BRIEFS

Japan's machinery orders increase

TOKYO, Oct. 14: Japan's private-sector machinery orders in August rose 3.9 per cent from the previous month to 1,037.4 billion yen (8.6 billion dollar), the Economic Planning Agency said Tuesday. The orders excluding those from electric utilities and ships which tend to fluctuate widely, fell 11.6 per cent from a year earlier, the agency said. The rise from the previous month was attributed to a 200 per cent jump in orders in the oil and coal sector, an agency official said, reports AFP.

UK to close half of coal pits

LONDON, Oct 14: British Coal, the state-owned coal mining company set for privatisation in 1994, said Tuesday it is to close 31 coal pits, more than half of the total left in Britain, and make 30,000 miners redundant. British Coal Chairman Neil Clarke announced the closure programme and blamed it on reduced demand for coal. The closures would be completed within five months but most of the mines would cease production within weeks, he said, reports AFP.

Abu Dhabi donates $10m to Pakistan

ISLAMABAD, Oct 14: Abu Dhabi's crown Prince Sheikh Khalifa bin Zaid al-Nahyan announced on Tuesday a 10 million dollar donation to provide relief to victims of last month's floods in Pakistan, the official APP news agency said. The donation is the largest received by Pakistan for flood relief. An estimated 2,000 people died in northern Pakistan in floods and landslides. Losses have been estimated at more than two billion dollar reports Reuter.

Japan to study Zambia's telecom

LUSAKA, Oct. 14: Japan and Zambia signed an agreement here Monday on a feasibility study on the development of Zambia's national telecommunications network over the next 20 years. Under the agreement signed by the Zambian government and the Japanese International Cooperation Agency, the study will focus on Zambia's priority needs in the telecommunications field, and will be completed in January next year, reports Xinhua.

US airlines delay ticket price rise

NEW YORK, Oct 14: The nation's airlines were temporarily rebuffed in their continuing attempt to raise air fares. Major airlines on Tuesday delayed plans to raise ticket prices Thursday, instead announcing weeklong discounts for fares between 16 US cities and the rest of the country. The cuts come one day after airlines announced the dlrs 10 to dlrs 30 fare increase on all tickets. The increase was postponed until after the sale ends. Most airlines postponed it until next Tuesday, but American delayed it an extra day, reports AP.

GM chairman hospitalised

WASHINGTON, Oct. 14: Robert Stempel, Chairman of General Motors Corp, was reported in serious but stable condition early Wednesday in a Washington hospital, where he was taken after becoming ill during a business meeting.

Stempel, 59, was admitted to George Washington University Hospital on Tuesday afternoon. He was stricken while meeting with a representative of the Conference Board, a New York business research group, at a downtown hotel, a GM statement said.

He was "resting comfortably while undergoing further tests," the statement said, reports AP.

Japan GDP likely to reach to 2.6pc

TOKYO, Oct 14: Japan's Gross Domestic Product (GDP) is forecast to grow at a real 2.6 per cent in calendar 1993, down from a July estimate of 3.1 per cent, an Organisation for Economic Cooperation and Development (OECD) official said. Kumiharu Shigehara, head of the OECD Economics Department, told reporters the revised forecast will be contained in an OECD report scheduled to be unveiled later this year. Shigehara said Japan's economy would likely hit bottom in the latter half of calendar 1992 and would regain momentum in the first half of 1993, reports Reuter.

Empty stalls, wallets — a reflection of Sarajevo's agony

SARAJEVO, Oct 14: Sarajevo's Markale market is a place of empty stalls for people with empty wallets, writes Reuter.

The six-month Serb siege of Bosnia's capital has stripped the city of virtually every commodity.

Most of the 100 or so wooden tables with corrugated plastic canopies in the small square are bare. Bundled against the brisk autumn air, shoppers crowd the narrow aisles to ponder a pitiful selection of goods.

Bakir, 27, is selling five bottles of apple juice, handpressed, for 2,000 dinar each.

The juice is offered in old rum and whisky bottles. It looks good enough, but tastes thin and watery.

"It's war," he shrugs. "I spend most of my time in the front line ... I made this juice to get money for cigarettes."

Advija Dudic, 51, stands and shivers in her thin coat at the next stall. She offers five pairs of thick, hand knit socks in stunningly unattractive colours.

"It takes me one day to make the socks and another day to sell them," she explains. "If I don't sell them I don't have any money."

