

Asian states to suffer first if EC-US trade war begins

BRIEFS

Malay economy overheating

KUALA LUMPUR, Nov 1: Malaysia's fast expanding economy, showing early signs of overheating, will expand by 8.5 per cent this year and eight per cent in 1993, a government report released yesterday said. Although slightly below the 8.7 per cent growth posted in 1991, the current year's expansion in Gross Domestic Product (GDP) continues an unbroken five-year run in which Malaysia's economy has expanded by more than eight per cent, reports AFP.

US economy shows signs of growth

WASHINGTON, Nov 1: The US economy, sluggish since it emerged from recession in early 1991, showed signs of growth last week that gave President George Bush a much-needed boost in the run up to Tuesday's election. But although the announcement of 2.7 per cent economic growth in the third quarter gave Bush ammunition to defend his handling of the economy, it left economic experts unimpressed. The Gross Domestic Product (GDP) had grown at an annual rate of 1.5 per cent during the previous three months, reports AFP.

Pak rupee devalued

KARACHI, Nov 1: The State Bank of Pakistan (SBP) lowered the value of the rupee to 25,2500/25,3763 to the dollar with immediate effect from 25,2000/25,3260 fixed on October 27. The central bank gave no reason for the adjustment. A dealer at ABN-AMRO of the Netherlands said the rupee's value was lowered because the dollar had gained slightly on international currency markets, reports Reuters.

Arab bankers learn new rules

ABU DHABI, Nov 1: Arab bankers began a two-week training course on Saturday on auditing procedures and capital risk management in line with new international rules set by the Bank for International Settlement (BIS). The Basel-based BIS has set January 1993 as a deadline for all Arab banks, except Saudi Arabian ones, to boost their capital levels or risk being boycotted by central banks in 10 major industrial capitals behind the new measure, reports Reuters.

Zhucheng largest chicken exporter

BEIJING, Nov 1: Zhucheng, a city in east China's Shandong province, is now developing into China's largest producer of chicken for export with an average annual increase of 47 per cent since 1984. Its chicken export volume reached 10,000 tons in 1991, which earned the city 22 million US dollar in foreign exchange, one tenth of China's total in the state's chicken export earnings, reports Xinhua.

China to open oil fields to foreigners

TOKYO, Nov 1: China will formally decide by the end of this year to open its remote inland oil fields to foreign investment, the state-run Japan National Oil Co said Saturday. The plan was made known to the company's president, Kunio Komatsu, when he visited Beijing in early October, company officials said. Chinese Premier Li Peng has recently told a Japanese economic mission without giving any specific timing that China would lift curbs on foreign companies joining production in its inland oil fields including the Tarim basin, reports AFP.

China expects Japanese investment

BEIJING, Nov 1: Chinese trade officials say they expect Japanese investment to surge as a result of Emperor Akihito's historic visit, an official report said Sunday. The report on the front-page of the Business Weekly was the first in the officials press to say prominently what was already obvious to observers of Akihito's six-day visit that Beijing hopes a flood of Japanese investors will follow the emperor's path, reports AP.

US tried to stop arms sale to Iran

WASHINGTON, Nov 1: The US government tried to enlist Saudi Arabia's help in its failed bid to stop the sale of Russian submarines to Iran earlier this year, the Washington Post reported Friday. Unnamed US and British officials quoted in the daily said that Saudi Arabia was asked to pay Russia to abandon the transaction, reports AFP.

HONG KONG, Nov 1: Asian countries believe they are caught in the middle of the trade deadlock between the United States and Europe and would be the first to suffer should a trade war break out, reports AFP.

"The world economic powers are holding the rest of the world to ransom. If their economies do not move, the rest of the world will not either," Malaysia's Minister of International Trade and Industry Raftidah Aziz said.

His view is shared by the other five members of the Association of South East Asian Nations (ASEAN) — Thailand, Brunei, Singapore, Indonesia and the Philippines — which have just been meeting in Manila.

Disagreement between Washington and Brussels over agricultural subsidies is blocking a solution to the Uruguay Round of talks on the General Agreement on Tariffs and Trade (GATT), the most ambitious negotiations on multilateral commerce ever held.

