

BRIEFS

Kenya auctioning main export, tea

MOMBASA (Kenya), Oct 27: Kenya began auctioning its main export — tea — in dollar Monday ending years of trade in shilling that kept many potential buyers away.

Mitsubishi's export earning up

TOKYO, Oct 27: Japan's Mitsubishi Electric Corp, said Tuesday its pre-tax profit tumbled 73.7 per cent from a year earlier to a lower-than-expected 12.3 billion yen (103 million dollar) in the first half.

Indian milk sector open for foreigners

NEW DELHI, Oct 27: The Indian government has approved a proposal for foreign collaboration and investment to manufacture some of the milk products in the country.

NY company fined in BNL case

ATLANTA, Oct 27: A New York trading company was fined one million dollar Monday after pleading guilty to a charge of disguising kickbacks to the Atlanta manager of an Italian bank that loaned five billion dollar to Iraq.

UK seeks WB loan for Indian dam

LONDON, Oct 27: The British government has told the World Bank it wants loan to a massive Indian dam project stopped in six months time unless progress is made to remedy important defects in the project.

Coffee traders week-long meet

LONDON, Oct 27: Officials for key coffee-trading nations on Monday began a week-long meeting on the mechanics of pricing exports under a proposed new price-support agreement. Delegates said that a final set of rules for regulating the market to ensure that export quota limits are followed was unlikely to emerge from this meeting.

Iraqi secret trade with Iran, Turkey

NICOSIA, Oct 27: Iraqi contraband trade with Iran and Turkey has grown with Jordan's tighter application of UN sanctions against Baghdad, the Middle East Economic Survey (MEES) said. The MEES said a "significant volume" of Iraqi gas oil was being bartered for Turkish goods and products through a fee trade zone established under Iraqi government control at Faydah, 50 miles south of the Turkish border, reports Reuters.

Stock traders in NY assessing changes

NEW YORK, Oct 27: The stock market staged an afternoon rally Monday as investors tried to assess the outlook eight days before the presidential election. Analysts said traders seemed to be subject to quick changes of mood as they watched last-minute developments in the campaign for president, reports AP.

EC, US row over world trade likely to be resolved by tomorrow

BRUSSELS, Oct 27: The European commission is confident it will be able to solve by Thursday a farm row with Washington holding up a GATT deal to free world trade, a senior EC official said here, reports Reuters.

The official, speaking on condition of anonymity, said it was up to the commission, the 12-nation EC's executive, to strike a deal with the United States and that French opposition to any agreement would not be a problem at this stage.

"We work on the assumption that by Wednesday or Thursday that child (an agreement) might be born," the official said. "We will make it."

France's opposition to a deal will have to be addressed later, the official said, when EC governments have to endorse whatever agreement the commission can strike with Washington.

A GATT deal to free world trade into the next century, which officials say could give the global economy a 200 billion US dollar kiss of life, has been held up by long-running EC-US fights over farm subsidies.

Technical negotiations broke up last week and Washington accused Brussels of sliding back into a harder position ahead of US presidential election on November 3 widely seen as the last deadline for a deal this year.

But the official said the two

sides' top technical negotiators, Joe O'Mara for Washington and Guy Legras for the EC, had been in telephone and fax contact over the weekend after farm commissioner Ray Macsharry spoke to US Agriculture Secretary Edward Madigan on Friday to revive the negotiations.

EC farm ministers meet

Another report from Luxembourg says: European Community farm ministers gathered on Monday intent on trying to draw France back into the fold and stop a crisis with the United States turning into a trade war, reports Reuters.

France has been seemingly isolated within the community in holding out against a deal to tie up more than six years of talks to cut away international trade barriers under the General Agreement on Tariffs and Trade (GATT).

But signs emerged at the weekend that other EC countries were closing ranks with France.

At stake is a potential 200 billion dollar a year boost to world trade and a route out of recession, or a descent into a world trade war that could turn recession into slump in a number of countries.

But Danish Farm Minister Laurits Toornaes told reporters in Paris late on Sunday after a meeting between seven of the 12 community farm

ministers: "We will never accept the isolation of France. That is not the policy of the EC."