The market offers no meat, eggs, fish, cheese or bread.

There is a lone meal-ready-to-eat (MRE) for sale, originally made for the U.S armed forces but shipped in as part of the international relief effort for Sarajevo.

The brown foil wrapped advertises it as "Menu No. 6 - chicken a La king."

"We are starved for meat of any kind, but this MRE is so bad no one will buy it," jokes one passer-by.

An elderly man, offended by the laughter, interrupts: "Do you enjoy observing people who have nothing to eat?"

Other foodstuffs for sale include fewer than a dozen carrots, worm-eaten cabbages at 2,000 dinar a tiny head and a few bags of crab apples and pears.

Saha, 67, is doing a slow business in medicinal herbs and grasses. Dozens of plain white packets, lettered in her shaky scrawl, cover the table.

There's rosopas (a type of grass) for jaundice, rosopas for stomach ailments and rosopas for weak eyes, among a variety of other nostrums.

"Business is not so good", the woman admits. " People are poor because of the war, they only buy what they must."

On this first cold day of the year, a woman selling used winter clothes has a small crowd pawing at her merchandise.

She has collected five threadbare coats and a few grimy hats and sweaters from her own wardrobe and those of some elderly neighbours.

"Some of my friends are so old they can't walk here so I sell their things for them", explains Ekrema Tufo, 47.

"We have no money, so we have to sell our own clothes, but nobody has money to buy them ... that's what the war has done."

If the marketplace is bleak for sellers, buyers fare no better.

Forty-five year old Nurdzihana Dozic made a perilous journey across the city from her embattled neighbourhood of Dobrina, near the airport, to shop at Markale.

"I came here to buy a present for a friend, but these pears are all I could find," she explains, clutching a small bag. "Like many people I come here knowing there is nothing to buy, but pretending it is the market we knew before the war."

Six Japanese officials held for bid-rigging

TOKYO, Oct 14: Japanese prosecutors arrested six officials of five printing companies for allegedly rigging a bid for government contract in breach of the anti-monopoly law, company, spokesmen said, reports Reuter.

The companies involved were Dai Nippon Printing Co Ltd, and Toppan Moore Co Ltd, a unit of Toppan Printing Co Ltd and three smaller printing companies, spokesmen said.

The Tokyo prosecutors office declined to comment.

Kyodo News Service reported that the five printers agreed to allow Toppan to win a 655 million yen 5.41 million dollar contract in June, for which Toppan paid the other four tens of millions of yen.

The contract involved coded seals used by the social insurance agency.

"We feel very sorry that our employees were arrested. We have not obtained details yet, but we would like to review our management system

IDB to give $ 77.3m for uplift projects of member states

MANAMA, Oct 14: The Islamic Development Bank (IDB) said it would finance development projects worth 77.3 million US dollar in its member states, says Reuter.

An IDB statement received today, issued at the end of a two-day meeting of the bank's governors in Jeddah, listed the finance as follows:

— Egypt will receive 19.5 million US dollar to finance imports of equipment for a power project. It will also get another 3.5 million US dollar to finance imports of spare-parts.

— Jordan will get 15 million US dollar to import equipment for a communications project.

— Syria will receive 12.8 million US dollar to set up a plant to produce medicine.

— Pakistan will get a 10 million US dollar loan to set up a college to train its workforce. The loan would be repaid after 25 years including a five-year grace period.

— Algeria will receive nine million US dollar to import plastic material from Saudi Arabia and Turkey worth five million US dollar and to import petrochemicals worth four million US dollar from Saudi Arabia and Jordan.

— Guinea will receive a 7.57 million US dollar loan to finance an agricultural project. It will be repaid after 25 years including a five-year grace period.

The Jeddah-based bank also said it would give technical assistance worth three millions US dollar to Lebanon and Burkina Faso.