Leaders from Sydney to Delhi have expressed exasperation over the drawn out talks aimed at breaking the impasse. Some criticise the "rigidity of the positions" of both Washington and Brussels, while others blame the deadlock squarely on the European Community (EC) and, in particular, on France.

"We find our prosperity held potentially hostage to the problems of European farmers," Singapore's Trade and Industry Minister Lee Hsin Loong said recently.

Australian Foreign Affairs and Trade Minister Gareth Evans said: "If the opportunity afforded by the US election is missed, we confront the pressure created by the French elections in March next year."

The intransigence shown so far by the French government in particular shows no sign of easing and it is really a very dangerous situation," he added.

Only Japan — which has itself been under pressure to

open up its rice markets — has been somewhat less forth-right in its condemnations.

Tokyo has simply pointed out that neither the Americans nor the Europeans have made any concessions on their respective "weak points" of textiles and agricultural subsidies.

The other Asian nations have made quite clear they would regard the failure of the GATT talks as disastrous and are unanimous in anticipating four main consequences.

— A rise in protectionism. This trend has already begun, they say, with the formation of trade blocs like the EC's single market and the North American Free Trade Agreement.

In a bid to gain greater regional bargaining power in a bloc-dominated world, the six ASEAN nations decided in Manila last week to set up their own free-trade zone.

Despite much regional pressure to join, Japan has firmly declined.

— Decline in global trade. Asian exports would be one of

the big victims of such a development, which regional experts fear could lead to a worldwide depression similar to that of the 1930s.

— An agricultural subsidy war. Asian producers believe they would be unable to compete with Western nations in such a confrontation.

"The way they subsidise production of wheat and dump it will destroy our agriculture," said a senior official in India's Commerce Ministry, while according to Apiradi Tantraporn, the Director of Trade Policy in Thailand's Commerce Ministry, "A trade war on agricultural subsidies between the US and the EC would push farm prices down, and this would have a major impact on Thailand."

— The need for national legislation to solve trade disputes. Without a GATT accord, Asian countries believe they would be constantly threatened by the United States' section 301 trade law, practices it considers unfair.

Bad loans of Japanese banks total \$ 103b

TOKYO, Nov 1: Japan's Finance Ministry said that the bad loans of 21 major banks, among the world's largest, grew by more than half to 12.3 trillion yen (103 billion dollar) in the six months to September, according to AFP.

Ministry officials were quoted as saying that almost a third of the non-performing loans — amounting to four trillion yen (33 billion dollar) — were not recoverable. The ministry defines non-performing loans as those on which repayments have not been met for six months or more.

The disclosure followed an announcement earlier Friday by Mitsubishi Bank Ltd of the industry's response to a government plan to let banks write off debts through a new joint company to absorb bad property related loans.

The bank, which as chairman of the Federation of Bankers Associations has been coordinating talks on the proposal for the past two months, said the new body would be initially capitalised at six billion yen (50 million dollar).

London Stock offers to help Chinese bourses

BEIJING, Nov 1: The London Stock Exchange, one of the world's largest, has offered to help China develop its fledgling stock markets, an official report said Sunday, reports AP.

Ian Salter, Deputy Chairman of the London Stock Exchange, said the British exchange would help China by showing examples of how to regulate and organise exchanges, the Business Weekly reported. The publication is the Sunday edition of the China Daily.

Salter was in Beijing to attend a seminar on banking, insurance and other financial subjects. During his week-long stay in the country, he visited China's two stock exchanges in Shanghai and the southern boom town of Shenzhen.

He said the London market has been following the development of China's securities market with great interest.

"At a quiet time on our own markets, we have been impressed to see the raw enthusiasm of so many investors in China," Salter was quoted as saying.

China's two-year-old stock markets have generated so

much interest nationwide that more than a million potential investors flooded into Shenzhen in August fighting for a chance to buy shares for newly listed firms. Two days of rioting resulted because buyers far outnumbered shares available.

China, Israel sign trade accord

Xinhua reports from Jerusalem: China and Israel signed Friday a trade agreement here that will guide the future trade relations between the two countries.

