BRIEFS

WB cancels $63m grant to Cambodia

PHNOM PENH, Mar 6: The World Bank cancelled its plans Friday to grant a 63 million dollar loan to Cambodia because some factions would not agree to accept it, financial officials here said. A World Bank team from Washington has been in Cambodia negotiating disbursement of the loan for the last week. But the radical Khmer Rouge and the Funcinpec faction have strongly objected to it being granted on the grounds that it would help the existing Phnom Penh government, reports AFP.

Dollar, gold surge in New York

NEW YORK, Mar 6: The US dollar surged in heavy trading Friday, bolstered by a cut in German interest rates and a huge increase in domestic job creation last month. Gold prices also advanced worldwide. On the New York Commodity Exchange, gold bullion for current delivery settled at 329.80 dollar a troy ounce, up 80 cent from Thursday. Republic National Bank said gold added 85 cent ounce to a late bid price of 329.60 dollar. The dollar began climbing in European trading after Germany's Bundesbank cut money market rates, reports AP.

Rothmans to build new plant

MOSCOW, Mar 6: The Rothmans' International Tobacco Company of Britain will invest 90 million dollar in a tobacco factory project in St. Petersburg, a news agency reported Friday. The Interfax news agency said an agreement to the effect has been signed by Rothmans officials and St. Petersburg's Nevtabak joint stock company. The two companies have also set up a Rothmans-Neva joint venture to run the new factory, reports AP.

Bonn's unemployment hits record high

NUREMBERG (Germany), Mar 6: German unemployment rose in February, nearing its highest level since World War Two, as the country's economy slipped further into recession, the Federal Labour Office said on Friday. Unadjusted joblessness in former West Germany rose by 30,000 to 2.29 million, an unemployment rate of 8.4 per cent, from January to stand well above 1.86 million a year earlier, reports Reuter.

India to import $6.2b oil, petroleum

NEW DELHI, Mar 6: India will spend 6.2 billion dollar in fiscal 1992/93 (April-March) on the import of crude oil and petroleum products, Minister of State for Finance Abrar Ahmed said in parliament. India's oil import bill was 5.36 billion dollar in 1991/92 and it was 6.02 billion the year before. The country's current account deficit is estimated to be around 7.0 billion dollar in 1992/93, he said, reports Reuter.

$100m WB loan for flood-hit Pakistan

WASHINGTON, Mar 6: The World Bank Friday announced a 100 million dollar loan to help Pakistan rebuild roads, bridges and other infrastructure destroyed or damaged by floods during last year's monsoon season. The funds will be provided by the International Development Association, the bank's branch that specialises in loans to developing countries. The World Bank said the flood had cost Pakistan 2.4 billion dollar, reports AFP.

Malay tin output falls to record low

KUALA LUMPUR, Mar 6: Malaysia produced only 14,339 tonnes of tin last year, the lowest output in five decades due to closure of mines in the face of declining prices stemming from excess stocks and poor demand, officials said Friday. Output for 1992 was down significantly by 31 per cent from 20,710 tonnes the previous year, although production of 1,201 tonnes in December last year was the highest monthly output in nine months, the Statistics Department announced late Thursday, reports AFP.

Russia will turn to other grain markets if US fails to resume delivery soon

MOSCOW, Mar 6: A senior Cabinet member warned Friday that if the United States fails to resume grain deliveries shortly, Russia may abandon the American market and turn to other suppliers, reports AP.

Out of the 16 million tons (17.6 million short tons) of grain Russia plans to buy in 1993, at least seven million tons (7.7 million short tons) will be purchased outside the United States, Deputy Prime Minister Alexander Shokhin said at a news conference.

"And if within the next few days or weeks... grain shipments are not resumed, Russia will have to turn to other markets," he said.

The US Agriculture Department cut off credits to Russia for this year after Moscow defaulted on more than 300 billion dollar in US government-backed loans for a grain and other farm goods.

Shokhin said Russia already had secured shipments of five million tons (5.5 million short tons) of grain against French and European Community credits, and plans to buy two million tons (2.2 million short tons) from Australia.

"Moreover, Australia is willing to make larger shipments on a long-term basis," he said.

Australia wants payments in cash, and Shokhin said Russia will pay as demanded "if the situation becomes hopeless."

"But if we spend cash, this will mean, in particular, the drain on the resources which could be used to service our debts to America," he said.

In an interview with the daily newspaper Izvestia Friday, Shokhin said US officials he met during his recent trip to Washington displayed "due understanding" of the problems and promised to resolve it within the next two or three weeks.

