BRIEFS

Lisbon prepares to ratify Maastricht

LISBON, Nov 19: Parliament has approved an "extraordinary revision of the constitution" to pave the way for ratification of the Maastricht treaty, a government spokesman said Wednesday.

The four-fifths majority needed to pass the constitutional changes was gained when Socialist Party (PS) deputies forged an unusual alliance with the center-right government in a late session of Parliament Tuesday night, reports AP.

Moscow shelves plan on foreign banks

MOSCOW, Nov 19: Lawmakers on Wednesday temporarily shelved plans to block foreign banks from operating in Russia, despite fears that they could squeeze out Russian competition and drain capital from the country. The proposed two-year suspension had been submitted by the Associations of Russian Banks after France's Credit Lyonnais won a license and began preparations to open a branch in St. Petersburg, reports AP.

Unemployment in Jordan reaches 20 pc

AMMAN, November 19: Nearly 20 per cent of Jordan's able-bodied men and women were unemployed last year, according to an official study published Tuesday. Altogether, 1,28,000 people were thrown out of the labour market in 1991, accounting for 18.8 per cent of the total labour force, said the study, prepared by the international studies center of the Royal Scientific Society. Nearly 70 per cent of the unemployed were aged between 20 and 29, and about 62 per cent of the unemployed men and women were single, reports Xinhua.

India's DFIs to cut lending rates

BOMBAY, Nov 19: Indian development finance institutions have agreed to cut term lending rates by one per cent effective Thursday, the Industrial Development Banks of India (IDBI) said. The decision to lower interest rates followed the cut in the minimum commercial lending rate to 18 per cent from 19 per cent announced by the Reserve Bank of India (RBI) on October 8, reports Reuter.

US Sep trade deficit stands at $ 8.3 b

WASHINGTON, Nov 19: The US trade deficit was 8.3 billion dollar in September, the Commerce Department announced Wednesday. Analysts had generally expected the trade deficit to be 8.6 billion dollar for the month. Imports rose four per cent and exports were up seven per cent. The September figure was down slightly from august, says AFP.

India to earn $1.7b from chemical export

NEW DEHI, Nov 19: India expects to earn 1.7 billion dollar in the current financial year from exports of basic chemicals, cosmetics and drugs, the Press Trust of India (PTI) reported Wednesday. Ramu Deora, Chairman of the Chemical Export Promotion Council, was quoted as saying in Bombay that exports were growing despite a global recession, says AFP.

Tokyo shares continue to rise

TOKYO, Nov 19: Share prices Thursday morning continued to ride the upward momentum of government-directed buying from the previous day that spurred a rise of almost five per cent in the main index. The dollar remained lower against the yen. The 225-issue Nikkei Stock Average added another 156.06 points, or 0.93 per cent, to end the early session at 16,934.90. On Wednesday, the average rose 785.36 points, or 4.91 per cent, says AP.

Russia's bid to gold fields

MOSCOW, Nov 19: Russia plans to hold an international tender for rights to develop west Siberia's large Sukhoi log gold fields, a senior official at the state geology committee said. Vadimir Klomin, Deputy Head of the Licensing Committee, told Reuters that no decision had been taken to grant the licence to Lenzoloto, Russia's first gold mining joint venture which was set up earlier this year with the project in mind.

US, EC search ways to avert trade war

WASHINGTON, Nov 19: The United States and its biggest trading partner, the European Community, are searching for ways to step back from the brink of an all-out trade war that neither side says it wants, reports AP.

While there were hints that a break through may be imminent, negotiators said little following three hours of discussions Wednesday night.

The talks, held at Blair House, the government's official guest residence, were to resume Thursday. At issue is a US demand that the 12-nation EC cut back on subsidies the Bush administration charges are robbing American farmers of one billion dollar annually in sales of soybeans and other oilseed crops.

If the talks fail, the administration has said it will slap punitive tariffs of 200 per cent on 300 million dollar worth of European products. The tariffs, due to take effect Dec 5, would essentially triple the price of European white wine to American consumers.

The EC has threatened to retaliate with its own higher tariffs on US goods.

In addition to the fight over soybeans, the negotiators are trying to resolve longstanding disputes involving a whole range of European farm subsidies that have blocked successful conclusion of a six-year effort to rewrite the rules governing world trade.

US Trade Representative Carla Hills and Agriculture Secretary Edward Madigan looked grim and said little when they emerged from Wednesday night's discussion, but their European counterparts sounded a more optimistic note.

