

BRIEFS

Fears of inflation drive rouble down

MOSCOW, Oct 21: Russia's rouble fell to its lowest value yet Tuesday, hitting 368 per dollar apparently because of fears of even higher inflation and lower industrial production in Russia. The plunge in value of nearly 10 per cent was one of the sharpest for the beleaguered currency since the government started pegging its rate to the twice-weekly Moscow Foreign Currency Auction, reports AP.

Indian economy to grow by 3.5 pc

NEW DELHI, Oct 21: India's economy is poised to record a growth rate of up to 3.5 per cent in fiscal 1992-93, a recovery from the doldrums of last year but short of planners' hopes, a research institute said Tuesday. The National Council of Applied Economic Research (NCAER), however, cautioned that even the modest growth would hinge on inflation being controlled and the availability of "critical" infrastructure inputs for industry, reports AFP.

China-Russia co-op talks on oil

BEIJING, Oct 21: Chinese and Russian petroleum chiefs will hold talks here next month on cooperative exploration and technological exchanges, the China Daily said Wednesday. Churilov Dmitrievich, Chairman of Russia's state oil and gas corp, will come to China for meeting with the president of the China National Petroleum Corp. Wang Tao, the official English-language newspaper reported, says AFP.

Iraq bans imports of luxury goods

BAGHDAD, Oct 21: Iraq, struggling to prop up its sinking dinar after more than two years of UN sanctions, stopped importing luxury goods and told traders to clear them from their shelves by November 20. An import ban announced by President Saddam Hussein in August came into operation on a list of 157 items from cheese to personal computers. Only essential items may still be imported, says Reuters.

Dollar, share prices higher in Tokyo

TOKYO, Oct 21: The US dollar strengthened against the Japanese yen in Tokyo Wednesday, as share prices finished higher in thin trading. The dollar closed at 122.38 yen, up 1.38 yen from Tuesday's finish but below its overnight New York trading at 122.50 yen. After opening at 122.34 yen, it ranged from 122.15 yen to 122.96 yen, reports AP.

Project to restore Angkor temples

PHNOM PENH, Oct 21: Cambodia's Supreme National Council (SNC) yesterday approved a Japanese government-funded project to restore the most famous of the Angkor temples. The United Nations Educational, Scientific and Cultural Organization (UNESCO) will implement the one-million-dollar project to "elaborate a restoration work and ensure the safety of tourists" visiting Bayon temple, said UN Transitional Authority in Cambodia spokesman Eric Fall, reports AFP.

India extends credit to Nepal

KATHMANDU, Oct 21: India agreed to the extension of standby credit of 35 crore rupee to Nepal to three years with the same nominal seven per cent interest rate. The credit was on a year-to-year basis, Indian foreign secretary, JN Dixit, said here today, reports PTI.

Sensitive decision on BCCI today

LUXEMBOURG, Oct 21: Luxembourg's district court is due to decide on Thursday whether a contested compensation plan for creditors of Bank of Credit and Commerce International (BCCI) (BCCI, CN) should go ahead, but lawyers said the case remained wide open, reports Reuters.

EC's food credit conditions tough

PARIS, Oct 21: European Community (EC) finance ministers set three tough conditions, on Monday for the release of food credit to Russia, EC and French sources said. One of the conditions, requiring that purchases under the credit be targeted at specific pockets of need, may be rejected by the Russian government, EC officials told Reuters.

Macroeconomic policies most important for Third World

MANILA, Oct 21: Stable macroeconomic policies, in the form of low budget deficits and a realistic exchange rate, are the most important factors for the economic development of the Third World, according to conference papers released here Tuesday, reports AFP. The papers from an Asian Development Bank (ADB) conference here last week largely agreed that these elements were more important for growth than trade policies or government price intervention. Dani Rodrik, an economist of Columbia University, said in his paper delivered at the conference that countries like South Korea and Taiwan did not owe their economic growth to open markets and price liberalisation. The Seoul and Taipei governments did intervene heavily in their economies but it was "stable macroeconomic policies in the form of small bud-

get deficits and realistic exchange-rate management," that led to their growth. Economists at the conference generally took a dim view of import substitution policies of developing countries, saying they often failed to spur enough growth, spawned inefficiency and created politically-entrenched special interest groups which perpetuated these policies. Anne Krueger of Duke University said such "largely inefficient microeconomic policies generate pressures for increasingly large macroeconomic imbalances," and warned that while such policies might spur short-term growth it could not be sustained. Krueger said these import-substitution policies also failed to distribute income more equitably and that in many cases, it was the poorest who were adversely affected by them.