The agreement will give each other the most-favoured-nation status which will help the two states expand their cooperation in the days to come.

Normal trade started since the two countries established diplomatic relations in January this year.

According to figures released by the Chinese customs, China exported goods worth more than three million US dollar to Israel in the first eight months of this year while the Jewish state's export to China exceeded 13 million dollar.

Indonesia's rice output rises by 8.47 pc

JAKARTA, Nov 1: Indonesia's unhusked rice production increased 8.47 per cent in the first eight months of 1992 compared with the same period last year, the Antara news agency said Sunday, reports AFP.

Antara cited figures released by the central Bureau of Statistics (BPS) which showed that unhusked rice production between January and August reached 39.7 million tonnes compared to 36.6 million tonnes in 1991.

BPS attributed the rise to better weather. Indonesia in 1991 suffered an extended drought which affected most of the country's main rice producing regions.



NEW ZEALAND: Volunteers try to heave a pilot whale out to sea Oct 28 after 86 whales came ashore late Oct 27. Hundreds of volunteers spent the night keeping the stranded whales wet and calm, then refloated 49 of them on the high tide. — AFP/UNB photo

First S Korean joint venture in Vietnam

SEOUL, Nov 1: South Korea's Orion Electric Company has signed a 170 million dollar contract to set up a joint venture in Vietnam to produce television tubes, a company spokesman said on Saturday, reports Reuters.

Orion will be the first South Korean firm to establish a joint venture in Vietnam since the two countries cut diplomatic relations in 1975 after the communist Hanoi government won the Vietnam war.

Orion will take on 70 per cent of the total investment in the project while Vietnam's Hanoi Electronic Corporation will be responsible for the rest, according to the spokesman.

A plant to be built outside Hanoi by June 1994 was expected to produce an annual one million tubes for colour television sets and 600,000 for black and white sets, he said.

ADB likely to admit 5 Central Asian states

TOKYO, Nov 1: Five Central Asian states, once part of the now-defunct Soviet Union, are expected to be admitted into the Asian Development Bank (ADB) in the near future, Japan's top financial daily said, reports Reuters.

The Nihon Keizai Shimbun, quoting international banking sources, said the ex-republics of Tajikistan, Kazakhstan, Turkmenistan, Uzbekistan and Kyrgyzstan will likely be admitted into the Manila-based ADB, paving the way for the states to receive more low-interest development loans.

Japan, which last week hosted a global conference on aid to former Soviet republics, has been working being the scenes to arrange for the five

to join the ADB, government officials said.

Industrialised nations and some developing countries are opposition assistance to the Central Asian states from the ADB because the states now benefit from programmes under the European Bank for Reconstruction and Development (EBRD), the daily said. Foreign Minister Michio Watanabe last week urged donor countries to back Japan's proposal to list the five states with the development assistance committee of the OECD (Organisation for Economic Co-operation and Development).

That would make them eligible for official development assistance from Japan.

Philippines plans to turn Subic into commercial, industrial hub

MANILA: As the US withdraws from Subic Bay in the Philippines, the government of President Fidel Ramos is planning to convert the former navy base into a commercial and industrial hub. It is privatisation on a giant scale.

The sprawling base and surrounding areas in the north-west Philippines, adding up to 20,000 hectares of land, will be the biggest asset ever privatised.

The US agreed to a withdrawal after the Philippines senate rejected a bases treaty extending the US stay for another ten years in September 1991. But the financially-strapped Philippine government has no resources to develop Subic on its own and has

agreed to let the private sector take over.

It is an ambitious project. The base served as the supply depot and refuelling stop of the US Seventh Fleet as it policed the shipping routes of the South China Sea. Every component of that base is now up for lease.

In March the cabinet also decided to privatise the Philippine Shipyard and Engineering Company (Philseco), just north of the US naval base. At 300,000 DWT, it has the country's largest drydock.

Privatisation of Subic could only begin after Congress passed a law creating the Bases Development Authority and establishing a free port zone in Subic to allow tax-free invest-

ment in a commercial hub, along the lines of Hong Kong.

