

Chinese economy finishes 1992 as fastest growing in the world

BEIJING, Dec 30: China is finishing the year as one of the world's fastest-growing economies, with gross national product projected at 12 per cent above 1991, a government official said Wednesday, reports AP.

Problems loom such as rising inflation, transportation bottlenecks and huge losses racked up by huge, inefficient state-owned companies.

But Zhang Zhongji, the spokesman for the State Statistical Bureau, said he was optimistic about the economic outlook.

"The supply of consumer goods still exceeds demand, and the savings deposits of residents are very high," Zhang told a news conference. "The latent inflationary pressures will not burst out as in 1988, I am really optimistic about it."

While Japan and many Western countries spent 1992 trying to pull out of recession, China embarked on yet another cycle of the growth and reform binges that characterized its economic development

through the 1980s. Years of high growth alternated with period of retrenchment.

Zhang said the gross domestic product for 1992 was projected to reach 2.34 trillion yuan (408 billion dollar) up 12 per cent from 1991 after inflation. The gross national product, which includes income from abroad, also was projected to be up 12 per cent.

Industry grew about 19 per cent and the service sector about 9.4 per cent compared to 1991, Zhang said.

The money supply expanded 30 per cent and bank loans were up 20 per cent, he said.

The rapid expansion was triggered early in the year by 88-year-old top leader Deng Xiaoping, who demanded bolder moves toward a market economy.

Suddenly, banks were told to loosen credit and local government officials were told to speed up issuing business licenses. The rules governing trade, access to foreign cur-

rencies and foreign investment were relaxed.

Doing business became easier in myriad ways, and busi-

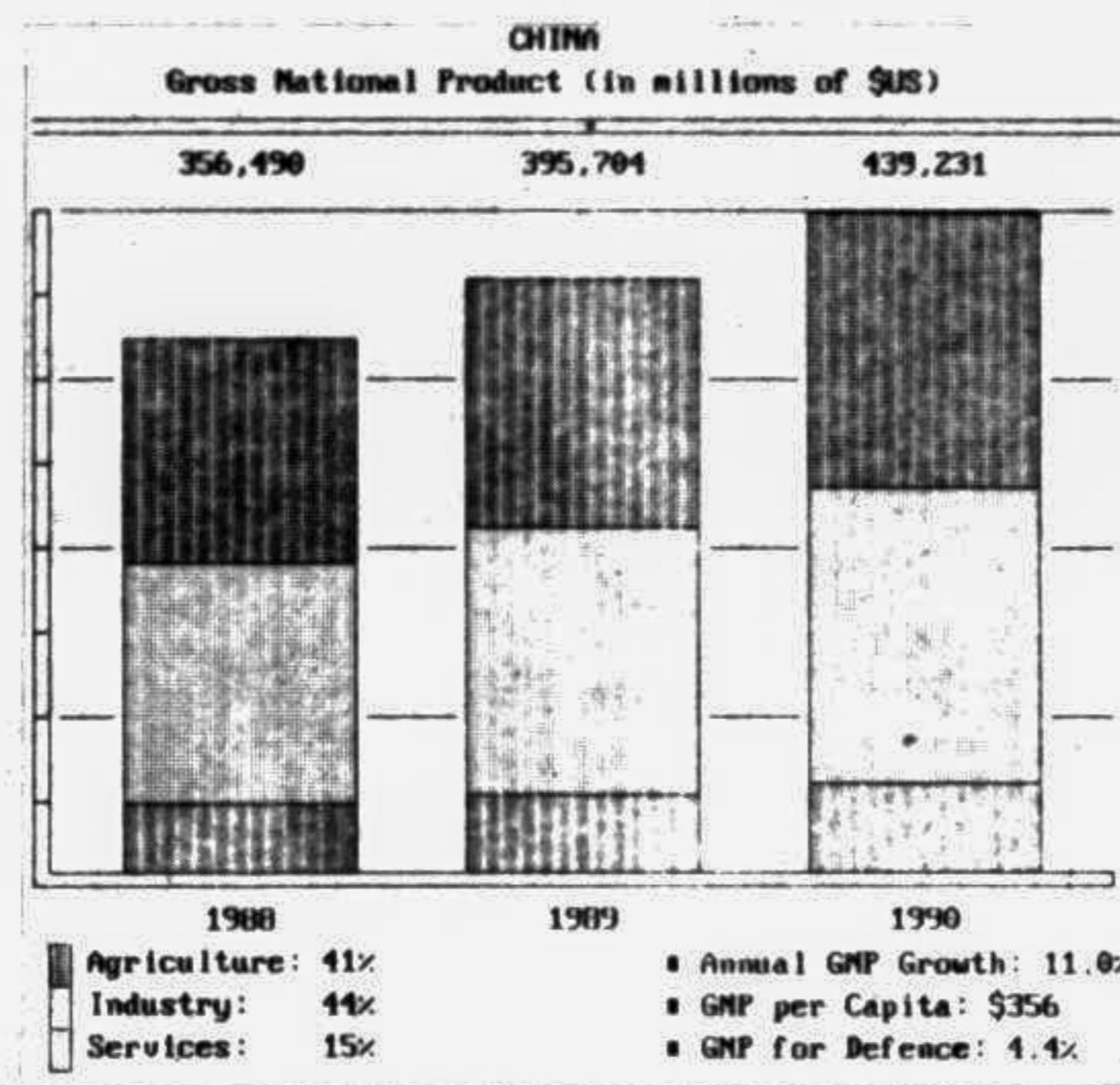
nessmen used to abrupt policy changes seized the opportunity to expand operations or set up new companies.