In a separate report, Martin Ravillion of the World Bank and Michael Lipton of the University of Sussex also warned that policies specifically intended to help the poor in developing countries often had less effect on their living standards than changes in exchange rate and trade policies. Farm taxing stunts growth. Another report from Washington says: Over-taxing of the agricultural sector has stunted growth in developing countries, according to a World Bank study of 18 countries between 1960 and 1985. The countries in the study, titled "The Plundering of Agriculture in Developing Countries," put high taxes on their agricultural sectors in the belief that industry, not agriculture was the sector most likely to grow, said its authors Maurice Schiff and Alberto Valdes.

While industry has been dealt business breaks, the agricultural sector has been hit with an average of 30 per cent taxes on their products. Farmers have had to pay both direct and indirect taxes, including overvalued exchange rates, political protection of industry and production ceiling. The study published here this week found both the agriculture sector and the economy in general grew slowly in countries with high taxes on agriculture. Where taxes on agriculture were low, growth was stronger. The study called on developing countries to build a system that does not favour one sector over the other, although it noted this would not be easy. "In many countries, agricultural growth is crucial for overall economic growth," said Michel Petit, Director of the World Bank's Agriculture and Rural Development Department.

Pak rice export records 25pc increase

ISLAMABAD, Oct 21: Pakistan exported an unprecedented quantity of 1.552 million tons of rice at the value of 416 million US dollar during 1991-92, reports Xinhua. This was announced at a meeting of the economic co-ordination committee of the cabinet here Tuesday under the chairmanship of Federal Minister for Finance and Economic Affairs Sarataj Aziz. Export has recorded 25 per cent increase in quantity and 20 per cent in value compared with that during 1990-91. The private sector, which was allowed for the first time to play its full role without restrictions as a result of the government's policy of deregulation, exported 747,000 tons of rice including 236,000 tons of basmati rice with a value of 213 million US dollar.



STRUGGLE FOR EXISTENCE: The coal miners in UK marching towards the parliament to protest the closure decision. The implementation of the plan to leave hundreds of coal workers jobless. — Star TV photo

India's central bank seeks autonomy

NEW DELHI, Oct 21: The Reserve Bank of India (RBI), the country's apex monetary body, has sought more powers saying only then can it independently assess India's changing economic scenario, a report said Tuesday, reports AFP. The RBI in an official paper released Tuesday asked New Delhi to grant it virtual autonomy and expand its fiscal and executive authority to allow the body to function "objectively." The central bank's operations are presently controlled by India's Federal Finance Ministry, and the paper hints at the political and bureaucratic shackles that often binds its fiscal policies, officials said. "An appropriate course would be to confer constitutional status on the RBI, which

should become the fourth, branch of the (Indian) government," said the RBI paper, authored by the bank's economic advisor JM Chona. The executive, the legislative and the judiciary are considered the other three branches of the administration. The RBI, which exercises total control over India's nationalised financial institutions and regulates operations of half-a-dozen foreign banks here. Is one of New Delhi's main forums for India's sweeping economic reforms. The reforms ordered earlier this year by Prime Minister PV Narasimha Rao's government have relaxed India's rigid control on its industrial sector in order to open the previously-shut do-

mestic market to the world. India also made its currency partly convertible and promised full convertibility of the rupee at a later date. "In order to tender an objective assessment of the policy to the emerging economic conditions, the RBI governor should have a term of five years "instead of three," the paper, which will be soon gazetted, said. The document also urged New Delhi to give its governor more powers and scrap a clause that warns that the chief executive's services could be terminated by the federal government without notice or explanation. "This safeguard is imperative to ensure the rightful and independent position of the RBI," bank officials quoted

Chona's recommendations as saying. Release of the paper also coincides with bitter accusations that the RBI has turned a blind eye or had failed to prevent a 1.3 billion dollar securities fraud involving India and foreign banks, stock brokers and politicians. Reform programmes termed irreversible. Reuter adds: India's economic reforms are irreversible and the government intends to meet all its fiscal targets with the International Monetary Fund (IMF), Finance Minister Man Mohan Singh said. "Personally, if you ask me, there is no danger to the reform process. It is an irreversible process," Singh told Reuter in an interview.