"What is at stake here in the credibility of the GATT Agriculture Secretary Edward Madigan said just before the talks began in Blair House, the official US guest residence near the White House.

Ray MacSharry, the EC's Farm Commissioner, said he believed Congress was being made and that both sides were examining various options.

Frans Andriessen, the EC's top trade negotiator, told reporters that the negotiations were at a delicate stage but he was encouraged with the initial discussions.

"We had a good conversation tonight. I don't say we have solved the problem, but I say we had a good conversation and that is what you could best expect at the moment," Andriessen said.

"We have been negotiating for many, many years," he said. "We shouldn't be overly ambitious in trying to invent new things. It is a matter of the composition of the elements that we know."

Since 1986, the United States has been pushing the European Community to reduce production subsidies for soybeans and other oilseed products that are primarily used for cattle feed in Europe.

While the EC has offered to limit the amount of acreage planted in oilseed crops, it has refused US demands for a specific cap on production. The US side contends that the acreage limitation would be hard to police and could be circumvented just by boosting yields.

By removing trade barriers not only to farm products but to manufactured goods and services such as insurance and banking, the Uruguay Round holds out the promise of injecting as much as 200 billion dollar into the world economy at a time when many nations are struggling to emerge from recessions.

While Britain and Germany have urged greater negotiating flexibility, France has stood firm in an effort not to provoke its politically powerful farmers.

Several hundred French farmers protested near the US Embassy in Paris on Wednesday, burning an American flag and clashing with riot police.

French President Francois Mitterrand's office issued a statement saying that conditions were not ripe for a "global and balanced accord," although the statement gave no hint about whether France would use its veto power to block any agreement reached in Washington. Any EC nation can use its veto to prevent adoption of EC measures judged to be of vital national interest.

Subsidies only fraction of support

Reuter adds: While the United States and European Community face the possibility of a trade war over EC oilseed aid, the subsidies are only a fraction of the roughly 60 billion dollar the economic giants will spend this year on farm supports.

The world's largest agricultural exporters, with more than half of the global grains market, the United States will spend about 14 billion dollar this year on farm subsidies while the EC will spend about 46 billion, the Agriculture Department said.

Italy urges to postpone sanctions

Another report from Rome adds: Italy has urged the United States to postpone threatened trade sanctions against the European Community, its foreign trade ministry said on Wednesday.

Trade minister Claudio Vitalone made the appeal in conversations with his US counterpart Barbara Franklin and US Trade Representative Carla Hills, it said in a statement.

Ukraine PM gets special powers to push through economic reforms

KIEV, Nov 19 : The Ukrainian parliament Wednesday granted Prime Minister Leonid Kuchma special powers to enable him to push through economic reforms, reports AFP.

Deputies also rejected a bill presented by President Leonid Kravchuk which would have entitled him to rule by decree in the economic sector.

The parliamentary committee monitoring reforms and government activity considered that Article 114 provided sufficient powers to put the reforms into application and that "there could be no question of complementary powers."

The special emergency powers granted to Kuchma for a six-month period were approved by 308 Deputies out of 348 present. Only 18 Deputies voted against.

The parliament's vote was seen as a serious setback for the Ukrainian President and an encouragement for the government of the new Prime Minister, an economist appointed in mid-October.

Kuchma earlier asked the parliament to start "deeper reforms" as from January 1993. He said that he intended to "control commercial structures and manage the state sector".

He favoured rapid privatisation of small businesses, transforming large state companies into companies held by shareholders, intensive reforms of the tax system, ending uncontrolled wage growth, and a ban on companies holding currency accounts abroad.

Ukraine is in a particularly difficult economic situation, "the worst in the Commonwealth of Independent State (CIS)", he said.

Already paralyzed by energy shortages, Ukraine may well face greater difficulties if measures announced by Russian President Boris Yeltsin Monday obliging Kiev to pay for Russian oil and gas in hard currency are implemented.

Tobacco still the winner

CHARLOTTE (NC), Nov 19: In the heart of tobacco country, no one's singing the blues about the shrinking demand for cigarettes in the United States. In fact, analysts say, tobacco companies are singing a different tune, according to AP.

"Profits are fantastic," analyst Jack Maxwell said Wednesday, the eve of the Great American Smokeout, when millions of Americans are asked to kick the habit for a day.

Tobacco companies "are raising prices and boosting efficiency," said Maxwell, who follows the industry for Wheat First Butcher and Singer in Richmond, Va. "And consumption isn't dropping that much."