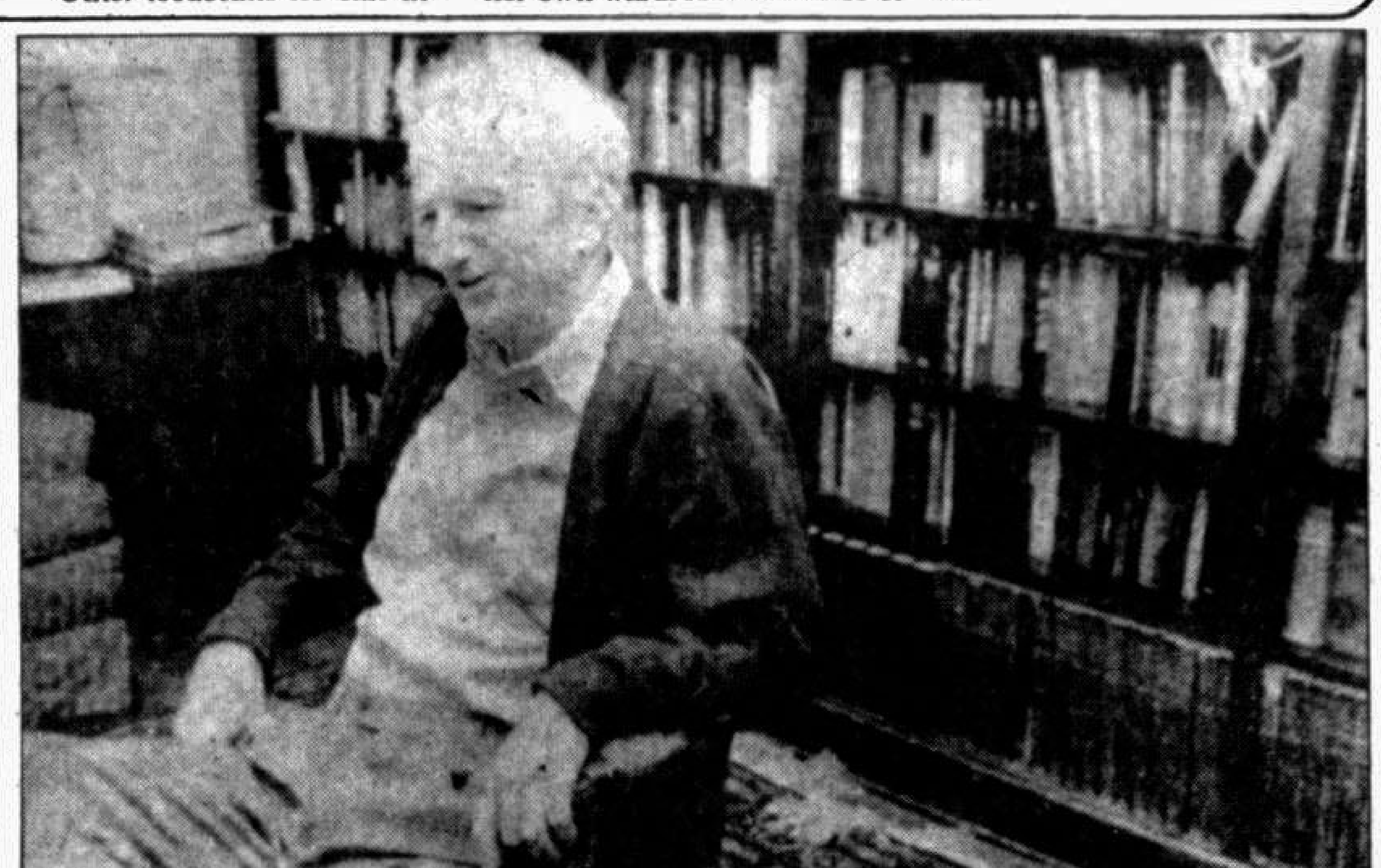
The 45-member IDB was set up to promote trade exchanges between Islamic states. In compliance with Islamic Sharia law which bans usury, the IDB does not take interest on the credit extended to its members.

Indonesian fishermen demand $ 2.4b for pollution

JAKARTA, Oct 14 : About 12,000 Indonesian fishermen are demanding 2.4 billion US dollar in compensation from the owner of an oil tanker which collided in the Strait of Malacca on September 20.

The North Sumatra Chapter of the All Indonesia Fishermen's Association (HNSI) has lodged the claim through the Directorate-General of marine transport reported the Indonesian-language "Kompas Daily."

About 12,000 fishermen who depend of fishing in the Malacca Strait have seen their catch drastically reduced after the oil tanker had leaked at least 5,000 tons of crude, which seriously polluted their traditional fishing ground, killing a great number of marine species.