IFC opens office in Beijing to help China develop capital market

BEIJING, Oct 21: The International Finance Corp, a World Bank affiliate, opened an office Wednesday in Beijing with plans to help China develop a capital market and diversify ownership, reports AP. William Ryrice, Executive Vice President of the Washington-based corporation, said he anticipates bringing in more than 3 billion dollar in private investment to China over the next three years, including 500 to 600 million dollar of the corporation's own funds. "Our main activity will be promoting joint ventures," Ryrice told a news conference in a Beijing hotel. "We'll lay emphasis on two things, to widen ownership generally... and to try to improve the efficiency of state-owned enterprises by building partnerships between them and foreign investors."

He said the corporation also has offered to assist the Chinese government in development of the Shanghai and Shenzhen stock markets and is willing to help state companies float shares. The Chinese Communist Party just concluded a national congress at which it announced plans to completely overhaul the economic structure to build a full market economy. At present, the economy is a mixture of state planning and market elements. "We may be able to make some contribution in accelerating the process toward a market economy," Ryrice said. However, he said the International Finance Corp will not invest in state-owned companies that plan to remain state-owned. "We would be prepared to invest in an enterprise where

there is a plan to move to private control over the next two to three years," he said. In practice, that will severely limit the corporation's investment options. The Communists have stressed that although they want the economy to operate on market principles, they do not plan to privatise state industry or allow the private sector to grow larger than the state sector. Several dozen state-owned companies have issued stocks to the public but in all cases the vast majority of shares remain in state hands. The shareholders are not expected to be given any say in running the companies. Private companies and joint ventures now account for about 10 per cent of China's annual industrial output, according to official figures. One govern-

ment agency predicted that figure could climb to about 25 per cent by the end of the century. Ryrice said the Chinese officials he met did not mention any plans to limit private sector growth. AP adds from Tokyo: A consortium of Japanese trading firms and China will launch a four billion dollar joint project to construct an oil refinery and petrochemical complex in China, a company official said Wednesday. The project slated for completion in 1999 or 2000 is the largest-ever joint project for Japan and China, said an official at Mitsubishi Corp, one of the trading companies involved in the project. The project includes an oil refinery with an annual production capacity of up to 1.7 million tons of refined oil.

Lucky Singaporeans have only themselves to blame

SINGAPORE, Oct 21: People in prosperous Singapore should not complain about rising costs and have only themselves to blame for expecting ever-better lifestyles, a senior official said, reports AP. "When actual standards of living rise, but not quickly enough to satisfy rising expectations, hopes are disappointed," said Deputy Prime Minister Lee Hsien Loong. His remarks, made last month to a closed meeting of the ruling People's Action Party, were made available Wednesday in the latest issue of the party's magazine. Lee's speech seemed to be part pep talk to the party faithful and part explanation to

a general public worried about slower economic growth. There was no explanation for the delayed release. He is the eldest son of longtime Prime Minister Lee Kuan Yew. It is widely assumed that the younger Lee will become the next leader of this city-state of three million people. Economic growth slowed in the first half of this year to five per cent from 7.4 per cent in the first half of 1991. Consumers and businessmen are in a cautious mood, retail sales are sluggish and the stock market is depressed. "People feel that things are not getting better and blame this on 'rising costs,' when in

fact things are getting better and costs have not gone up that much," Lee said. Rising prices had become a cause of growing anxiety in the last two years, he said, when the 3.4 per cent inflation rate of recent years was actually lower than in the 1970s and 1980s. This year it should be 2.5 per cent, he said. Three high visibility price hikes — bus fares, telephone charges and parking fees — affected many people, he said, and they may have been imposed too abruptly. "There is no basis for thinking that our standard of living is declining, or even stagnating," Lee said. The cost of medical care increases each year and people

feared that they would not be able to pay their medical bills, he said. So although their real impact on the cost of living is not high, the unhappiness is out of proportion to the amount of money involved. Most Singaporeans will never own a house because of the island's small size. Instead, they have to be content with trading up to bigger and better apartments. "So when people say living costs have gone up, it does not mean that they can no longer afford their old lifestyles. It means that they have shifted to a new lifestyle, which costs more than their old one," Lee said.