Economists have warned in recent weeks that growth may be too fast and could lead to a resurgence of the high inflation that produced panic buying and social unrest in 1988. Premier Li Peng and Communist Party General Secretary Jiang Zemin, meeting with economic planners last week, both warned that the economy should not be allowed to overheat.

Zhang, however, downplayed concerns about overheating, and noted that a major factor in 1992 inflation was the deliberate lifting of price controls by the government.

The country's highest inflation rate — 12.5 per cent — was experienced in the southern city of Canton, which also was a leader in growth.

Cost of living for the entire country was up 6.2 per cent, Zhang said — the highest gain since 1988's official figure of 18.5 per cent. Western economists estimated actual inflation in 1988 was closer to 40 per cent.



Egypt ending the year on good note

CAIRO, Dec 30: Egypt has done well economically in 1992 by cutting its debts drastically and boosting revenues by 13 per cent, Prime Minister Atef Sedki said, reports Reuter.

In his year-end statement, he said Egypt has cut its debts from 17 countries by 50 per cent and managed to scrap military debts to the United States and Gulf states after it took part in the 1991 US-led alliance which liberated Kuwait from Iraqi occupation.

Sedki did not give a figure for the military debts but official sources said they totalled about 14 billion dollar.

"In general our revenues,

transfers by expatriates and official transfers in 1991/1992 reached 19 billion dollar against 16.8 billion dollar the previous fiscal year" that ends on June 30, he told parliament.

He said the rise — from an unprecedented flood of tourists, transit tolls from the Suez Canal, transfers from expatriates and import tariffs — generated a surplus of five billion dollar in 1991-1992.

This compares with 1.4 billion dollar in the previous year. "As a result, the central bank's foreign currency reserves rose from 6.3 billion dollar at the end of March 1991 to 10.5 billion dollar at the end of June

1992 with an increase of 4.2 billion dollar or 66.7 per cent", Sedki said.

He said an economic reform programme, applied with the help of the IMF, has "decreased the deficit in the state budget to 7.1 per cent of the gross domestic product (GDP) in 1991-1992 against 24.7 per cent in 1987-1988."

He forecast the deficit would drop to four per cent in 1992-93 through an expected increase in revenues following measures to cut expenditures and boost productivity.

To combat inflation, the government has cut the state budget deficit by financing it with real savings and by impos-

ing credit ceilings on public and private enterprises.

These measures have slashed inflation from 20.7 per cent at the end of June 1991 to only 9.7 per cent in June 1992, he said.

The value of import also shrank from 11.4 billion in 1990/1991 to 10.3 billion dollar in 1991/1992 due to rising domestic production of some commodities which were imported from abroad.

He said the liberalisation of Egypt's socialist economy which began in 1991 gave the banking sector a big boost.

Rice balls VS hamburgers

TOKYO, Dec 30: Traditional rice balls are now competing with hamburgers as the favourite food of Japan's Westernised youth, a government report revealed on Tuesday, reports Reuter.

Rice consumption has fallen steadily in Japan amid a boom in western food, declining at a rate of about one kg (2.2 lb) per person annually in recent years.

However, the latest figures indicate that trend is ending — rice consumption was almost unchanged at 69.9 kg (154.1 lb) per person in 1991 compared to the previous year's 70 kg (154.3 lb).

