BRIEFS

Kuwait will lend $16.5m to Vietnam

HANOI, Mar 17: Kuwait will lend Vietnam five million Kuwaiti dinar (about 16.5 million dollar) for an irrigation project in the central highlands, it was announced Monday. The sum is repayable over 20 years, including a five-year grace period, at 2.5 per cent plus 0.5 per cent for administration, Murtada Ahmed Ibrahim, head of a delegation from the Kuwait fund for Arab economic development, told a news conference, reports Reuter.

UK economy to grow by 1.25 pc in '93

LONDON, Mar 17: The British economy will grow 1.25 per cent in 1993 after falling 0.5 per cent in 1992, British Chancellor of the Exchequer Norman Lamont said Tuesday. Growth will rise to 1.75 per cent between mid-1993 and mid-1994, and to three per cent at an annual rate in the first half of 1994. Underlying inflation will increase to 3.75 per cent in 1993 against 3.2 per cent in 1992. He added, but will fall again in the medium term, reports AFP.

UAE opens telecom tools market

ABU DHABI, Mar 17: Etisalat, the United Arab Emirates' telecommunications monopoly, is loosening its grip on a booming market for telephones and faxes. General Mana-ger Ali Salem Al-Owais told Reuter on Tuesday Etisalat will permit foreign manufacturers to import and sell telephones, faxes, modems and other equipment in the UAE as of April 1, reports Reuter.

FICCI to speed up India's export growth

NEW DELHI, Mar 17: The Federation of Indian Chambers of Commerce and Industry (FICCI) has made up a 10-point plan of action to accelerate the export growth by 20 per cent in dollar terms. The plan, which will be presented to the forthcoming conference of trade policy reforms, spells out 'focused strategy' for augmenting the exports of some industrial product groups, says Xinhua.

Dollar down against currencies in NY

NEW YORK, Mar 17: The dollar was down against the other major currencies Tuesday with investors holding off until the bi-weekly meeting of the Bundesbank Thursday. The ounce of gold was down 80 cents to 328.50 dollar com-pared to its close Monday. The dollar was trading at 1.6607 German marks against 1.6615 marks several hours earlier in London at 1.6630 Monday evening, reports AFP.

US, Canada, Mexico to eliminate tariffs

WASHINGTON, Mar 17: Despite President Clinton's tough talk on trade, the US is ready to make 'big concessions' to Canada and Mexico in negotiations on environmental and labour issues starting on Wednesday, the Wall Street Journal reported Monday. The North America Free Trade Agreement (NAFTA), reached between the US, Canada and Mexico last August is expected to eliminate tariffs on most trade among the three countries in 15 years, says Xinhua.

Wage negotiations in East Germany fail

BERLIN, Mar 17: Wage negotiations affecting the 20,000 steel workers in former East Germany failed on Monday, giving rise to fears of a new labour conflict in eastern Germany following one in the metal industry, union sources said Monday. The powerful metal union is demanding application of a wage agreement concluded in 1991 that calls for wages of workers in former East Germany to be increased to 70 to 80 per cent of the level in western Germany on April 1, and for equalization in a year. Employers have refused, saying they do not have the funs to meet the demand, says AFP.

$15 m IDB loan for Pak crude purchase

DUBAI, Mar 17: The Jeddah-based Islamic Development Bank IDB on Tuesday extended Pakistan a 15 million US dollar loan to finance the purchase of crude oil. The Saudi Press agency said the bank, set up in 1975 to promote trade between Muslim states, had lent Pakistan a total of 1.56 billion US dollar to finance imports and development projects.

China to boost military spending, push market reforms in '93

BEIJING, Mar 17: China will boost military spending 12.5 per cent and try to cut its persistent budget deficit in 1993 while pushing forward with market reforms Finance Minister Liu Zhongli told parliament Tuesday, reports AFP.

