

BRIEFS

AMF suspends Iraq, Somalia, Sudan

ABU DHABI, Mar 4: The Arab Monetary Fund (AMF), the Arab World's main financial institution, has suspended three defaulting states — Iraq, Sudan and Somalia, financial sources in Abu Dhabi said.

Egypt cuts tariffs on foreign imports

CAIRO, Mar 4: Egypt has cut the maximum tariff on most imported goods by 20 percentage points to 80 per cent as part of its policy of liberalising foreign trade.

ICO producers reach joint stand

MEXICO CITY, Mar 4: International Coffee Organization (ICO) producers Tuesday reached a joint negotiating stand in their quest for a new export quota pact.

China to launch 2nd satellite for HK

BEIJING, Mar 4: China will launch a second satellite for Hong Kong Asia satellite telecommunication in 1995, five years after blasting off AsiaSat-1.

NZ stock market needs major reforms

WELLINGTON, Mar 4: New Zealand's stock exchange needed major reforms before it could improve from its position as one of the world's worst-performing sharemarkets.

\$31m US grant for Jordan's projects

AMMAN, Mar 4: The United States will grant Jordan 31 million dollar to finance water, agriculture, health and industrial development projects under an agreement signed Wednesday.

Turkey plans \$18 b investment project

ANKARA, Mar 4: Turkey plans a five-year investment project worth 18 billion dollar to boost the economy in its South East region.

UK company to help Taiwan's car engines

TAIPEI, Mar 4: British sports car maker Lotus will help Taiwan's automobile industry develop car engines.

Dunkel optimistic about quick resumption of GATT talks

BERGEN (Norway), Mar 4: GATT Director-General Arthur Dunkel said the seven-year-old Uruguay Round of world trade talks could soon start moving again.

"I see signs that the pause will be soon at its end," Dunkel, who is attending an economic seminar in the western port of Bergen, told a news conference.

Dunkel said the change in US administration had contributed to slowing progress between the United States and the European Community on liberalising agricultural policies.

He praised the new US administration, referring to President Bill Clinton's plan to curb the budget deficit, raise energy prices and "compete, not retreat" from world trade.

a vis his partners in a very, very strong negotiating position," Dunkel told the seminar.

"I think it's a new breath of fresh air which is coming upon us," Dunkel added. But he also wanted to see US trade policies put into practice.

The Uruguay Round, which started in 1986, aims to liberalise world trade under the General Agreement on Tariffs and Trade.

Dunkel was pleased that the Clinton administration seemed set to seek an extension of the so-called fast-track authority to allow a GATT package to be presented to the US Congress as a whole.

The current fast-track authority expired on Tuesday. Dunkel would not recommend how long the fast-track authority should be extended for but added, "I... propose

that the timetable should be a short one. I'm saying in 1993."

Dunkel said the toughest obstacles for clinching an Uruguay agreement were improved rules on dumping, subsidies and general access to industrial and agricultural sectors.

US-China talks on Beijing's admission to the General Agreement on Tariffs and Trade were fruitful, a senior Chinese trade official said Wednesday.

His assessment differs from that by Douglas Newkirk, assistant US trade representative for GATT affairs. Newkirk said Tuesday the negotiations were being held up by China's refusal to accept special conditions to bring its socialist economy in line with GATT principles.

"Generally speaking, the discussions were fruitful. The talk itself, resumed after a

four-year suspension, is a positive step," said Tong Zhiqiang, Vice Minister of foreign economic relations and trade. He was quoted by the official Xinhua News Agency.

The two days of talks, which ended Tuesday, were on a protocol of accession that spells out China's obligations if it is to join GATT, which regulates most of the world's trade.

The talks were suspended in 1989 following Beijing's military crackdown on a pro-democracy movement. Western nations worried that Beijing would tighten both political and economic controls after the crackdown.

China, which applied to join GATT in 1987 and has been lobbying hard for admission, has repeatedly said it expects its membership to be approved this year. Joining the world trading system would boost Beijing's international prestige.



Tens of thousands of Indian farmers attended a rally at the 17th century Red Fort in New Delhi March 3 to denounce GATT moves on agriculture. Organisers said that under GATT farmers in predominantly agricultural India would be forced to pay higher prices for seeds.