Taiwanese trade body to set up office in India

TAIPEI, Oct 21: Taiwan's semi-official trade council will soon set up a trade office in Bombay, officials said Tuesday, reports AP. Sheu Ke-sheng, Director General of the government's Board of Foreign Trade, told reporters the Indian government approved the plan of the China External Trade Development Council to establish of the office later this year to promote trade ties. Sheu commented after meeting with a 14-member Indian trade delegation headed by JS Juneja, Chairman of the state-run National Small Industries Corp. Juneja, who arrived Monday, is the first Indian government official to visit Taiwan since India severed diplomatic ties with the Nationalist government 43 years ago.

The delegation planned to hold a seminar Wednesday to woo investment from Taiwanese businessmen. The delegation's visit indicates improving ties between Taiwan and India, which Taiwan long regarded as an unfriendly country. India switched diplomatic recognition from the Nationalist government to Communist government in 1949, after the Nationalists lost a civil war to Communist forces in mainland China and fled to Taiwan.

Power disruptions slow Manila's economic growth

MANILA, Oct 21: The Philippines' 1992 economic growth target is being lowered due to six-hour-long daily power outages which have hit the main island of Luzon this month, the Economic Planning Office said here Wednesday, reports AFP. Spokesmen for the National Economic Development Authority said the country could no longer hit the 2.0 to 2.5 per cent Gross National Product (GNP) growth rate originally projected for this year because of the outages. The spokesmen said the authority could not estimate what the GNP growth for this year would be, but added that the country was still certain to enjoy positive growth in 1992 after posting virtually zero growth in 1991 due largely to power outages that lasted through most of last year. GNP growth in the first half of 1992 was 0.5 per cent, the authority said.

Toyota, Nissan may market electric cars next year

TOKYO, Oct 21: Japan's two biggest carmakers, Toyota Motor Corp, and Nissan Motor Co Ltd, announced Tuesday plans to start selling newly-developed electric cars based on existing luxury models from next year, reports AFP. Toyota said it hoped to complete development of a four-door electric vehicle based on its Crown Majesta model by March in collaboration with two of its affiliated companies, Aisin AW Co Ltd, and Japan Storage Battery Co Ltd. The ENW car will be able to cover 140 kilometres (87 miles) without recharging at a constant speed of 40 kilometres (25 miles) an hour although the top speed will be 110 kilometres (68 miles) an hour, a statement said. A company's spokesman said Toyota was also planning to start selling electric mini vans in January with sales of 40 units projected for the month. The car will be have a range of 120 kilometres (74 miles) travelling at the same speed as the Toyota vehicle, although the top speed will be slightly lower at 100 kilometres (62 miles) an hour, the company said.

Bank of England to face renewed charges over BCCI scandal

LONDON, Oct 21: The Bank of England will come under renewed fire this week when findings of an official inquiry on the closure of the Bank of Credit and Commerce International as (BCCI, CN) are published, reports Reuter. The embarrassing report by Lord Justice Bingham is due out on Thursday. Parts of the draft have already leaked into the British media, which say Bingham will be critical of the Bank of England's failure to uncover alleged fraud at BCCI. The Bank of England has denied allegations by US Senator John Kerry that it acted too late in closing on BCCI. Kerry claims the Bank of England was warned of fraud from BCCI's auditors, Price Waterhouse, 14 months before it acted. The central bank, in an almost unprecedented exercise in openness, gave Bingham access to its papers on BCCI and allowed a large number of officials to give testimony to his inquiry. The draft Bingham report,

which will be published under parliamentary privilege to protect it from any libel suits, was complete in the early summer. Media reports of the draft report focus on allegations that the Bank of England knew of "false and deceitful" deals at the Bank in April 1990, through a report from Price Waterhouse. SFO clears BCCI charge. AFP adds: The Bank of England has been cleared of allegations of corruption over the Bank of Credit and Commerce International which collapsed last year, the serious Fraud Office (SFO) and city of London police said Tuesday night. Serious Fraud Office detectives cleared the central bank of allegations that bribes were passed to four officials of the bank at parties held by BCCI. The SFO said in a joint statement with the police: "The inquiry, which began in June, revealed no evidence which could substantiate any of the claims made".