Philip Morris Companies Inc. said its profits from worldwide tobacco sales rose 12.8 per cent to 5.43 billion dollar in the first nine months of 1992. Revenues increased 6.3 per cent to 19.15 billion dollar.

Philip Morris is the largest US tobacco company, and its Marlboro brand is the industry's biggest seller. It also makes Benson and Hedges, Virginia Slims, Merit and Parliament Lights.

Lorillard Inc., the tobacco division of the Loews Corp. whose brands include Kent and Newport, said its earnings from cigarettes rose 22.8 per cent to 378.5 million dollar the first nine months of the year as revenues rose 8.2 per cent to 1.574 billion dollar.

Profits are up despite the fact that in the United States — where an estimated 400,000 people annually die of lung cancer, heart disease and other ailments with a suspected link to smoking cigarette consumption has declined steadily since 1965.

According to statistics from the US Department of Health and Human Services, the percentage of Americans who smoke has dropped from 42 per cent in 1965 to 30 per cent in 1985 and to just over 25 per cent in 1990.

Even if the US market shrinks, the tobacco companies have plenty of foreign business.

David Goldman, a tobacco analyst with Oppenheimer and Co. in New York, said the anti-smoking phenomena is "purely American in scope."

"Outside the US, cigarette consumption has been growing at a steady pace of about two per cent a year," he said. "More important, the American style cigarette is grabbing an increasing share of the world market."

Goldman said US blend cigarettes now control about 20 per cent of the global market, up from about 10 per cent just two or three years ago.

"And 80 per cent of that (international) market is not available yet," he said. "Only recently did China allow imports for the first time."

Ramos criticised for failing to address migrant workers' problems

MANILA, Nov 19: A Philippine Senator Thursday criticised President Fidel Ramos for failing to address problems of millions of Filipinos who must work abroad because the domestic economy cannot provide them jobs, reports AP.

Senator Wigberto Tanada cited problems such as exploitation and social costs of divided families in a speech opening a two-day conference on human rights of migrant labour.

He said an estimated two million Filipinos work abroad, many in the Middle East, and earn about 4.8 billion dollar year. That is more than the 1.8 million Filipinos who work for the government, the country's largest employer.

Tanada said the administration of the late President Ferdinand Marcos considered overseas employment a stop-gap measure to address unemployment.

Hectic negotiation between EC and US is going on in Washington to avert a all-out trans-Atlantic trade war. Both sides have expressed their will to everything possible to reach a deal soon. File photo shows top EC negotiator Ray MacSharry with French Agriculture Minister Jean-Pierre Soissons. — Star TV photo

Rebel attacks may hit foreign investment in Lanka

COLOMBO, Nov 19: Foreign investments could slow down in Sri Lanka if ethnic rebels continue to attack key government officials, a Japanese businessman said Wednesday, reports AP.

Masao Sawaki, head of a Japanese business delegation to Sri Lanka, said the suicide bomb attack on Vice Adm. Clancy Fernando on Monday has left a bad impression about the investment climate in the Indian Ocean island nation.

More than 1,500 foreign businessmen are presently attending Sri Lanka's first ever export fair, Expo' 92, which opened in Colombo Wednesday.

Fernando and three aides were killed when a man on an explosives-laden motorcycle rammed into the admiral's car in the center of Colombo while he was on the way to his office.

China posts high growth in October

BEIJING, Nov 19: China's economic surge gathered pace in October as industrial production and capital investment continued to climb, the state statistics bureau said, adding that the danger of economic overheating was also increasing, reports Reuter.

Industrial production outside rural areas grew by 19.7 per cent from January-October compared with the first 10 months of 1991, the official media quoted a bureau report as saying. The figure was 19.3 per cent for the January-September period.

New investment in fixed assets by state industry was 287.2 billion yuan, up 37 per cent on 1991. October's new investment was 45.8 billion yuan, up 43 per cent on October 1991.

The bureau warned that its macro-monitoring model showed the current national economies in danger of becoming overheated, the official China Daily said.

Officials have started to stress the dangers of unbridled economic growth following last month's Communist Party congress, which gave official approval to senior leader Deng Xiaoping's plan for accelerated economic reform.

Transport and energy bottlenecks inefficient production and rapidly expanding bank credit are all danger signs, they say.

Use wealth as weapon against West, Rafsanjani tells Muslims

NICOSIA, Nov 19: Iranian President Akbar Hashemi Rafsanjani urged Muslim countries on Wednesday to use their economic wealth as a weapon to break western supremacy, reports Reuter.