The law also created the Subic Bay Metropolitan Authority as the implementing arm of conversion. Since then, foreign investors have been shown around Subic to assess the facility's investment potential.

A group of US industrialists have expressed interest in acquiring Cubi Point, the airstrip which served US navy fighters flying in from aircraft carriers — as a regional hub for cargo chandelling.

Cubi is big enough to handle 800 tonnes of cargo a month flown in on Boeing 747 and C-5 Galaxy aircraft.

Hopewell Holdings, the Hong Kong-based infrastruc-

No Saudi plan to raise oil output

LONDON, Nov 1: Saudi Arabia has no plan what ever for a sharp jump in its oil output to 8.8 million barrels per day (BPD) in November, a Gulf source said on Saturday, reports Reuters.

The source said the kingdom was letting it be known this weekend that speculation in the oil market on Friday about such an increase was completely baseless.

The Gulf source said Saudi output now was 8.4 million BPD.

The speculation on Friday was said by traders to have contributed to weakens in petroleum futures.

Prices have dropped sharply in the last 10 days from almost 21 dollar per barrel for benchmark Brent blend crude oil to below 19.50 dollar.

The Gulf source said Saudi output policy "is not reactive."

This meant the world's biggest oil exporter was not in the business of turning up its taps just because other producers in the Organisation of Petroleum Exporting Countries (OPEC) might be pushing extra volume.

Western industry analysts note Iran says it is raising its production.

Thai govt may subsidise rice prices to face foreign competition

BANGKOK, Nov 1: The Thai government is considering spending seven billion baht (dollar 280 million) to shore up rice prices in the face of stiff foreign competition, government officials said on Saturday, reports Reuters.

Prime Minister Chuan Leekpai met the finance, commerce and economic ministers on Friday to discuss intervening on prices of rice, coffee and garlic.

The discussion focused on rice," said government spokesman Apisit Vejjavita.

"Our preliminary estimations indicated that the volume of Thai rice exports would not

be that high since our low-grade product could expect hot competition from Vietnam."

No conclusion was reached at the meeting, Apisit added.

But Finance Minister Tarrin Nimmanhaeminda said the new government planned to use seven billion baht from a farmers assistance fund to hold up prices.

"Without a clear policy on paddy-price stabilisation the farmers will be affected," he said.

An Agriculture Ministry survey estimated output of 17 million tons of rice from the main crop and two million from the second crop.

India likely to make rupee fully convertible by year end

BOMBAY, Nov 1: India is likely to make the rupee fully convertible for all overseas trade transactions by the end of the year a prominent Indian banker said, reports Reuters.

"I would not be surprised if we see convertibility by the end of the year on trade account, AS Thyagarajan, area global finance executive for Citibank in India, Sri Lanka, Bangladesh and Nepal, said.

But he told an international conference on India's capital

markets that New Delhi would take 2-3 years to lift all controls on the rupee and make the currency fully convertible on capital account.

Finance Minister Manmohan Singh dismissed recent speculation in the currency markets of an imminent full float of the rupee, saying it was uncalled for.

Singh said he must first be satisfied that the fiscal deficit and inflation were fully under control.

India made the rupee partially convertible in March, allowing exporters to exchange 60 per cent of export earnings at market rates and 40 per cent at a lower official rate.

The government used money exchanged at the official rate to pay for state imports of oil and fertilizers.

Changes in foreign currency control rules

Another report from New Delhi adds: The Indian cabinet

approved major changes in India's Foreign Exchange Regulation Act (FERA) which will make it easier for foreigners to invest in India and Indians to invest abroad, a senior government official said.

The new amendments to the act are designed to "liberate the foreign exchange regime and bring it in line with the new economic policies," an official spokesman said.

World commodity market continues to wear grim outlook

LONDON, Nov 1: Bad news ran through the world car industry this week, highlighting the grim outlook for the commodities market, reports AFP.

Long shadows were cast across the outlook for a recovery of the prices for metals, platinum and rubber by the announcement of losses by General Motors, Ford in the United States, and Porsche in Germany, and of production cuts at Ford UK and of a massive reduction of the workforce at Volkswagen.