Russia also hopes to agree on rescheduling of the former Soviet debt with the Paris Club of creditor nations by the end of March, which "will automatically remove the problem of debts under grain loans," Izvestia quoted Shokhin as saying.

Russia is having difficult negotiations with the Paris Club which wants it to pay at least 5.1 billion dollar in 1993. The former Soviet debt is estimated at between 70 billion dollar and 86 billion dollar.

Russia insists on paying only 3.5 billion dollar, the maximum payment it says it can make this year without having to sell an additional amount of oil and natural gas for hard currency abroad, instead of supplying the former Soviet republics.

If forced to do that, Shokhin said, "this will place our country and its neighbours in a still worse position," as the move is likely to disrupt bilateral trade.

Shokhin said that Russia will resume paying the former Soviet debt as soon as an agreement with the Paris Club is finalised.

Moscow still hopes for US loans

Reuter adds: Russia, 447 million dollar in arrears on US farm loans to the Soviet Union, hopes a new credit deal can be signed to prevent the collapse of grain trade with the US, Deputy Prime Minister Alexander Shokhin said.

Shokin, Russias chief debt negotiator, told a news conference his recent visit to the US had been aimed at preventing a halt to grain trade and separating Russia's debts from those built up by the former Soviet Union.

One alternative is to do this on the basis of another commercial credit, he said.

Shokhin said one possibility was to wait until a debt rescheduling deal was signed with the Paris Club of creditor nations before seeking new agricultural credits.

A second — favoured by some Senators and Congressmen — was to decide something before a Paris Club agreement.

Shokhin said he was not a grains expert but he expected Russia to buy 16 million tonnes of grain from abroad this year after 26 million in 1991/2.

"We expect grain imports of 16 million tonnes this year, harvest to harvest, mostly from the United States, so it is obvious that we are creating a difficult situation, he said.

"If the grain supply (from the United States) is not resumed Russia will have to ask for grain from other markets, to re-orienate its trade."

Bombay band scam
Allegation of Rao's son's involvement denied

NEW DELHI, Mar 6: India's government denied Friday allegations that Prime Minister PV Narasimha Rao's son had been involved in a 20 million rupee (666,000 dollar) loan with a stock broker implicated in a securities scam, reports AFP.

Amid an uproar from lower house opposition members, Parliamentary Affairs Minister PR Kumaramangalam said the allegation were false.

"The report is not true, the minister said of the allegations contained in a report by Indian Express newspaper Tuesday which linked Rao's son, Prabhakar Rao, to the loan arranged between broker Hiten Dalal and Gold Star Steel and Alloys Ltd.

Singapore now scrambling to keep its edge over neighbours

SINGAPORE: Even during the boom decades of the 1970s and 1980s, Singapore's founder statesman Lee Kuan Yew had been given to warning his 2.7 million people not to take their affluence for granted.

But Lee's words of caution have now taken an edge of urgency as the tiny city-state begins feeling other Asian countries breathing down its neck.

Lee is the chief architect of an economic miracle that turned a colonial backwater into Asia's financial and trading powerhouse. He stepped down in 1990 as prime minister and has since been globe-trotting to teach his tricks of trade to leaders of countries like Mauritius and Vietnam.

But it is at home that the 'senior minister' — as the ex-premier is now call — has taken his 'pragmatic pessimism' a notch higher to sound alarm bells over Singapore's vulnerability to external economic factors.

Singapore is a self-made nation that pulled itself up by the bootstraps after cutting off from the Malaysian Federation in 1965. Many then predicted it would not survive. But Lee's prescribed success formula of iron discipline, hard work and foreign investment for export-led growth proved them wrong.

After hurdling a plunge in its economic fortunes in the 1970s, the tiny country went on to establish itself once more as the regions financial and communications hub and the Asian home of many transnational manufacturers.

Today the annual per capita income of Singaporeans has soared past the US$14,000 mark — making the country the third richest in Asia after Japan and Brunei.

But in a recent speech to cadres of his Peoples Action Party (PAP), Lee warned that Asia's other newly-industrialised economies (NIE) like Hong Kong, Taiwan and South Korea are leaving Singapore behind.

Close on Singapore's heels are next-door neighbours Malaysia, Thailand and Indonesia, which have successfully replicated Singapore's good fortune. With these countries lower labour costs making them more attractive to foreign investors, Lee said Singapore will drop behind unless it becomes more productive.

The jewel of the Singapore economy, the financial sector, faces intensifying competition form regional 'wanna-be's' and even from established centres like Tokyo growing more fearful of losing valuable business, said the official Straits Times newspaper here in January.