CHICAGO: Nobel Prize winning economist for 1992 Gary S. Becker talks with reporters at his home on October 13 after learning that he had won the award. Becker a University of Chicago Professor, was awarded the prize for his theories on microeconomics. — AFP/UNB photo

Pindi may get $ 196m IMF emergency loan

ISLAMABAD, Oct 14: An International Monetary Fund mission will recommend Pakistan be allowed to draw 25 per cent of its quota, or 196 million dollar, as an emergency loan after devastating floods, the official APP news agency said yesterday, reports Reuter.

The IMF mission ended on Monday a five-day visit to Pakistan to assess the country's needs after devastating floods last month inundated vast swathes of fertile Punjab province, damaging groups and leaving hundreds of thousands homeless.

The emergency assistance was likely to become available before the end of November and would help Pakistan to meet about one-third of an additional foreign exchange gap created as a result of the floods, APP said.

India to import wheat to build reserve, boost subsidised sales

NEW DELHI, Oct 14: The United States, Canada and Australia will export some three million tons of wheat to India to help New Delhi build its food reserves and boost subsidised domestic sales, officials said Tuesday, reports AFP.

Top Food Ministry official Tejendra Khanna said the United States has agreed to slash prices by 34.45 dollar on each of the 984.00 tons of wheat it would sell to India in two phases from the end of this month.

The American wheat price has been put at between 110.50 and 112.50 dollar per ton, Khanna said, adding that the transacted deals were the single largest export from Canada, Australia and the United States to any country.

Australia in August agreed to sell 500,000 tons of wheat to India, but following negotiations in October it doubled the amount, Khanna said.

Canberra also reduced its bill by 17.50 US dollar from 165 dollar per ton during negotiation with an Indian Food Ministry team headed by Khanna, other sources said.

The last million of the three million tons will come from Canada to help India reinforce its food buffers and improve its network of subsidised sales through a state-controlled public distribution system, Khanna said.

Failure of GATT talks saves the French government

PARIS, Oct 14: Failure this week to unblock world trade talks may have dimmed the prospects for the global economy but it has saved the French government, political and agricultural experts said on Tuesday, reports Reuter.

They said any concessions on farm exports in the talks that the European Community and the United States held in Brussels on Sunday and Monday would have swiftly led to a vote of confidence in the socialist government of Pierre Beregovoy.

Beregovoy, dependent in parliament on the support of communists and centrists, survived a vote of confidence on his farm policy in June by just three votes.

This time he might not have been as lucky.

"Beregovoy was perfectly conscious his government was at stake. If a deal had been signed, the opposition parties would have been forced to table a censure motion, one expert said.

Meeting in Brussels, the EC and US negotiators failed to end a dispute over farm subsidies that is the main obstacle to a conclusion of the global talks, which began in 1986 under the auspices of the General Agreement of Tariffs and Trade (GATT).

Washington is pressing the community for deep cuts in the volume of subsidies farm exports and oilseeds output. It also wants easier access to the EC for American cereals substitutes.

Although farmers make up only five per cent of the French population, agriculture is a key issue ahead of a parliamentary election next March in France, the EC's main farm producer. President Francois Mitterrand has been particularly sensitive to farmers complaints since they overwhelmingly voted "no" in the September 20 referendum on the Maastricht Treaty on closer European Union.

Farmers took to the streets in anger after farm prices were slashed in May as part of an overhaul of the EC's common agricultural policy. Beregovoy's government scraped it by a subsequent no-confidence motion in June by just three votes.

A GATT deal, foreshadowing further cuts, would have led to new, possibly violent, protests.

Henri de Benoist, head of the French grain growers' association, threatened last week to lead a farmers' rebellion in the event of a deal that curbed France's grain exports.

Cutting farm exports and oilseed output in line with US demands would force French farmers to set aside more than the 15 per cent of land required under the farm reform, officials say.

"We would have to get rid of 25 million tons of grain. The 15 per cent (set-aside scheme) would not suffice," one said.

French ministers put maximum pressure on their European partners and on the EC commission, the executive are of the EC which negotiates trade issues, not to cave in to US pressure.

Although the government denied that President Francois Mitterrand could go so far as to boycott an EC emergency summit in Birmingham, England, on Friday, officials stressed that a deal that isolated France would shatter European unity, already brittle because of the difficulty in ratifying Maastricht.

"There are political consequences to draw from the referendum. If they want to build Europe, they must take into account the political situation in France," new French Farm Minister Jean-Pierre Soisson said last Thursday.

Premadasa asks ministers to use Lankan expertise

COLOMBO, Oct 14: Sri Lankan President R Premadasa said here Tuesday that he has directed government departments and ministers to use local expertise when formulating new development strategies, reports Xinhua.