Beijing ends barter trade with Pyongyang

BEIJING, Dec 30: China has told cash-strapped North Korea that it is ending decades of barter trade, the official Xinhua News Agency reported late Tuesday, according to AP.

China, a longtime ally and trading partner of Pyongyang, had planned to end barter trade earlier this year, but delayed the move because of tough economic conditions in North Korea. The postponement was in part to mitigate anger over Beijing's decision to establish relations with Communist North Korea's rival, capitalist South Korea, in August.

RBI Governor facing challenge to restore banking system credibility

BOMBAY, Dec 30: India's new central bank Governor, Chakravarthy Rangarajan, has his task cut out for him as he moves to restore the credibility of a banking system tainted by a huge securities swindle, reports AFP.

Rangarajan, 60, took over December 22 as chief of the Reserve Bank of India (RBI) for a three-year term at a time when public faith in the agency as an institution capable of safeguarding the interests of depositors has hit a low.

He also inherited from his predecessor, S Venkटरamanan, a bank staff whose moral and efficiency took a beating in the wake of the 1.3 billion dollar swindle which surfaced in April.

"This is a very difficult and

challenging task," Rangarajan said in a published interview after his appointment was announced. "It is necessary to put the financial system back to the rails and restore its credibility."

The RBI has been slammed by politicians for failing to detect and check the scam, in which a nexus of bankers and brokers siphoned off bank funds in fraudulent securities deals to speculate in stocks.

Two small banks were wound up, a number of bankers sacked or arrested and the RBI's authority as India's Premier monetary institution damaged as a result of the scam, which entangled several foreign banks as well.

Rangarajan, an economist with a reputation as a stickler

for rules, moved from the policy-making Planning Commission to the RBI after Venkटरamanan's term as Governor expired.

He has several challenges to

block horns with. The money markets have to be rejuvenated, economic and financial reforms, including a planned float of the rupee and a restructuring of banks, need to be implemented and bank unions opposed to reform tackled.

The RBI also has to work out steps to boost stagnating exports and check inflation, now running at 8.8 per cent, while ensuring the balance of payments stays at a comfortable level.

Rangarajan, who holds a PhD from the University of

Pennsylvania and did teaching stint at its Wharton School of Finance and Commerce, is no stranger to the RBI.

Analysts expect Rangarajan to turn his energies toward ensuring greater bank computerisation and overhauling the supervisory system at the RBI — deficiencies blamed for the late detection of the securities scam.

His tenure could also see nationalised banks for the first time tapping the public for infusion of capital, following the example set by the slowly privatising public sector.

"This could mean a dilution of ownership which cannot be avoided," the central bank Governor says.

US to experience modest recovery in 1993, says latest forecast

WASHINGTON, Dec 30: A modest economic recovery will take place in the United States during 1993, as inflation and interest rates remain nearly stable, according to recent forecast by a number of US and international economists, reports USIS.

Such an improvement is expected regardless of whether or not incoming President Bill Clinton decides to introduce economic stimulus aimed at spurring growth and creating jobs.

Most forecasts say the US economy will grow at an average rate of 2.4-5.0 per cent next year, which would represent a substantial increase over 1992 and would also be higher than the growth rates projected for other leading industrial countries.

In its semi-annual report on the economies of member countries issued December 16, for example, the Paris-based Organisation for Economic Cooperation and Development (OECD) estimates that real gross domestic product (GDP) in the United States will rise at an average rate of 2.4 per cent in 1993, compared with 2.3 per cent for Japan; 1.2 per cent for all 23 members.

"Recent indicators, in particular sagging business and consumer confidence, point to continued weakness in the coming months: The United States is a possible exception," The OECD report says. "The relatively weak recovery implies a further rise in OECD unemployment to 34 million persons by the end of 1993."

According to the latest consensus forecast from Blue Chip Economic Indicators, a monthly newsletter on US economic performance based on a survey of 51 contributing economists, inflation-adjusted

GDP in the United States is projected to increase at a 2.8 per cent rate over the first half of 1993 and at a 3.0 per cent rate over the second half. This compares with a 1.2 per cent decline in 1991 and a 2.0 per cent rise in 1992.

year following previous post-war recoveries," the Blue Chip report notes.