Private investment surges in Third World: IFC study

WASHINGTON, Mar 4: According to a new study by the International Finance Corporation (IFC) — the private sector member of the World Bank group — private investment has surged in a number of countries in the developing world.

The study is titled Trends in Private Investment in Developing Countries 1993 and was co-authored by Guy Pfeiffermann, Director of IFC's Economics Department and Economic Adviser to the corporation, and Andrea Madarassy, a Research Economist in the same department.

investing in industrialised countries. Developing countries offer lower production cost an allow investors to create competitive operations."

The report notes that private investment levels are back to their peak of the late 1970s and in a number of large developing countries are surpassing this peak. In 47 developing countries studied, private investment between 1970 to 1991 increased by 16.4 per cent.

Investment varied across regions with East Asia in the lead (mainly Malaysia and Thailand). Private investment also rose in Eastern Europe

(Hungary and the former Czechoslovakia) and Latin America (Chile and Mexico). Investment in South Asia increased slowly but remained low. sub-Saharan Africa recorded the lowest levels of investment, although Malawi and Ghana showed some recovery.

Foreign investors tend to invest in countries that have large and expanding markets. Between 1985 and 1991, for instance, more than half of the foreign direct investment in the developing world went to countries with the largest markets: Mexico, China, Malaysia, Argentina, Brazil and Thailand.

Indian rupee holds firm against dollar

BOMBAY, Mar 4: The Indian rupee held firm against the US dollar Wednesday, the second day of trading on the inter-bank money market here after Finance Minister Manmohan Singh allowed it to float freely.

The rupee closed at 31.86 to the Greenback. The dollar at one stage weakened to 31.80 rupee but was lifted when the State Bank of India stepped in as a buyer.

Foreign exchange dealers said the rupee's strong showing contrary to fears that it may slide after being floated by Singh in his budget announcement Saturday, was due to unloading of dollar holdings by exporters.

Pak rupee further lowered

Reuters reports from Karachi: The State (Central) Bank of Pakistan lowered the value of the rupee for the second time in two days, to 26.3500/26.4818 to the dollar from 26.3000/26.4315 fixed on Tuesday.

Money brokers said the devaluation was in response to India's decision on Saturday to make its rupee fully convertible.

Tehran, Pindi plan to set up common border market

ISLAMABAD, Mar 4: Pakistan and Iran plan to construct common border markets as an oval way to trade their goods. Pakistan's Commerce Minister Malik Naem Khan said on Wednesday, reports Reuters.

The first such market will be built at Mirjaveh, between southwestern Pakistan and southeastern Iran, to trade a restricted number of unnamed items, he told the Senate (upper house of parliament).

Half of the market will be on the Iranian side and half on the Pakistani side of the border, he added.

More such markets may be set up on other points of the border, the minister said. Measures are underway to check rampant smuggling along the Pakistan-Iran border, he added.

Clinton, Democrats agree on extra spending cuts

WASHINGTON, Mar 4: The White House and conservative House Democrats reached a consensus Wednesday to add spending cuts to President Clinton's deficit-reduction package — but only those they believe can muster majority support, says AP.

One possibility: limiting annual cost-of-living increases in benefit programmes except Social Security, to one per cent below the rate of inflation.

In other developments Wednesday affecting Clinton's plans: Senate Democrats rejected a Republican effort to require deeper spending cuts to pay for an extension of jobless benefits. The Senate defeated that on a 57-43 party-line vote with Democrats argu-

ing that the Republicans were trying to sabotage Clinton's economic programme.

Health and Human Services Secretary Donna Shalala, testifying before the House Budget Committee, said the President's stimulus package includes 500 million dollar for a summer version of the Head Start pre-school programme.

Transportation Secretary Federico Pena said the administration wants to use the entire 14.1-cent-per-gallon federal gasoline tax for highway construction, including the 2.5 cent now designated for deficit reduction. He didn't say how that 2.6 billion dollar switch beginning in 1995 might affect the deficit.

World Trade Centre may remain closed for a month

NEW YORK, Mar 4: The World Trade Centre could remain closed for as long as a month — rather than a week or so, as previously thought — while repairs continue and investigators look for clues to the bombing of the twin towers, says an AP report.