Speaking at the 86th annual session of the Institution of Engineers of the island country in Colombo, the President said that Sri Lanka has enough expertise among its academics, scientists, technicians and even among promising university students, but local skills and talents are underutilised at present.

"I would like both governmental and non-governmental agencies to entrust consultancy work to Sri Lankans on a priority basis," he said.

The Sri Lankan leader added that foreign experts are not familiar with local conditions and problems although he himself will not undervalue foreign experts.

Also at the meeting, the President honoured Tuchita Jayawardena who has been crowned as the young inventor of Sri Lanka of the year for his invention of a machine capable of weighing five grams to 50 kilograms.

The young inventor, a grade 10 student of Ananda College in Colombo, received a cash reward of 9,000 rupee (about 2000 US dollar), four times the average monthly salary of Sri Lankan workers.

85 pc of Australian hotels sold go to Asians

SYDNEY, Oct 14 : Asian investors bought more than 85 per cent of the 675 million dollar (485-million US) worth of Australian hotels sold since the beginning off 1991, according to a survey published Tuesday, reports AFP.

In the survey, tourism property consultant Jones Lang Wootton Transact said the figures indicated long-term confidence in tourism in Australia, rather than a desire for short-term gain.

Hong Kong investors spent the most while Japanese bought the most expensive hotels, Jones Lang Wootton Transact's Joint Managing Director Peter Barge said.

The great majority of sales — 85 per cent — were worth less than 50 million dollars (36 million US) and more than half less than 20 million (14.5 million US).

The survey did not include the recent 23.8 million dollar (17.1 million US) sale of the Crest Hotel at Kings Cross, Sydney to South Korea's hotel capital co.

Barge said that "a large number showed anything but an acceptable return on investment at time of purchase."

Hong Kong investors were the biggest buyers, accounting for 32.9 per cent of purchases costing 22.5 million dollar (160 million US) and buying seven hotels at an average room rate of 93,096 dollar (66,787 US).

China plans to start flexible interest system

BEIJING, Oct 14: China plans to gradually introduce a flexible interest rates system to better adjust monetary supply and demand, Xinhua news agency said, reports Reuter.

Chen Yuan, deputy Governor of the Peoples Bank of China, announced the move at an Asian-Pacific central bank conference, the official agency said.

"China will take two steps to realise the goal (of phasing in flexible rates)," the agency said. First, non-Bank financial institution will have more freedom to float their interest rates.

In the second stage there will be a free interest rate system, based on central bank benchmark rates, to "better adjust monetary demand and supply," Chen was quoted as saying.

China's foreign exchange market will be developed to even out the differentials between the official and market rates, the agency said without elaborating.

Chen did not give a time frame for the reforms.

"The reform of the past 14 years has been the prices of 75 per cent of commodities and services deregulated in China, which has created a favourable environment for the marketisation of interest rates as well as the convergence of interest rates."

Before economic reforms began 14 years ago, the central bank had a monopoly on determining interest rates. Now, certain state banks have some leeway in setting rates. Banks in special economic zones have even more freedom.

"Such instruments as reserve requirements, interest rates, exchange rates and rediscount rates will be employed by the central bank to shift to indirect-control," Chen said.

Another report says: China's prison enterprises are hurting financially now that the government, bowing to international pressure, banned them from exporting their products, a secret document obtained by Reuters on Tuesday showed.

"In order to raise the quality of re-education, it is necessary to change the situation where reform-through labour (prison) enterprises have too heavy a financial burden," said Central Document Number Seven, issued to provincial and military leaders on September 7.

"Because of this, the State Council (China's cabine t) . . . has given compensation because of losses suffered because of the ban on exporting prison-made goods," it said.

The document, which deals with the role of law under economic reforms, did not say how heavy the losses were.

Beijing and Washington agreed in August to ban the export of Chinese prison-made goods to the United States.

China has repeatedly said its regulations have prohibited the export of prison-made goods.

Private sector energy can be an efficient tool for Third World

Small-scale private sector utilities can produce electricity more efficiently with grea-ter economic benefits to developing countries than can large-scale government-owned monopolies, concludes a new report by the International Finance Corporation (IFC).

Smaller private electric utilities are appropriate for developing countries because most of the countries face needs for investment in power generation that are too large to be financed through public funds, says the IFC report.