Even so, it adds, the modest recovery should be accompanied by a very gradual decline in the US unemployment rate and a slight increase in

pected to remain fairly stable in 1993, with three-month treasury bills averaging about 3.5 per cent — the same as in 1992 — and 30-year government bonds ranging from 7.6 to 7.7 per cent.

"Consumer spending is expected to provide a solid base for the expansion in 1993, reinforced by healthy increases in equipment spending, residential construction and inventory investment," the Blue Chip report says. "Steady, yet modest increases in employment support a modest increase in real disposable income, beginning in the fourth quarter of 1992, and contribute to a 2.6 per cent rise in consumer spending in 1993, paced by a 7.6 per cent increase on consumer durables."

Another monthly survey, is-

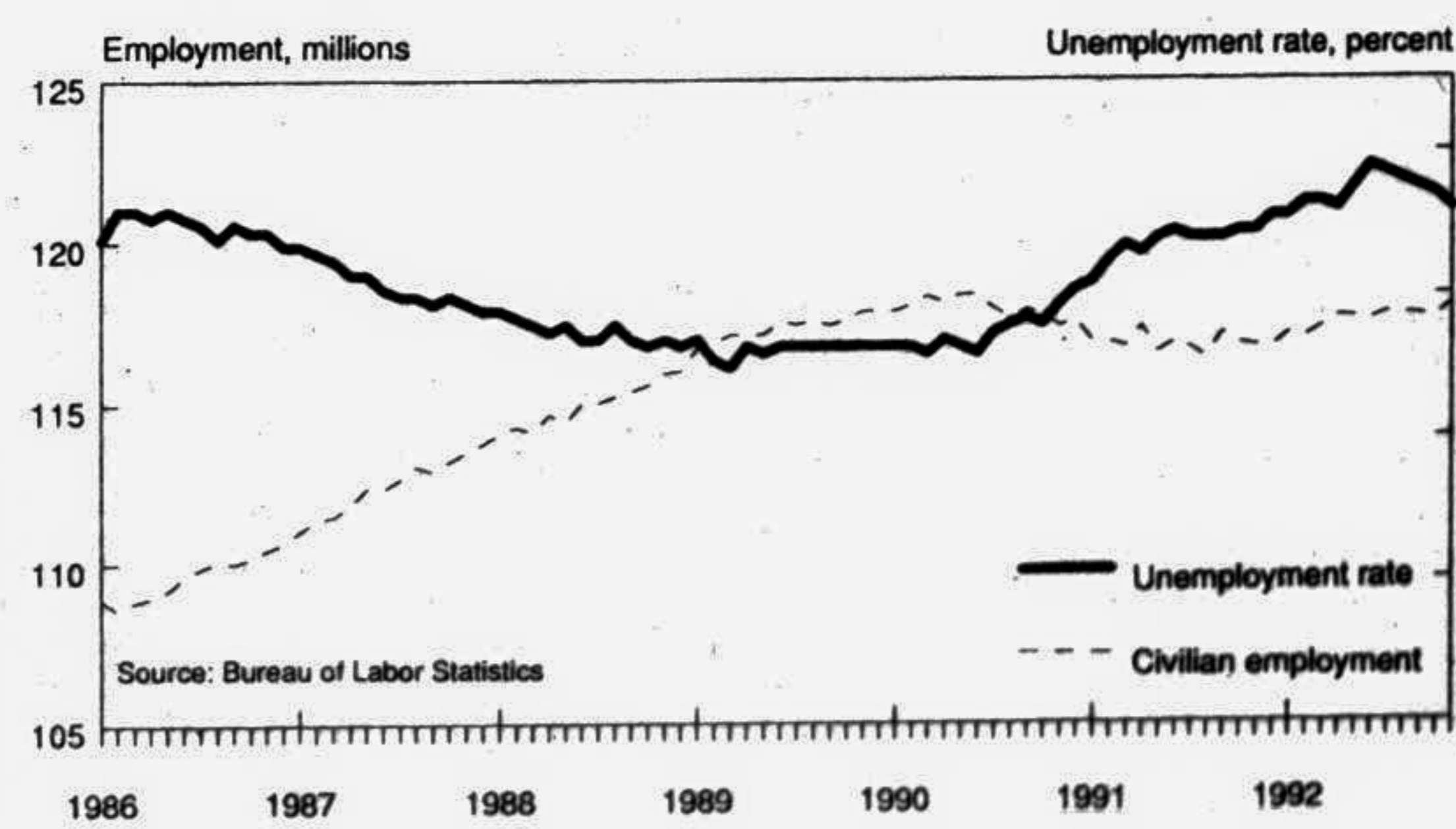
sued December 2 by the National Association of Business Economists (NABE), projects US growth in 1993 barely above its long-term trend.