Uncertainty about the outcome of the US presidential election on Tuesday, caused by a reduction of the lead held in opinion polls by Democratic candidate Bill Clinton, caused the prices of gold and silver to fall. The precious metals market is counting on Clinton to boost the economy in the belief that this will drive up inflation and provoke the long-awaited recovery of precious metals markets.

The prices quoted for oil fell below 20 dollar per barrel. The market was depressed by fears that supply and demand might move out of balance and by concern at tension within the Organisation of Petroleum Exporting Countries (OPEC).

Silver: Prices rallied from a weak beginning. The market was depressed at first by economic uncertainty but then encountered a technical recovery although the long-term outlook remained over-shadowed by a high level of stocks and weak demand from the jewellery trade.

Copper: Firm. Prices rose to the highest figure for nearly two years in response to a persistent threat of a strike in mines at the Chilean CODECO producer, the biggest producer in the world, and because of the likelihood that demand would grow.

Lead: Steady. Prices for lead, used mainly in the batteries, were steady despite bad news from the car industry.

Nickel: Down. Prices continued to fluctuate at around the lowest figures for two and a half years, they were depressed by the lack of any cut in western production or of any slackening of supplies from Russia.

Vegetable oils: Varied. The specialist Oil World newsletter said world consumption of vegetable oils is expected to exceed production in 1992-93 and this would result in a cut of 430,000 tonnes in world stocks from the figure one year earlier to 6.95 million tonnes.

The price of palm oil was weakened by the refusal of the new government in Thailand to honour a contract concluded with Malaysia for importing 13,700 tonnes of Malaysian palm oil.

Oil: Weak. Brent crude oil prices fell below the 20-dollar-a-barrel level for the first time in two months, affected by fears of tensions within OPEC following an increase in Iranian output. The market dropped more than seven per cent in the last 10 days.

Cereals: Up slightly. Sterling-quoted wheat and barley prices benefited from sterling weakness and prospects for good cereal demand.

Sugar: Quiet. Prices fluctuated in a narrow range in the absence of industrial buyers, who remain cautious because of uncertainty about the economic climate. But the market benefited from a call in Argentina for general strike at the beginning of November to protest against the government and from a cut of taxed on sugar imported into Bangladesh.

Local sources said that Australia might become a net exporter of sugar for the first time to the extent of 200,000 tonnes per year as it met growing demand in Asian countries.

Wool: Higher. Demand was firm at the London weekly auctions, where average prices were unchanged at 200 pence a kilogram for higher grades, were up to 135 pence against 130 for medium grades, and up to 88 against 83 pence for inferior grades.

The market rose with an eye on the announcement of India of 30 million dollar in credit guarantees for Russia for purchase of 16 million kilos of tea.

Cotton: Lower. The Liverpool cotton indicator was affected by the weakness of European and Asian economies and by depressed conditions in the textile industry. Operators remain pessimistic in the fear that the US Agriculture Department may lift its estimate of American cotton stocks.

Wool: Slightly higher. Prices were stimulated by sterling's weakness, making purchases on the British market more interesting. But long-term prospects are somber because of high stocks and the absence of signs of an economic recovery.

The provisional lifting, until December 31, of the Nigerian government's ban on wheat imports helped the market.

But price increases were limited by the International Wheat Council's lifting of its estimate for world output in 1992-93 to 550 million tonnes, against the 546 million forecast in September.

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The market rose with an eye on the announcement of India of 30 million dollar in credit guarantees for Russia for purchase of 16 million kilos of tea.

Its crude reserves are estimated at 100 billion barrels, nearly 10 per cent of the world's proven reserves.

"We are producing 2.4 million BPD, the level agreed on with OPEC," said Mazroui, also Secretary General of the Supreme Petroleum Council.

"We are the only member in OPEC to stick to the production level."

Mazroui said two major gas projects included doubling the production capacity of the liquefied gas plant on darsiland to meet a large increase in demand by Japan and expanding the onshore Bab field, which is operated by the Abu Dhabi Onshore Operating Company (ADCO), the biggest UAE oil firm.