first official reaction to Friday's Security Council resolution ordering seizure of hundreds of millions of dollar in frozen assets to pay for relief aid to Kurds and compensation to victims of Iraq's seven-month occupation of Kuwait.

He added that what happened at the Council meeting was a share to its record.

"This Council has become a tool used by the United States. The member states which agreed to this resolution seemed to have accepted such an outrageous, shameful attitude," Hummadi said.

Negotiators agree on $27b US tax bill

WASHINGTON, Oct 4: Congressional negotiators tentatively agreed Saturday on a 27 billion dollar catchall tax bill that would liberalise Individual Retirement Accounts and provide incentives for job creation in blighted areas, reports AP.

Although the bill was stripped of two high-income tax increases to which President Bush objected, senior tax writers from the House and Senate said they had no indication whether the compromise was acceptable to the president. He must sign it in order for it to become law.

The consensus bill still contains more than two dozen revenue-raising provisions that would be considered tax increases under the guidelines used by the Bush campaign to criticize the record of Arkansas Gov Bill Clinton. These provisions range from limiting the deduction for job-related moving expenses to requiring that recreational boats pay the tax on diesel fuel.

"I'm pleased," Sen Lloyd Bentsen, D-Texas, chairman of the Senate Finance Committee, told reporters after the tentative agreement was reached.

As for the administration's position, Bentsen said, "I haven't heard anything from them from the beginning."

US-Japanese firms working on portable phone

NEW YORK, Oct 4: American Telephone and Telegraph (ATT) and two Japanese companies announced Saturday they are working jointly on a new type of computer that has elements of a portable telephone, reports AFP.

The collaboration between ATT, Matsushita Electric Industrial and Marubeni Corp is backing EO Inc, based in Mountin View, California, which is developing a device that could replace both the telephone and the personal computer.

The project could be a direct rival to a device being developed by Apple Computer, called Newton, a prototype of which was presented in May.

Commodity prices switch on profit-taking from pound sterling fall

LONDON, Oct 4: Commodity prices generally slipped this week in a wave of profit-taking after the rises of the previous weeks; linked to the fall of the pound sterling, reports AFP.

Heavy redundancies in British industry and the fall of the dollar, the measures of US economic health, worsened the losses, confirming the depth of the recession around the world.

Gold, which had risen as the European monetary system went into convulsions slipped back and precious metals dealers noted poor fundamentals for the metal with weakening industrial and jewellery demand.

Platinum also weakened because of an easing of tension in South Africa leading gold and platinum producer, and because of a decline in Japanese demand.

On the London Metal Exchange (LME), base metals slid, led down by larger stocks and weaker demand.

However, oil prices rose, boosted by friction between Qatar and Saudi Arabia over a territorial dispute. The rise was limited by a statement from the United Nations that it might re-open negotiations with Iraq over its oil exports "at any moment".

On the coffee market, prices stayed firm following the London meeting of the international coffee organisation, which brokers said had made "real progress" toward a new agreement on coffee production, aimed at boosting prices.

GOLD: Slightly lower. The price of gold fell slightly as interest tailed off from investors feeling turbulence on the money markets.

The weakness of the dollar, which traditionally helps the price of gold. This time depressed the market, with the focus of attention turning to the fundamental weakness of the US economy hopes of a reduction in US interest rates limited the losses as dealers saw lower rates as bringing forward the prospects of an economic recovery.

PLATINUM: Lower. The price of platinum lost ground hit by depressing statistics on the US economy, notably on the car industry, and on the fall of Japanese platinum imports.

Japan is the world's leading platinum consumer and saw imports down 39 per cent in August on a year earlier and 12 per cent down in the first eight months of the year.

SILVER: Weak. The price of silver fell because of the general economic gloom limiting the hopes for sales to the jewellery and industrial sectors.

COPER: Lower. Copper price fell on the London metal exchange over the week, after rallying for the two previous weeks after sterling came out of the European Monetary System (EMS).

The market for copper was affected by fears that the sluggish state of worldwide economic activity would persist. A huge wave of job losses in British industry deepened the gloom in all metals.