The FBI said it is examining several terrorist groups, including two Palestinian organisations. CNN reported that investigators suspect the bomber was from one of the former Yugoslav republics.

The search for clues at the world's second-tallest buildings gained speed. Ten cars were pulled Tuesday from the bombed-out underground parking garage.

And after trainer dogs sniffed out the area, officials said they had not ruled out a theory that the bombers may have hid in the blast, the Daily News and Newsday reported.

Officials initially estimated the trade centre would be closed at least a week. But workers are encountering complications, said Stanley Brezenoff, executive director of the Port Authority of New York and New Jersey, the centre's owner and operator.

HK announces tax relief for working class

HONG KONG, Mar 4: The Hong Kong government announced tax relief for the working class Wednesday and forecast a series of budget deficits in the run-up to Chinese rule in 1997, reports AFP.

Tabling his 1993-94 budget in the legislative council, Financial Secretary Hamish Macleod said the government was ending the current fiscal year with a budget surplus of 20.54 billion dollar (2.66 billion US dollar).

Such wealth, he said, would enable the government to increase basic income tax allowance for working-class households by 22 per cent — well above the current inflation rate of about 10 per cent.

But the resulting loss of revenue, plus spending on infrastructure projects related to Hong Kong's new airport, means the colonial administration will start running in the red, he said.

For fiscal 1993-94, Macleod anticipated a "modest" deficit of 3.4 billion dollar (440 million US dollar).

Third World leads developed nations in child care

MANILA, Mar 4: Developing nations like the Philippines lead industrialised nations in some areas of child care like breast feeding and immunisation, UNICEF Executive Director James Grant said here Wednesday, reports AFP.

Grant cited the campaign to encourage breast feeding for newly-born babies especially in hospitals and noted that Third World nations were sometimes more active in this regard than developed countries.

He noted that the developing nations agreed that in December 1992 they would ban dairy and food companies from distributing infant formula in hospitals to new mothers. This practice has been criticised for discouraging mothers from breast-feeding.

However, in industrialised countries, the deadline was set for June 1994 because the Infant Formula Manufacturers Association limited cooperation initially to developing countries, Grant said.

He said that currently, only five of 127 de-

veloping countries still allowed infant formula to be distributed in hospitals while of the industrialised nations, only Britain, the Netherlands and the Nordic countries had complied.

He said 3,000 children a day died because they were not breast-fed and that children who used infant formula rather than mothers milk also had poorer health and lower intelligence.

He also cited the campaign to make hospitals switch to "baby-friendly" practices which actively encourage breast-feeding and noted that in this area, some Third World nations again led industrialised nations.

"There are more baby-friendly hospitals in the Philippines than in the United States," Grant observed.

He also noted the rate of immunisation of children in some Third World nations was higher than in developed nations and said that U.S. President Bill Clinton was even looking into borrowing some "Third World techniques" to apply them in the United States.

US, EC need new liberalisation policy toward off trade war

QUETTERSLOH (Germany), Mar 4: The United States and the European Community, heading towards a confrontation over trade, need to consider new ways of liberalising business, leading German Executive Edzard Reuter said on Tuesday, reports Reuters.

The chief executive of top German industrial group Daimler-Benz AG said the cold war had given way to a "cold peace" in which ties binding the United States, Germany and Japan threatened to snap, unleashing a new era of hostile

economic conflict.

"The question is whether we do not need new institutional mechanisms, whether it is not a good idea to institutionalise a free-trade zone between the US and the EC," he told reporters at a two-day conference on American-German relations sponsored by the German media group Bertelsmann AG.

Reuter criticised European politicians for failing to answer the challenge presented by the collapse of the Soviet Union.

He said there were no international political institutions able to guide the reconstruction of Eastern Europe and new political institutions were needed to meet growing challenges and prevent the smothering of world trade.

"All these instruments are basically hollow with the exception of the G7 (Group of Seven, major industrial nations) but even this is degenerating into a friendly meeting where no one wants to take responsibility," he added.