German Farm Minister Ignaz Kiechle agreed. "France has never been isolated.... Germany will try to find a common position with France," he said after meeting

with the farm ministers from France, Denmark, Ireland, Britain, Spain and Italy.

Toornaes said a GATT deal was unlikely in the next three or four months. Even Irish Farm Minister Joe Walsh, who said a speedy deal was possible, acknowledged that his country's position was "very

close to that of France" in the GATT talks.

Bush's aide suspects Clinton's involvement

Another report from Washington adds: A top aide to US President George Bush's campaign yesterday accused Democratic front-runner Bill Clinton of injecting US politics into world trade talks and possibly sabotaging last-minute efforts to reach a world trade agreement.

Bush's deputy campaign manager Mary Matalin said Clinton was "willing to stoop to any depth in his pattern of deception to get elected — even if it meant playing politics with the livelihoods of millions of Americans."

The Clinton campaign has distanced itself from a published report that one of its economic advisers told a top European Community official the Democrat did not want President Bush to be able to take credit for any agreement to liberalise world trade.

Newsweek magazine reported the alleged meeting between a Clinton adviser and EC ambassador Andreas Van Agt a week ago. But the Bush campaign revived the issue on Saturday, claiming Clinton had vacillated on other trade issues, including the North American Free Trade Agreement, in the past.



Jacques Delors, EC President seen taking seat at the recent EC, US world trade talks which aimed at breaking the deadlock over farm subsidies. The talks failed with each side blaming the other for intransigence. — Star TV photo

China's unbalanced growth threatens to cause painful inflation

BEIJING, Oct 27: Spurred by Deng Xiaoping's economic reform drive, Chinese state industry has gone on an investment binge that is overheating the economy and threatening to cause inflation, an official newspaper said on Monday, reports Reuters.

China is heading into another boom cycle without correcting old problems of blind production and inefficiency, the Economic Daily said in a commentary.

The result could be another period of painful economic contraction, the paper said.

"People still think that high-speed growth means more bank loans and larger capital construction projects," it said.

The potential for inflation is increasing. The unusually frank warning

appeared to mark a strategic turning-point. By whipping up a fervour for reform Deng ensured his pro-market policies triumphed at the 14th Communist Party congress this month.

Now Clinton's reformist leaders may calculate it is safe to stress the dangers and apply the brakes.

The commentary drew up a laundry-list of problems that have turned past booms to bust. The last crash in the late 1980s was followed by a three-year austerity drive from which China is only just emerging.

State industry is again borrowing recklessly to finance new construction projects and boost production of unsalable goods, the paper said.

At the end of August the total value of stockpiles of finished industrial goods hit a staggering 25 billion dollar, an increase of 4.4 billion dollar from the start of the year, the commentary said.

Loss-making state enterprises — which account for about one third of the total, according to official figures — were sinking deeper, the paper said.

It said industrial projects valued at 185 billion dollar were under construction in the state sector, a figure equal to about one half of China's annual Gross National Product.

Consumer demand was not keeping pace with production of light industrial goods, the paper said — a fact borne out by piles of unsold washing machines, electric fans and refrigerators in Chinese department stores.

Most seriously, industry was

running into shortages of raw materials and transport bottlenecks.

"We cannot go down the old road of simply pursuing production value and targets without regard to quality or the needs of the market," the commentary warned.

Although inflation is running at less than five per cent nationwide, it has hit double digits in major cities. Many western economists believe it could emerge like a caged tiger if Chinese citizens with more than 200 billion dollar of bank savings became jittery and splurge on goods.

The gloomy commentary is in stark contrast to the rosy picture of the economy painted by government economists before the 14th party congress.

Black Wednesday brings him one billion dollar

LONDON, Oct 27: Hungarian-American financier George Soros made almost one billion dollar out of last month's sterling devaluation, taking a heavy market position that sterling would collapse despite British government assurances to the contrary, reports Reuters.

In an interview reported by the Times newspaper on Monday, Soros said he borrowed heavily to take his stand against sterling because he was confident the German Bundesbank wanted devaluations in Britain and Italy, but not in France.