LEAD: Lower. Lead price also fell, depressed by the slowing down of sterling's slide on the international exchanges and more particularly by the continuing weak state of worldwide industrial demand.

Stocks of lead rose 5,400 tonnes to 170,475 tonnes.

ZINC: Down but off lows. The price of zinc was down, affected by the generally weak industrial demand, but picked up Wednesday as news emerged of a possible threat to supply from Canada.

ALUMINIUM: Lower. The price of aluminium drifted steadily lower over the week in a general pessimism over the state of demand though easing later as commission house and some options-related selling was partly offset by trade buying interest in the afternoon.

According to stockbrokers W I Carr, nickel prices will remain depressed due to high stocks and low demand well into next year.

Sharply rising LME nickel stocks due to higher deliveries from the Commonwealth of Independent States have particularly depressed the market.

COFFEE: Slightly lower. After a start hit by profit-taking, prices made a partial recovery toward the end of the week, as dealers reacted well to the conclusion of the meeting of the international coffee organisation.

SUGAR: Firm. The price of sugar was boosted by a fall in the estimated sugar harvest from Thailand and Cuba.

The office of the cane and sugar board in Bangkok said the country's harvest in 1992/93 will be 45 million tonnes, against 47.5 million tonnes one year earlier and 45.6 million tonnes previously predicted.

COCOA: Higher. The price of cocoa, quoted in sterling, continued to climb, boosted by the pound's weakness and rumours of a sharp fall in the Nigerian harvest. Nigeria is the world's Xth largest cocoa producer.

According to sources in Lagos, the 1992/93 harvest will be delayed and will amount to only 90,000 tonnes while most brokers had counted on 125,000 tonnes, brokers recently estimated the Nigerian harvest at 150,000 tonnes.

VEGETABLE OILS: Lower. The prices of soya oil weakened following falls in Chicago after harvests in the US midwest were better than expected and after the United States raised fears of an open trade war with the EC.

Playing to the home market, the states issued an ultimatum to the EC, threatening to introduce "retaliatory" sanctions if the negotiations in Geneva failed to produce agreement over EC subsidies of oilseed.

CRUDE OIL: Firm. The price of brent North Sea crude oil stayed firm, supported by fears of an escalation in tension between Qatar and Saudi Arabia over a territorial dispute.

Qatar denounced the agreement signed with Saudi Arabia, OPEC's leading producer, in 1965 and demanded the opening of negotiations leading to new frontiers after skirmishes between border troops.

RUBBER: Lower. The price of rubber, quoted in pounds sterling, suffered profit-taking after the 17 per cent rise in the last two weeks following sterling's 14 per cent collapse.

Brokers stressed that demand remained weak because of economic uncertainty and buyers were cautious.

The market will continue to weaken without intervention from the international natural rubber organisation to support the price.

GRAINS: Higher. The prices of wheat and barley strengthened following rises in Chicago which were helped by purchases of subsidised US wheat from several countries and a weaker than expected rise in US wheat stocks.

The US Department of Agriculture (USDA) said stocks reached 56.88 million tonnes on September 1, against predictions of 59.67 million tonnes.

TEA: Firm. Demand was strong at the weekly London sales, where the average price rose five pence to 155 pence/kilo for higher grade, to 126 from 124 pence/kilo for medium grade, and to 85 from 80 pence/kilo for lower grade tea.

The market was boosted by the weakness of the pound, boosting foreign interest, particularly from the United States. US dealers normally trade at the sales in Mombassa, Kenya.

Russia's inability to purchase Indian tea because of its own financial problems continued to unsettle the market, though this was offset in the prices by the continuing drought in India.

COTTON: Lower. The indicator price of cotton at Liverpool continued to fall after dealers engaged in profit-taking following the recent rise in the market.

The price of cotton had strengthened following sterling's collapse and the floods in Pakistan.

According to the Indian government, a stronger harvest this year means the country will export 500,000 bales in 1992/93 instead of the 78,000 bales the year earlier, in 1990/92, India exported 1.19 million bales.

WOOL: Clearly lower. After the jumps of the last two week, the price of wool fell back on profit-taking and lack of mill demand.

The weakness of the textile industry and the lack of any economic recovery again affected the market.