Entitled "private sector electricity in development countries," the IFC report was released in September. The IFC is an affiliate of the World Bank that promotes private sector investment in developing countries.

Demand for electricity in developing countries in the 1990s will increase on average 6.6 per cent annually, varying from two per cent or less for some Africa countries to about 12 per cent for some East Asian nations according to World Bank estimates.

To meet this demand, total installed generating capacity will need to increase about 82 per cent during the 1990s from its current level of 471 gigawatts (one gigawatt is equal to 1,000 million watts) to 855 gigawatts, the report says.

The Costs of Expansion

This increase, much of which will come from coal-fired plants but also from hydroelectric and gas-fired operations will cost nearly 1,000,000 million dollar of which nearly 38,000 million dollar annually during the 1990s will require foreign currency financing, it says.

These projected investment needs for electricity generation even ignoring possible inflation and cost overruns, is equal to about 2.3 per cent of the 1989 developing world's Gross Domestic Product (GDP), says the report.

Of the 38,000 million dollar needed annually, the World Bank is currently financing only about 2,000 million dollar each year.

While the cost of electricity-generating investment is huge, the economic costs of lack of investment are also substantial. Citing a US Agency for International Development study, the IFC says that the costs to industry in India due to electricity shortages are about one to three per cent of GDP annually.

Private Sector's Role

Developing nation's governments, the report says, will not be able to raise capital in the amount needed to increase generating capacity at their state-owned plants. However, the idea that large, government-owned utilities are the most efficient way to produce low-cost electricity is flawed, according to the report. Small-scale, more technologically efficient plants run by the private sector may produce the greatest economic benefits for a developing country.

"Intuitively, it is not at all clear why the generation of power should be considered to be a natural monopoly," the report says. "Unlike distribution, which entails a single network for delivering power to individual consumers, there is no obvious reason why independent producers should not be able to sell electricity to whomever distributes it to the public.

In order to encourage private sector participation in the developing work's electrical energy capacity, developing country governments will have to adopt regulatory environments that allow companies a reasonable return on investment.

In many developing countries, the private sector is reluctant to get involved in electrical generation because utilities and private investors have to fight with regulators, for any rate adjustments, even in the face of high rates of inflation, the report says.

"Until tariffs paid to producers reflect the actual cost of production, there will be little incentive for private generation," it says.

Other barriers include national restrictions on the amount of energy that can be sold and limited access to raw materials, especially water in the case of hydroelectric projects.

Smaller-scale Operations

Major technological advances and efficiency gains from smaller-scale private operations have "shown that not only can independent producers produce energy at a lower cost than the large utilities, but that there are diversification benefits to having a number of small producers instead of one large plant," the IFC report says.

Diversification, it says, implies less likelihood that a significant part of generating capacity will be out of commission due to either failure or maintenance requirements.

The development of more efficient cogeneration technologies (such as electricity generated from excess heat given off by an industrial process), and small-scale gas-fired combined cycle systems that are less costly than large-scale oil-fired systems and nearly the same cost as large-scale coal-fired systems also tend to favour movement away from the larger government-owned utilities, according to the report.

"These systems can be installed in a much shorter time than a larger system," the report says, adding that since they are mass produced and require minimal site preparation, their capital costs are lower than for other technologies.

The use of energy-efficient technology will enable countries to decrease energy demand without sacrificing economic growth, it says. The IFC cites the example of Japan where, over the decade 1974-83, per capita energy consumption fell by 20 per cent while income per capita increased by more than 30 per cent.

Grater Efficiencies

"Perhaps the most persuasive argument in favour of private participation in the power sector is that of improved economic efficiencies," the report says. According to a recent study of small diesel-fired electric power plants around the world, the cost per unit of output (kilowatts per hour) is 38 per cent less in the private sector than with similar plants in the public sector.

"The implication is that a similar amount of electricity can be produced in the private sector with substantially less capital than the public sector uses," the report says. "Moreover, even though private capitals is somewhat more expensive than government-guaranteed capital, the capital required by the private sector is sufficiently less that the country's economy benefits when electricity is generated in the private sector."

Private sector development is attractive for several other reasons, it says. Some power projects may be considered too small to be developed effectively by a large public utility. Also, industry or agriculture may be able to employ cogeneration technologies that are not available for traditional power plants.

The report adds that privatisation of existing power generation plants is another option for developing countries. It cites successful privatisations, such as in Chile.

Washington Economic Report