The NABE survey, from a poll of 41 forecasters taken in November, suggests that real GDP growth will rise from an average rate of 1.8 per cent in 1992 to 2.6 per cent in 1993.

It sees a gradual decline in the US unemployment rate, from 7.5 per cent in 1992 to 7.2 per cent next year. At the same time, the inflation rate is expected to average close to 2.7 per cent in 1993 — the same as the previous year. Interest rates are also expected to remain near their 1992 averages around 3.4 per cent for three-month treasury bills and 7.7 per cent for 30-year treasury bonds.

U.S. EMPLOYMENT SITUATION

Civilian Employment & Unemployment Rate



Organization	1992 forecast		
	Real GDP	Inflation	unemployment
OECD	1.8	2.7	7.4
NABE	1.8	2.7	7.5
Blue Chip (consensus)	2.0	2.6	7.5
US Chamber of Commerce	2.1	2.6	7.5
University of Michigan	2.0	2.7	7.4
Mortgage Bankers Assn	2.0	2.6	7.5
UCLA Business forecast	2.0	2.6	7.4
Laurence H Meyer	2.0	2.6	7.5
Dupont	2.0	2.6	7.5
Conference Board	2.0	2.6	7.5
Evans Economics	1.9	2.6	7.4

Organization	1993 forecast		
	Real GDP	Inflation	unemployment
OECD	2.4	2.3	7.3
NABE	2.6	2.7	7.2
Blue Chip (consensus)	2.7	2.7	7.1
US Chamber of Commerce	2.3	2.8	7.5
University of Michigan	2.8	2.7	7.1
Mortgage Bankers Assn	3.1	2.3	7.0
UCLA Business forecast	2.6	2.5	7.3
Laurence H Meyer	3.0	2.3	7.0
Dupont	2.9	2.5	7.2
Conference Board	2.3	2.9	7.5
Evans Economics	3.1	2.6	7.3

(Source: OECD, NABE, Blue Chip economic indicators)

But the forecast also warns that continued business downgrading and restructuring, lagging expansion in consumer incomes and anemic growth abroad (which curbs demand for US exports) are factors that could further inhibit economic and employment growth next year.

"This represents a painfully slow recovery, compared to the normal 5-to-6 per cent growth averaged in the first

inflation. In the Blue Chip forecast, the US jobless rate is projected to fall from 7.5 per cent in the fourth quarter of 1992 to 7.0 per cent in the fourth quarter of 1993. Inflation — as measured by the GDP deflator — is projected to slow from 3.4 per cent in 1991 to 2.5 per cent in 1992 before rebounding to 2.9 per cent in 1993.

Both short-term and long-term interest rates are ex-

Franco plans to build Brazil the largest nation in L. America

BRASILIA (Brazil), Dec 30: Less than a day after replacing Fernando Collor de Mello, President Itamar Franco faces his first major challenge Wednesday when he unveils his plan to pull Latin America's largest nation out of one of its worst economic crises, reports AP.

Franco, 62, was sworn in Tuesday when Collor resigned 20 minutes after his replacement trial began in the Senate. Lawmakers intent on banishing Collor from politics planned to continue the proceedings Wednesday. If convicted, Collor could not hold office until 2001.

Renowned for his integrity, Franco was untouched by the scandal that brought down the flamboyant, 43-year-old Collor. The low-key former senator stamped his administration

with a "Mr. Clean" image moments before taking his oath of office, handing the Senate president a list of his assets to appraise and laughter in the gallery.

Franco planned to present his economic plans in a nationally televised speech from the presidential palace, with his ministers at his side.

His new administration faces inflation running at 25 per cent a month, end Brazil's recession, fight poverty and cut interest rates.

He was expected to elaborate on a speech he made as acting president Monday at a four-nation economic summit in Montevideo, Uruguay.

Franco told the presidents of Argentina, Paraguay and Uruguay that he would strive for economic growth and stability and an end to social inequalities.

Riyadh launches plan to boost investment

DUBAI, Dec 30: Saudi Arabia plans to hold talks in more than 20 countries to boost international and local investment and discuss ways to avoid double taxation, reports Reuter.