The paper echoed the general feeling that recession in the West, though less gloomy, is still fragile and has the potential to hurt growth at home.

With its economy still excessively dependent on trade — the value of which is thrice that of its GDP — Singapore remains vulnerable to slowdowns overseas, especially in the United States, it's main trading partner.

Our real problem is that if we do not move in a new direction, Singapore is going to be a failed NIE, Lee said in a speech delivered in November, an edited version of which was published in the party paper in December.

IPS report

Turkey secures $175m loan for motorway projects

ISTANBUL, Mar 6: The Republic of Turkey secured a 175 million dollar loan toward its motorway projects from a group of banks led by Italy's Instituto Bancario San Paolo di Torino, reports Reuter.

The loan will consist of a 100 million dollar export loan and a commercial loan of 75 million dollar, the treasury said. Officials were not available to supply details of the maturity and interest rate of loan which is guaranteed by the treasury and which will be signed in Ankara today.

Turkey last June obtained a 300 million dollar syndication for highway projects from 10 co-arranger banks including JP Morgan, Citicorp, BNP, Capital Markets and Commerzbank.

Two tranches of a 225 million dollar commercial loan had three and five year maturities while a 75 million dollar export loan extended to 13 years.

Interest rates drop to historic low, stocks up

NEW YORK, Mar 6: Interest rates dropped to historic lows last week, and stocks moved higher, reports AP.

Many stock analysts have decided that the benefits to corporations of attractive financing costs are far-reaching and significant, and outweigh any higher-tax paranoia over President Clinton's therapy for economic recovery.

With long-term rates well below 7 per cent, corporations can cut millions of dollar in debt-service costs by refinancing. They can borrow money at attractive rates to expand and improve, which helps in job creation.

Lower rates also encourage consumers to refinance their mortgages and other debt, which frees more spending money and can stimulate the economy.

Ultimately, that all translates into a promising profit picture for the nation's businesses, and, by extension, for their stocks, analyst said.

"If you're refinancing a house, you're going to get a pretty terrific interest rate here," said Peter Canelo, stock market strategist at County NatWest Securities. "You may be able to save hundreds of dollars monthly, which will more than pay for the tax increases that are coming."

The Dow Jones average of 30 industrial stocks closed the week at 3,404.58, up 33.50. Among broad-market indexes, the NYSE composite rose 1.91 to 245.99. On the American Stock Exchange, the market index advanced 6.96 to 413.80.

The defining event for the stock market last week was on Friday, when the Labour Department reported that nonfarm payrolls rose a stunning 365,000 last month.

That is more than three times the previous month's increase and the biggest gain since January 1989. It was also far above market expectations for a 125,000 gain.

Unemployment dropped by 0.1 percentage point to 7.0 per cent, the department reported. Economists had expected it to grow by 0.1 percentage point.

Analysts had fretted in previous weeks that the economy could not have a meaningful recovery without significant job growth. As long as people were out of work or worried about their jobs, they reasoned they would not spend money on durable goods like houses, washing machines and automobiles.

Venezuela, Russia will sell oil to Cuba

CARACAS, Mar 6: Venezuelan and Russian officials said they will sign a framework agreement on Wednesday that would allow the two nations to resume a triangular agreements to provide oil to Cuba, reports Reuter.

Edvard Grushevenko, Russia's first deputy Fuel and Energy Minister, said the agreement will determine questions of cooperation, technology exchange and other issues such as the interchange of fuel supplies between Venezuela and Russia.

Under the triangular accord, Venezuela would fulfil Russia's oil supply obligations to Cuba, and Russia would provide crude to Venezuelan customers in Europe.

A broker strikes a deal at the Hong Kong stock exchange as share prices rose to another all-time high March 5, buoyed by increased optimism of a settlement to on-going political wrangling between China and Britain over Hong Kong's political future. — AFP/UNB photo

US govt helping small, mid-sized firms in export to CIS

WASHINGTON, Mar 6: The government is spending two million dollar to help small and mid-sized US companies sell products in the former Soviet Union, reports AP.

Commerce Secretary Ronald H Brown on Friday announced four grants of 500,000 dollar to business groups that will use the money to operate offices in the former Soviet republics.

Brown, at a news conference, said the programme was an example of the commitment of President Clinton's administration to forming a partnership with business to create jobs in the United States.

He acknowledged that the Consortia of American Businesses in the Newly Independent States programme had been under development in the Bush administration. Two grant recipients had been announced in October.

The grant recipients, including the two previously announced, are:

— American Building Products Exports Council and the Home Builders Institute, Washington.