Cuts in agricultural aid raise concern over global food security

WASHINGTON, Mar 4: Reduced international support for agricultural development may undermine economic growth potential in low-income countries and raises concerns over global food security in the long run, says a new report by the International Food Policy Research Institute (IFPRI), reports USIS.

The December 1992 report, "Underrated Agriculture," notes that in 1980 the agriculture sector in developing countries received 22 per cent of total development assistance. By 1990, that share had declined to 14 per cent and the number of dollars to support agriculture, adjusted for inflation, had fallen from about 12,000 million dollar to 10,000 million dollar.

The outlook for the 1990s is for an accelerated declining trend for agricultural assistance, the institute says.

"It is ironic that agricultural development assistance declines at the very time when economic reform programmes low income countries should make investment in agriculture more rewarding, and at a time when almost all increments in agricultural growth and food output must be realised through yield increases and, thus, through investment in research-based technological change for sustainable growth," says the report.

correlation between these growth rates in the less developed and middle-income countries over the 1965-89 period," it says.

In Africa, for example, the report notes that Kenya had five per cent annual agricultural growth during the 1965-80 period and a 4.2 per cent rate of growth in gross domestic product (GDP) in the 1980-90 period. In contrast, during the same periods Nigeria had only a 1.7 per cent rate of growth in agriculture and a 1.4 per cent rate of GDP growth.

Food Needs Remain Unmet Though average food availability in developing countries has climbed over the last two decades, the average per capita calories consumed in the least-developed countries remains almost unchanged — rising from 2,030 in 1969-71 to 2,070 1988-90.

Adding to this concern is the increasing variability in global food grain production and prices and its impact on the poor, the report says.

"Price and income changes affect the consumption of the poor and, in certain circumstances such as famine, can lead to dramatic reductions in their ability to effectively demand adequate food," it says.

Since agricultural production increases on limited land are principally a factor of technological changes, the report says that sustained investment for agricultural research and education are vital in helping these countries provide for their food needs.

Multilateral Banks Cutting Back Assistance The contribution to agriculture by multilateral organisations has declined from 13 per cent to eight per cent of total development assistance over the last decade, while that from bilateral organisations has dropped from seven per cent to six per cent, the report says.

The World Bank, the largest single donor to agriculture, provides about 30 per cent of all agricultural assistance to developing countries, down from 40 per cent in 1980. The United States' share of total bilateral agricultural aid has steadily decreased from more than 30 per cent in the early 1980s to less than 15 per cent in 1989-90.

In part, the decline in multilateral assistance has been offset by some bilateral donors, particularly Japan, but also Scandinavia, Italy, Britain and France. One-quarter of total bilateral assistance to agriculture in 1990 came from Japan.

IFPRI believes that a decline in expected performance of a number of agricultural projects and a poor macroeconomic climate have been major factors in expenditure reductions.

"Donors apparently had difficulties in simultaneously scaling back in the less successful areas and increasing spending in the areas of proven success," the report says.

But it argues that with the agricultural policy reforms being implemented in many low-income countries today, higher payoffs to agricultural investment are forthcoming.

Cutbacks in international agricultural development assistance can hardly be rational at a time... when environmental threats to the sustainability of growth arises from inappropriate technological change — a result of underinvestment in appropriate research — are finally being fully recognised.

Middle East's share has remained unchanged while South and East Asia and the Pacific continue to capture the largest share of all assistance for agriculture, between 40 and 50 per cent.

Land and water development were allocated smaller shares of total agricultural assistance while macroeconomic reforms and agro-industry development gained larger shares.

The report argues for strengthening the capabilities of low income countries in food and agricultural policy design and implementation with a greater allocation of public expenditures to agriculture.

"Shortage of entrepreneurial talent and unavailability of key inputs including land, irrigation, fertilizer, and seeds have contributed to slow agricultural growth," it says. Overcoming these shortages, the report says, will require legal reforms, improved rural infrastructure and stronger institutions within the agricultural sector itself. Projects will need to include greater conditionality, with specific targets for expenditures, it says.

Table with 5 columns: Country, 1980, 1982, 1984, 1986, 1988, 1990. Rows include Canada, France, Germany, Italy, Japan, Britain, U.S., and Total. Source: IFPRI