The official Saudi press agency SPA quoted a statement issued on Monday night by the weekly cabinet meeting as saying the government had instructed the Finance and National Economy Ministry to prepare for the negotiations.

The cabinet has approved that the Finance and National

Economy Ministry hold preliminary talks. To pave the way for agreements to boost and protect investments and avoid double taxation," the cabinet statement said.

The statement said Saudi Arabia would hold negotiations with Germany, Canada, Italy, the United States, Holland, Greece, Turkey, China, Argentina, Japan and the rest of the European Community countries.

It added the ministry should report its findings to the cabinet.

Asia Vision joins hands with ATN

Asia Vision, Europe's first Asian Cable TV Network which has been broadcasting since 1986, has joined hands with ATN (Asian Television Network), the world's first Transcontinental Asian TV channel, broadcasting via satellite to 84 countries on three continents, says a press release.

After long and complex negotiations, Asia Vision and ATN have agreed to join forces in the European market, where Asia Vision already has a presence through its 18 hours per day broadcasts on the UK's countrywide cable television networks.

Asian Television Network (ATN) has the distinction of being the world's very first Transcontinental Asian Television channel: its footprint spans 84 countries in three continents, i.e. the whole of Asia and parts of Europe and Africa.

In direct competition with STAR TV, ATN broadcasts a full menu of entertainment programming to an estimated audience of 7.5 million viewers that is growing daily.

This 100m dollar venture is controlled by a consortium of

non-resident Asians, whose ultimate aim it is to broadcast to Asians all around the globe before the middle of this decade.

Asia Vision and ATN have formed a strategic alliance with the objective of becoming the dominant player on cable and satellite throughout Europe, using each company's unique strengths to achieve this objective.

While negotiations are already underway to obtain sufficient and suitable transponder capacity, to broadcast via satellite from early '93, ATN's programmes will start to appear on Asia Vision from January onwards.

From February ATN will run a regular block of programmes on Asia Vision from 6-9 hours daily. This will expand as Asia Vision goes 24 hours towards the end of February.

The new joint venture was structured by Corporate Venture Partners, UK based international management consultants. The terms involve a progressive expansion of the activities that are included in the European joint venture which will expand to also include the US by the middle of 1993.

US airlines to buy one-third of Canadian Airlines Int'l

NEW YORK, Dec 30: American Airlines' parent company will buy one-third of Canadian Airlines International and handle its administrative work, the companies said Tuesday, reports AP.

The deal is the latest example of greater cross-border links between large airlines, which are finding it increasingly difficult to operate efficiently by themselves.

In this case, Canadian gets a much-needed infusion of 246 million Canadian dollar, or 195 million dollar at current exchange rates. American gets revenue exceeding 100 million dollar a year without spending much more on people and equipment.

As it runs Canadian's administrative functions, American would implement decisions and policies made by Canadian's management, both sides said in telephone news conferences.

"We have no interest in controlling or managing or deciding what Canadian does or does not do," said Donald J. Carty, Executive Vice President at AMR Corp, American's parent.

Except for plans to begin linking the airlines' frequent flier programmes as soon as possible, the deal would have few effects on consumers. The two do not plan to coordinate scheduling, but both suggested such cooperation could come in the future.

Other big airlines have already gone in that direction. Northwest Airlines and KLM of the Netherlands, for example, plan to function as a single airline.

of their importance, were:— eliminate wasteful spending, government subsidies a laws that hamper competition;— cap the growth of US health care costs through Tort reform and indexing federal medicare and Medicaid outlays; and — hold down the increase in cost-of-living adjustments on entitlement programmes such as social security and federal retirement programmes, to below the annual inflation rate.

To finance the massive infrastructure investments proposed by Clinton, the Blue Chip economists surveyed suggested that funds be shifted directly from defense, that taxes for gasoline and other petroleum product be progressively increased, and that waste in federal spending be cut, primarily through reduced hiring.

In an earlier survey of the US economy made public November 23, the OECD suggested that the Clinton administration and Congress focus on reducing the soaring federal budget deficit in an effort to promote real growth, savings and investment.

To help reduce the deficit, the survey recommended effective cost controls on US health care spending, a tax on gasoline and a national Value-Added Tax.

"Since US taxes are the lowest in the OECD and public health care expenditures are fairly high, the scope for these solutions is relatively broad," it said. "The deficit problem, then, does not stem from lack of obvious solutions. Rather, it is the failure to confront the issue squarely and develop a consensus between the administration and the Congress on the choices that are available."