In the weeks leading up to "Black Wednesday"—September 16—Soros sold pounds, betting 10 billion dollar

Tobacco firms buying US politicians?

WASHINGTON, Oct 27: Tobacco firms are giving more and more money to American political candidates and tightening their stranglehold on public health policy, two leading US public interest groups said on Monday, reports Reuters.

Public Citizen and the Advocacy Institute said in a report that tobacco industry-related contributions to Congressional campaigns had risen 92 per cent between the 1987-88 election cycle and the 1991-92 one.

The report said tobacco industry contributions exceeded dollar 1.5 million to candidates for the Senate and House of Representatives. Not all members of Congress accept contributions from the industry.

S Korean economy will continue to prosper despite challenges: WB

SEOUL, Oct 27: South Korea's economy, although facing challenges in many areas in recent years, will continue to prosper, the World Bank said, reports AFP.

In a recent report obtained here, the International Bank of Reconstruction and Development (IBRD) said South Korea now faced "growing pains" in the areas of labour, trade, finance, technology and social welfare.

The fundamentals, however, remain robust and on this basis (South) Korea should continue to prosper over the medium term, the IBRD, also known as the World Bank, said

in its report entitled country economic memorandum.

The report was obtained by the Ministry of Finance here, copies of which were released to the press.

The report said South Korea was faced with an overheated economy, rapid wage increases, lackluster exports and various subsequent problems such as labour shortages, fast-rising private consumption, erosion of export competitiveness and pressures to open its market.

Despite all these problems, however, South Korea's economy will not have serious difficulties in achieving its

macroeconomic targets per se, barring major external shocks, it said.

Amid an ongoing austerity policy, South Korea's economic growth rate decreased from 9.3 per cent a year ago to 6.7 per cent during the first six months to June, but the cooler economy absorbed less import, leading to a much smaller trade deficit.

The report recommends that South Korea push ahead with its ongoing belt-tightening policy and raise taxes by upgrading land-related taxes in order to finance public spending on social welfare.

In order for South Korea to

join the ranks of advanced countries as the government envisages, successful industrial restructuring will be the key.

"In this regard, one crucial element is technology development, the report said, adding that the South Korean government had identified technology development as one of its top priorities in the Seventh Five-year Plan.

South Korea also aims to boost research and development expenditures to an ambitious three to four per cent of Gross National Product by 1996, which is higher than current levels in the United States or Japan, it said.

Bonanza of foreign investment in NICs coming to an end?

MANILA: The dizzying years when foreign investors poured billions of dollar into the bustling economies of East and South-East Asia may soon be coming to a close.

Investment flows to these countries are not about to dry up, but economists say the bonanza tapering off and interest is turning to newly-liberalising countries like India and Vietnam.

Signs of such a shift have so far been mixed. Slight declines in inflows to Thailand and Taiwan since 1990 have for example been offset by some gains in Indonesia.

But, according to Eric Ramstetter of Japan's Kansai University, countries that got torrents of foreign investments in the 1970's and 1980's will get somewhat less in the 1990's for various reasons.

In his report "Prospects for Foreign Firms in Developing Economies of the Asian and Pacific Region," Ramstetter says the bonanza may have reached a "cyclical peak".

After years of frenetic expansion since the mid-1980's, some industries now find themselves saddled with lots of excess capacity, he says.

Also, rapid growth has created all sorts of infrastructure bottlenecks like crowded seaports, overburdened telephone systems and monstrous traffic jams in Korea, Thailand, Taiwan, Indonesia and Malaysia.

Moreover, forecasts that the global economy will remain anemic may dampen new investments in industries that export heavily to these markets.

Prospects of a shift away from East Asia's tigers have buoyed up the hopes of countries like the Philippines which long to attain newly-industrialised country (NIC) status but were left behind by the first two waves of investments that swept East Asia.

Slow Yue of the National University of Singapore says the liberalising economies of Eastern Europe and Latin American have become more attractive to international investors.

The rise of regional trade blocs, specially the North American Free Trade Area (NAFTA), may also compel Japanese and Asian NIC investors to set up factories in Mexico to maintain access to the huge NAFTA markets.