— The American Graduate School of International Management, Glendale, Ariz.

— The Food Processing Machinery and Supplies Association, Alexandria, Va.

— Semiconductor Equipment and Materials International, Mountain View, Calif.

— Telecommunications Industry Association, Washington.

— World Trade Centre Association of Orange County, Irvine, Calif.

Clinton pledges help revitalise Russia

WASHINGTON, Mar 6: President Clinton pledged to aggressively engage the United States in the revitalisation of Russia during a April 3-4 summit with President Boris Yeltsin in the city of Vancouver on Canada's west cost, reports Reuter.

Calling the embattled Yeltsin a man of real courage and real commitment to democracy, Clinton said he would discuss financial aid to Russia during the summit as well as other ways to strengthen democracy there.

Money will be discussed, he told reporters. But its not just a question of money, and it's certainly not money alone.

Asked if Russia had made enough progress on reforms to justify and increase in US aid Clinton said: I believe they've made enough effort to us to try to engage them in specific actions that will produce economic results.

Yeltsin's efforts toward reforms in Russia are increasingly under threat and the Russian economy is going through an economic downturn worse than the great depression of the 1930s in the United States. Many experts see the situation as on the August 1991 coup against the — Soviet President Mikhail Gorbachev.

Former President Richard Nixon, in an article in the New York Times Friday, predicted that without a substantial increase in aid form the west, the Yeltsin government will not survive.

He said Russia represents the major foreign policy issue of our, time and that Clinton could establish himself as the world's prominent statesman by leading an international effort to save Russia from imploding.

Clinton, whose 45 days in office have been dominated by US domestic problems, said he agreed with the general thrust of Nixon's article.

Clinton said his meeting with Yeltsin would go beyond the traditional ceremonies of summit.

"This will not be a meet-and-greet meeting with President Yeltsin. We have met before, and we have talked several times since I have been in office. I am going there to try to have a very business-like meeting," he said.

I'm going there to this meeting with the intention of trying to more aggressively engage the United States in the economic and political revitalisation of Russia, he said.

ADB lending surpasses $ 5b in '92

Asian Development Bank (ADB) lending surpassed the $ 5 billion mark for the first time in 1992. Lending to the public and private sectors totalled $ 5,109 million, a 7 per cent increase over 1991.

In addition, the Bank approved four direct equity investments totalling $10.6 million and one equity underwriting of $ 5.2 million in the private sector. These investments brought the total volume of bank operations for the year to $ 5,125 million, also a record.

Lending from ordinary capital resources (OCR) rose 15 per cent to $ 3,954.4 million while loans from the concessional Asian Development Fund (ADF) fell 14 per cent to $ 1,155 million. The drop in ADF lending was temporary, reflecting the Bank's emphasis on dialogue with developing member country (DMC) governments on policy-related issues, implementation of ongoing projects and cross-cutting issues related to social dimensions and environment impact assessment of projects.

The 1992 lending total included $ 5,059 million in government and government-guaranteed loans and $ 50 million in loans to the private sector without government guarantee.

Government-guaranteed loans rose 10 per cent and this was mainly due to an increased number of sector and disaster rehabilitation loans. Eleven sector loans were approved for a total of $1,074.25 million, a 62 per cent rise over 1991. Disaster rehabilitation loans increased nearly sixfold to $ 161 million from $ 28.8 million in 1991, reflecting the Bank's response to a volcanic eruption in the Philippines, floods in Pakistan and cyclones in Bangladesh and Western Samoa. Programme loans rose by a third to $580 million, 95 per cent of which came from OCR.

Co-financing more than doubles

The amount of co-financing arranged by Asian Development Bank more than doubled to $3,150 million in 1992. Co-financing is becoming an increasingly significant Bank activity in the face of its finite lending ability and the regions growing demand for development aid.

Twenty-two Bank-supported projects and programmes, or 34 per cent of the loans approved, were co-financed last year.

Official sources of co-financing, other than export credits, contributed $2,1326 million, a 270 per cent increase over 1991. Of this, $1,216 million was provided by multilateral agencies and $917 million by bilateral agencies. Co-financing from commercial sources jumped 31 per cent of $272 million, while co-financing from export credit agencies rose 9 per cent to $746 million.

By the end of 1992, 351 Bank projects had received co-financing totalling $13.9 billion.

Most commodity prices to lose, keeping lid on inflation

LONDON, Mar 6: Most commodity prices are set to languish for at least another year, keeping a lid on inflation even if the world economy revives, analysts say, reports Reuter.