Rafsanjani said that if Muslim states used their natural resources, especially oil, "in a correct way," industrialised countries cannot claim supremacy in the world.

"If Muslims used their rich economic resources as weapons against the violators of Muslims' rights, the situation in Palestine would have been different now and Bosnian Muslims would not have been exposed to the hostility and oppression of the Serbs, he said.

The Iranian news agency Irna said Rafsanjani was addressing the opening session of a two-day meeting in Tehran of the Islamic chamber of commerce, industry and commodity exchange, part of the 47-nation organisation of the Islamic conference.

India intends dominant role for private sector

NEW DELHI, Nov 19 : India intends to throw out all remaining state controls over industry, phase out import curbs and reduce customs tariffs to build a dominant private sector, the Finance Minister said here Wednesday, reports AFP.

Manmohan Singh told a conference on Asian private enterprise that the private sector's growth had been stifled because of four decades of controls and a web of bureaucratic red tape.

"In a fast-changing world the private sector was a greater role to play but unfortunately it has failed to bloom fully", said the Minister, who last year launched a wide-ranging economic reform drive.

India put the public sector at the "commanding heights" of the economy after independence in 1947, pursuing semi-socialist policies that shackled private industry until Singh started dismantling the regime of licenses and controls.

Some 38 billion dollar of tax payers' money has been poured into 250 state companies since independence, their reach cutting across every sector of the economy including mining, oil communications, steel, aviation and even public bus networks.

Singh said expansion of the public sector, criticised for its low productivity and profitability, "beyond a point" had proved to be counter-productive.

"Large-scale expansion of the public sector is not conductve to absorption of technological change," he said, urging the private sector to play a more dominant role.

He said the vestiges of restrictions and controls on private sector diversification and investment would be dismantled. Restrictions on quantities of imports the industry is allowed will be removed in three or four years.

"Indian industry should be able to stand up to the whips of international competition," Singh said, adding that India would achieve an "industrial revolution" if the reform programme succeeded.

Trade unions and some opposition parties have slammed the reforms away from past socialist practices, saying they were tailored to the orders of international lending agencies.

The Finance Minister asked developed countries to "curtail protectionism" and import more to help newly liberalising nations like India.

"We do not need subsidies or like to walk on crutches. All we need is an open market and multilateral trading system," he said.

Central bank asks more autonomy

Reuter adds from Bombay : India's central bank, widely accused of laxity for failing to prevent the country's worst financial scandal, should be made autonomous and given extra powers, the bank's Staff Association says.

EC wants to slim its ailing steel industry

STRASBOURG, Nov 19: The European Community's Executive called on member states here Wednesday to earmark 900 million ECU (1.1 billion dollar) over the next three years to help slim down the EC's ailing steel industry, reports AFP.

It called for an extra 240 million ECU (293 million dollar) to be added to a figure of 210 million ECU (256 million dollar) already proposed to help the industry cut its capacity and help 50,000 workers who are to be laid off.

The European Commission wants member states to match the total of 450 million ECU which would be drawn from the European Coal and Steel Community (ECSC), part of the EC, this would make an aid total of 900 million ECU.

EC Industry Commissioner Martin Bangerann warned that the steel industry would have to take strict measures to cut over-capacity, and would have to shoulder the largest share of the cost.

Nobel winning economist ventures into issues others avoid

Nobel Prize-winning economist Gary Backer has made a career of applying the analytical techniques of his field to subjects far outside the usual focus of economists on employment, trade, money and other purely "economic" areas of concern.

How should society respond to criminal behavior? Why do a man and woman decide to get married? How do parents decide to have children? Why do some people become addicted to drugs or any other substance or behavior?

In making all these decisions, Becker asserts, people calculate costs and benefits. He assumes rational behaviour is the norm and applies economic theory to the way people make choices in every-day situations where such costs and benefits are measured not only by dollar and cent.

Named October 13 the 1992 winner of the Nobel Prize in economics, Becker took the third such prize in three consecutive years for the faculty of the free-market philosophy University of Chicago.

He has already achieved recognition through a monthly column in Business Week magazine that he uses to address a wide range of issues: in August, privatisation by former communist countries, in September, global warming.

In his most-recent column, in the October 12 issue, Backer tackled the education reform controversy, supporting President Bush's idea for a government-funded voucher system that would permit parents to choose either public or private schools, over a proposal made by President-elect Bill Clinton that would support only public schools.