"Within Asia itself, ASEAN can expect growing competition from China and Vietnam and possibly from other parts of Indochina and South Asia as these countries liberalise their trade and investment regimes," Chia says.

Taiwanese investments in China have reached about four billion US dollar. That sum will rise further as the economic ties between the two erstwhile bitter enemies grow tighter.

Taiwan is also the largest investment partner of Vietnam. As living standards in South East Asia rise, investors are going further afield to poorer and newly-liberalising countries like India and Vietnam in pursuit of profits. Ramon Isberto of IPS reports.

says Jean-Pierre Verbet, an economist at the Manila-based Asian Development Bank (ADB). Between 1985 and 1991, Taiwan put in about 400 million US dollar in over 30 light manufacturing ventures like textiles and leather goods.

South Asia is another looming competitor. Of particular interest is India which after decades of inward-looking, protectionist policies is rapidly liberalising its economy.

By August 1992, a year after New Delhi started opening up the economy, the government had approved 1.23 billion US dollar worth of new investments, says Sanjaya Lal of the Oxford University.

Ramstetter says the decline in investor interest in Asia's NICs and near-NICs will not be too traumatic because in most cases foreign funds make up only a small portion — about five per cent — of total investments in these countries. Significant exceptions are Malaysia, Singapore and Hong Kong.

"This means a downturn in investment flows has little implication for aggregate investment flows," he argues.

But other analysts say this trend shows how fragile the prosperity of developing countries is when for foreign capital seeking cheap labour and low production costs can flow through national borders with ease.

Walden Bello of the US-based Food First Institute argues in a forthcoming book that first the NICs and now the near-NICs have been caught in a vicious "structural squeeze."

By the beginning of the 1990s, with their wage costs rising and their currencies appreciating, the first generation NICs found themselves increasingly unable to compete with the rising stars of ASEAN.

NIC exports of Japan for example are rapidly being edged out by ASEAN competitors. The rate of growth of Korea's exports to Japan slipped from over 50 per cent in 1987 to 7.2 per cent in 1991. In contrast, Japan's imports from China rose by 23 per cent and from Thailand by 27 per cent in 1991.

Bello argues that Japan's export of labour-intensive industries fundamentally differs from similar efforts by Taiwan and South Korea to relocate such enterprises in ASEAN states.

Japan has financial and scientific resources to move upmarket to the high-technology industries. NICs, by contrast, have failed to move up the technological ladder because of their neglect of research and development and Japan's domination, he says.

This meant that despite the NIC's much-publicised efforts to go hi-tech they have had to keep relying on labour-intensive assembly to compete in export markets — a battle they were bound to lose to the would-be NICs of South-East Asia," Bello says.

Thailand and Malaysia now face the same predicament as their rising wage rates become prohibitively expensive compared to the cheaper legions of labour in China and Vietnam.

Taiwan has the enviable advantage of having to face its mounting difficulties while sitting atop the world's largest hoard of dollar reserves — over 85 billion US dollar worth.

Lawyers urge judge to dismiss scandal charges against Clifford

NEW YORK, Oct 27: Lawyers for Clark Clifford asked a judge Monday to dismiss corruption charges against the former defence secretary, saying he is too ill to stand trial in the Bank of Commerce and Credit International scandal, reports AP.

Clifford, 85, and his law partner, Robert Altman, were indicted in July on charges of bank fraud and accepting 40 million dollar in bribes from the now-closed BCCI as part of a conspiracy to give BCCI control of three US banks.

Clifford has a heart condition like a "ticking time bomb" and the rigours of a trial could kill him, his lawyer, Charles Stillman, said in a motion to dismiss charges.

Clifford had a heart attack in 1977. Two court-appointed heart specialists have said he is too ill to stand trial.

His state trial is to begin Jan. 4 before Justice John AK Bradley.

Assistant District Attorney John Moscow said prosecutors would seek more medical information.

Clifford and Altman, 45, were charged in separate state and federal indictments in July. Both have denied wrongdoing.

Clifford, chairman of First American Bankshares Inc of Washington from 1982 to 1991, said he was duped into helping First American acquire the bank.