"The outlook is for fairly flat industrial raw material prices this year, said Gerald Roberts, Consulting Editor with the independent Economist Intelligence Unit (EIU).

an era of strong, sustained growth in the world economy is needed for huge stockpiles of commodities built up during the recession — and as a result of a flood of CIS exports — to be drawn down to a level where they no longer reign on prices.

In soft commodities, years of over production by Third World states seeking hard currency have added to surpluses. In these cases, world economic revival is less important than output cuts, analysts say.

For industrial raw materials, cutbacks would help, but they need to be on a grand scale to make a lasting impact. The only real cure is strong economic growth, though prospects are bleak.

"Output in Germany and Japan could well fall this year, though the United States is expected to expend by about three per cent, said the EIU's Roberts.

The only bright spot is South East Asia, where rising living standards and a booming economy have triggered a surge in commodity import — gold for jewellery and investment, copper for power cabling and soybean meal to fatten livestock. Chinese expansion saw a rise in purchases of bullion and base metal.

But development in the former Soviet Union dose the ardour of venal the most fanatical market bulls. Consumption of metal has dropped faster than output, leading to growing stockpiles.

Huge amounts of raw materials unable to find local buyers have found their way onto the world market, often by the back door, robbing emerging republics of foreign exchange.

The quality of these exports, emanating from antiquated and polluting industrial plants, is often far below that traded in the West, and undercuts the market still further.

It's likely that consumption will fall more quickly than output for a few more years, resulting in surpluses continuing to come onto the world market, said Robert.

Analysts say commodities are in the last financial market to rise ahead of an economic recovery, but this time they are likely to lag some way behind any revival.

Last year metal markets boomed on economic optimism, only for expectations to be shattered when no recovery was visible.

Next time it will take longer to enthuse a rally.

British-based technical analysts David Sneddon said US raw material prices as measured by the Commodity Research Bureau index may be set to rise in the near term.

But this prognosis is based entirely on past price performance and ignores fundamental factors such as high stocks.

"The CRB index has managed to clear important resistance around 204 ... this leaves a sizeable base to support moves to 208/212, said Sneddon of Investment Research, Cambridge.

Although the dollar prices outlook seems float, fluctuations in other currencies affect inflation impact on local economies.

The sharp fall in sterling for example has led to a rise in British raw material import process, but they have fallen in Germany and Japan.

Commodity analysts offered the following ideas on markets, crude oil —consensus seems to be that 1993 prices will be little changed from 1992, perhaps averaging 19 per barrel dollar for the benchmark brent blend of crude.

Prices might drop if the United Nations ends its embargo on Iraq's oil exports. But Islamic unrest in any key Arab capital or a decline in unpredictable Russian oil sales might spike prices.

Gold — fairly static at 329 dollar an ounce, just above seven year lows. Huge central bank holdings weigh on sentiment. Those holding long positions fear more officials sales, but demand, especially in Asia is booming and world output has peaked.

Platinum, palladium, silver — depend on industrial revival for lasting recovery. First two rely heavily on demand for from car makers for catalysts and car output has slumped.

Platinum at 340 dollar is only some 10 dollar an ounce above eight year lows. Silver only needs to fall a few cent from current 357 cent announce to hit 20 year lows.

Base metals — copper is well supported, but aluminum zinc and nickel desperately need output cutbacks a market is flooded by export from former Soviet Union. Weighed down by nearly three million tonnes of stocks in London Metal Exchange Warehouses.

Coffee, cocoa, sugar — first two edging higher but both not far from 20 year lows. Both have surpluses to mop. Talks on price support accords possibly heading for failure, sugar may see a reasonable recovery as it swings to deficit from surplus.

Sheath — prices may fall back if the 1993 world crop is as expected and if reasonable quality, and Russian imports continue to be affected by credit problems.

Japan's lower house okays $ 621b budget

TOKYO, Mar 6: Japan's lower house on Saturday approved a tight 72.35-trillion-yen (621 billion dollar) budget for the new fiscal year that includes several measures to try to jump-start the moribund economy, reports AP.

The spending blueprint represents a meagre 0.2 per cent increase from the current fiscal year, the lowest growth rate in six years.

The government is being squeezed by declining tax revenues as Japan weathers its worst recession since the mid-1970s.

The 512-member House of Representatives, where Prime Minister Kiichi Miyawa's Liberal Democratic Party has a stable majority, approved the bill by a 272-206 vote.

Facing pressure to reduce Japan's chronic trade surplus and to stimulate global growth, the government targeted growth of 3.3 per cent for the new fiscal year, which begins April 1.