Malay economy loses steam, expected to slowdown

KUALA LUMPUR, Oct 21: Malaysia's buoyant economy is losing steam and growth is expected to slow further next year in the wake on skill shortages, inflation and waning consumer interest, an Economist said Tuesday, reports AFP. Kamal Salih, Executive Director of Malaysia's Institute of Economic Research (MIER), an independent thinking-tank, told an economic conference that he expected growth to slow to 7.8 per cent this year and slip to 7.5 per cent next year from 10 per cent last year. His forecasts strongly contrasted with projections by Bank Negara, the central bank, which predicted growth to remain robust at close to nine per cent this year and in excess of eight per cent in 1993. The central bank, releasing its latest quarterly bulletin earlier this month, indicated that the domestic economy registered a growth in output of 8.8 per cent. Government officials have been maintaining an upbeat mood although the business sector was showing increasing

concern that the Malaysian economy was slowing down as reflected by plunging sales. But Chua Jui Meng, Deputy Minister of International Trade and Industry, told the conference that only certain sub-sectors of the economy were experiencing a decline and maintained that a growth of close to nine per cent was still within reach. "Only industries like in textiles, footwear, non-metallic mineral product, electrical products and rubber products, for example, are showing lower output," Chua said. But Chua acknowledged that the past several years of growth had resulted in labour shortage, rising wages and inflation. Malaysian's output in real gross domestic product reached a peak of nine to 10 per cent in 1990 and last year. Growth has been averaging more than eight per cent over the past five years. Kamal maintained that all national composite economic indicators were already trending down, reflecting slower growth and a cooling off of the overhead economy.

EC reaches accord on VAT, excise duty

BRUSSELS, Oct 21: European Community finance ministers reached agreement here yesterday on harmonising their Value Added Taxes and excise duties in time for the official launch of the EC's single market on January 1, reports AFP. The decision to apply a minimum VAT tax of 15 per cent, plus harmonised excise duties on oil products, alcohol and tobacco, was taken at a meeting of EC finance ministers. British paymaster Generalist John Cope, speaking for the EC's British presidency, said: "It is a key agreement... the way is now clear for the single market." Under the agreement, each EC country will choose a transitional rate of 15 per cent or more, which will be applied uniformly to most goods and services. The community intends to apply a new fixed rate from 1997. High luxury taxes will be abolished by January 1. Special

reduced rates no longer than five per cent will be allowed for products defined as social or cultural including food, children's shoes, medicines, books and hotels. And countries with very low or zero rates on certain items will have to phase them out by end 1996. EC Tax Commissioner Christian Scrivener said: "We have won the final battle for the abolition of frontiers (between C countries). Many were those who doubted we would ever get there." The ministers took several hours to overcome a final quarrel between Britain and Spain which was typical of the clash of national interests which have bedeviled the search for tax compromises since 1989. Spain had objected to British regulations which make excise duties in Britain on Spanish sherry 43 per cent higher than its British equivalent, because Spanish sherry has a higher alcohol content.

World's second biggest oil industry in Russia to be denationalised

MOSCOW, Oct 21: Russia's monolithic oil industry, the world's second biggest, will not escape the sweeping privatisation process intended to breathe life into the emerging free market system, reports Reuter. The newspaper Ivestia said at the weekend that a presidential decree had been drafted to reverse steep production declines and inject competitive, capitalist instincts into one of the most conservative sectors of industry. The process of introducing shareholding companies should begin this year, the newspaper said. "It will be carried out rather carefully and last for about three years, although a quicker pace can only be welcomed." "Russia started its privatisation programme in earnest this month by issuing vouchers to the population which can be

exchanged for property or for shares in former state enterprises, deposited in investment funds of old for cash. The oil industry, virtually 100 per cent controlled by the state, desperately needs investment for everything from a drilling equipment to petrol pumps to halt a decline in output which Ivestia said could total 80 million tonnes this year. Russian Deputy Prime Minister Viktor Chernomyrdin, responsible for the energy sector, told Reuters earlier this month the slide in oil output should slow next year. The state statistics office Goskomstat said on Friday that crude oil exports fell 13 per cent to 31.7 million tonnes or about 0.95 million BPD in the first eight months of 1992 — A sign that the country may be struggling to keep up sales.