Earlier this month, the Senate Foreign Relations subcommittee on terrorism said BCCI used political insiders such as Clifford and exploited regulatory loopholes to commit fraud on a global scale. BCCI avoided prosecution by making payoffs to officials in at least 11 foreign countries, the subcommittee said.

Clifford, who was secretary of defence in 1968 and 1969, has been a confidant to presidents and other elected officials for decades.

Russia to seek delay on debt repayment

MOSCOW, Oct 27: Russia will ask international creditors this week to allow a two-month delay in this year's payments on its foreign debt, a top economic official said Monday, reports AP.

Pyotr Aven, Minister of Foreign Economic Relations, said President Boris Yeltsin's government would make the proposal at a meeting Wednesday of the so-called Paris Club of creditor nations, the Interfax news agency reported.

Aven said Russia would seek the short-term postponement because Western creditors "are not ready" to make "a final decision with respect to a 10- or 15-year delay of the Russian debt," according to Interfax.

He also said that if Western proposals on rescheduling the debt do not satisfy Russia, the signing of a long-term agreement on repayment terms should be postponed until December, the news agency said.

Russia is asking for financial breathing room to make the transition from a centrally-planned Communist system to a free market economy.

The Paris Club is an informal group of representatives from creditor governments that meets regularly in the

French capital to examine requests for debt relief from cash-strapped countries.

Seventeen creditor nations have been considering a Russian offer to assume the entire external debt of the former Soviet Union, estimated at more than 70 billion dollar. Yeltsin's government is pressing the other former Soviet republics to give up claims on Soviet assets in return for Russia's taking full responsibility for the debt.

There are several disagreements within the Paris Club on the Soviet debt. Some countries want to let Russia reschedule all debts from before Jan. 1, 1992. Others want the cut-off date to be Jan. 1, 1991.

In addition, some Western countries are prepared to allow the Russians to roll over official and government-guaranteed external debt over 10 years, including a five-year grace period. But Germany, which is the largest creditor, is believed to be resisting such generous terms.

Russia, facing a decline in oil exports and a drop in industrial production, says it cannot make all its debt payments. They are expected to total more than 10 billion this year.

EC's preoccupation with home affairs worry ASEAN

MANILA, Oct 27: ASEAN foreign minister meet this week with their counterparts from the European Community (EC), worried by Europe's growing preoccupation with its internal affairs and its linkage of economic ties with human rights, reports AFP.

Nonetheless, the two groups — each of which has a population of more than 300 million — also share the hope that their 10th series of regular talks since 1980 will boost exchanges and lead to a more equal relationship.

Any new partnership emerging from the meetings to be held in Manila on Thursday and Friday should reflect the dynamism of trade and investment between the two and abandon their former relationship of aid donor and recipient, both European and

Asian officials say.

After Japan and the United States, the EC is the third biggest trade partner of the Association of South East Asian Nations (ASEAN), which groups the Philippines, Malaysia, Brunei, Singapore, Thailand and Indonesia, and the second biggest investor and supplier of aid after Japan.

But Portugal's veto this summer of a new cooperation agreement due to have been signed before the end of the year to replace a 1980 accord has thrown a shadow on relations between the two groupings.

Portugal has demanded that Indonesia revise its policy towards east Timor, a former Portuguese colony that Jakarta annexed in 1976, and has hardened its position following the massacre in Dili

American Express to lay off 4,800 workers

NEW YORK, Oct 27: American Express Co said Monday it will lay off 4,800 workers at its card and travel division under a major restructuring that resulted in a 342 million dollar third-quarter charge against earnings, reports AP.

The restructuring and other problems caused American Express to post a third-quarter loss of 205 million dollar despite an improved operating performance by its troubled Travel Related Services unit.

American Express has faced intense pressure from other credit card issuers, which have eroded the market share of the company's familiar green, gold and platinum cards. Also, American Express has been hurt by declining travel and consumer spending during the recession.

American Express in April announced it planned a restructuring designed to cut costs by one billion dollar by the end of 1994. The company said at the time that staff reductions would be "minimal".

However, American Express said Monday it would cut nine per cent of its 53,000 card and travel division employees.