Economics of education

"Bush's approach to school reform seems to me far superior since the absence of effective competition from the private sector is the biggest defect in the present education system," Becker wrote. "Greater competition only among public schools probably will improve their efficiency, but the effect will be small compared to the impact on innovation and school productivity of harnessing the forces unleashed by private initiative."

In fact, Becker's pioneering treatment of education and training as investment in human capital is probably his best-known achievement.

James Coleman, his colleague at the University of Chicago, said Becker's calculations showed that the economic return on education and training to the student or employee as well as to the employer and society were "surprisingly high", usually much higher than alternative investments.

While underinvestment in human capital is more typical in the world, Becker found that in some times and places over-investment is the problem because too few hiring opportunities exist to use all the highly educated and trained people.

Impact of discrimination

Becker has also led work in the economics of discrimination. A surprising result of Becker's work, Coleman said, was that an employer who discriminates in hiring on the basis of race or sex has to pay higher labour costs than competing employers do; only in cases of business collusion can employers discriminate at no additional cost.

Monday is not the only kind of cost and benefit Becker considers. In Becker's analysis of a justice system, for example, the benefit to society of apprehending and punishing a criminal is the deterrence to other crimes.

"He doesn't assume that we should attempt to eliminate all crimes because that would be highly costly," Coleman said. "He asks the question, How many offenses should be permitted and how many offenses should go unpunished? One of the costs of not punishing a criminal is the loss of that deterrence effect."

Harvard University economist Robert Barro cited Becker's findings that capital punishment — the death penalty — does deter homicides.

As Barro explained Becker's analysis, the smaller the probability of apprehending a criminal for a certain kind of crime, the higher the penalty — the potential cost to the criminal — should be.

Family behaviour

Looking into family behaviour, Becker found that as parents increase their income, they produce fewer children and invest more time and money in the ones they do have. Explaining the decline of birth rates in wealthy countries. In Barro's words, parents substitute away from quantity to quality.

According to economist Tyler Cowan of George Mason University in Virginia, Becker even dabbled a bit in politics. No, he did not run for office, but he did do research and found, contrary to some impressions, that democratic governments actually do produce efficient output.

Becker has himself explained his use of economics to tackle questions usually addressed by sociologists, demographers and criminologists.

"It's not a restriction on subject matter," he said. "It's an analytical approach that involves scarcity."

Gary Becker is the fifteenth recipient of the Nobel Prize for Economics who at one time was either a student or taught at the University of Chicago.

The other 14, and the year they won the Nobel Prize, are the following :

Paul Samuelson, 1970, BA, University of Chicago, now at Massachusetts Institute of Technology.

Kenneth J Arrow, 1972, LLD, University of Chicago, now at Stanford University.

Friedrich August Von Hayek, 1974, professor, deceased.

Tjalling Koopmans, 1975, former professor.

Milton Friedman, 1976, MA, University of Chicago, former professor.

Herbert A Simon, 1978, BA, Ph.D, University of Chicago, now at Carnegie Mellon University.

Theodore W Schultz, 1979, Professor Emeritus.

Lawrence R Klein, 1980, former instructor, now at University of Pennsylvania.

George J Stigler, 1982, Ph.D, University of Chicago, professor.

James McGill Buchanan, 1986, Ph.D, University of Chicago, now at George Mason University.

Trygve Haavelmo, 1989, former professor.

Merton H Miller, 1990, professor.

Harry Markowitz, 1990, Ph.D, University of Chicago, now at Rutgers University.

Ronald H Coase, 1991, Professor

Washington Economic Reports

Taiwan to rank top in average gold consumption

TAIPEI, Nov 19: Average gold consumption by Taiwanese is expected to hit 10 grams this year, the highest in the world, the world gold council said here Wednesday, reports AFP.

The non-profit organisation said up to 74 per cent of the cash-rich island's 21 million population held the precious metal.

Asian consumers consumed 569 tons (20.07 million ounces) of gold last year, absorbing one-third of total gold on the world markets, it said, adding that the whole Asian region will buy 667 tons (23.5 million ounces) of gold this year.

Taiwan, Hong Kong and China, backed by strong buying power boosted by favourable economies, will gobble up 450 tons (15.8 million ounces) of gold this year, it added.

The lifting of a four-decade-old ban on the import and export of gold by the Taiwan government in August also boosts the demand, it said.

Taiwan has been the world number one gold buyer with imports in the first 10 months of this year up 69.6 per cent over a year ago to 150.1 tons (5.29 million ounces) worth 1.59 billion US dollar, according to the Finance Ministry.