The 42.5 billion yuan (7.4 billion dollar) defense budget represents nine per cent of the government's total budget of 473 billion yuan (82 billion dollar).

The 12.5 per cent increase is nearly double the 6.8 per cent overall rise in the 1993 budget. The increase in the 1992 military budget had been 12 per cent.

China has vehemently denied charges it is building up its armed forces to secure regional superpower status, saying that its defense spending is fraction of that by western countries.

The minister also told the National People's Congress (NPC) that the government exceeded last year's fiscal deficit target by 14.3 per cent, confirming an actual deficit of 23.75 billion yuan.

The government will try to come in with a smaller shortfall this year of 20.5 billion yuan, Liu said.

The Chinese government has operated in deficit every year except for one, 1985, since the reform and opening policy was launched in 1979.

The faster-than-average rise in military spending compared with a 1.4 per cent increase on capital construction and an eight per cent rise for culture, education, science and public health.

In a sign that the authorities intend to push forward with price reforms, which tend to boost inflation, subsidies to compensate for price increases will grow 15.6 per cent to 37.25 billion yuan.

Liu did not say how much the government paid in loans and subsidies to money-losing state enterprises, which officials have identified as the biggest drain on government coffers.

"This year the number of unprofitable industrial enterprises covered in the budget should decrease by five percentage points," the minister said.

"In future, financial department's will grant appropriate subsidies to enterprises that suffer policy-related losses and will resolutely stop subsidising those enterprises that have no prospect of making a profit," he said.

He also called for better tax collection and tighter controls over extravagance and waste.

The NPC is expected to pass the 1993 draft budget with few revisions at the end of it's current two-week session, which opened Monday.

The 2,978-member parliament, meeting in Beijing's Great Hall of the People also heard Tuesday a report on economic and social development by Vice Premier Zou Jiahua.

Zou failed to provide an exact economic growth target for 1993.

"The gross production should increase by eight per cent," he said, but added that the target left "some room for leeway" and was expected to be "exceeded in implementation." he said.

The government's failure to set a GNP target indicates a continuing rift between reformist officials, who advocate faster economic growth at the risk of inflation, and conservatives favouring a slower and more stable expansion.

Zou, who also serves as minister for state planning, said GNP growth for the remaining years of the eight five-year (1991-95) had been raised to an average eight-to nine-per cent a year from the original six per cent.

The revision followed rapid growth of 12.8 per cent last year.

"In the midst of the great progress seen in 1992, there were also some problems worthnoting," the Vice Premier said.

While avoiding the word "overheating" he said that "there was recklessness evident in the distribution of stocks and bonds the establishment of development zones and the development of the real estate industry."

"There were still difficulties in the state finance, with an overly rapid increase in the issuance of bank credit and currency and increased potential inflationary pressure," he said.

Zou laid special stress on the development of agriculture. Growth of farmers' incomes has lagged behind that of urban industrial and service workers, and officials have warned that the gap is a potential source of social and political unrest.

Japan's trade surplus rises to $10.56b

TOKYO, Mar 17: A 2.8 per cent fall in imports pushed Japan's customs-cleared trade surplus wider last Month to 10.56 billion dollar, slightly up from February 1992 but nearly double the figure for January, the Finance Ministry said on Tuesday, reports Reuter.

The surplus with the United States stretched to 4.37 billion dollar from a revised 3.68 billion dollar a year earlier, the ministry said.

The politically explosive bilateral trade gap is certain to loom large when Prime Minister Kiichi Miyazawa holds talks in Washington next month with President Bill Clinton.

The US leader has said he wants Japan to take strong action to reduce the surplus.

Blasts in Bombay hit Indian tourism

BOMBAY, Mar 17: A series of bomb blasts that devastated Bombay is likely to further undermine attempts to boost tourism in India after the peak winter season was badly affected by Hindu-Muslim riots, tour operators said, reports Reuter.

"Every foreigner from this hotel, except for a few businessmen and airline crew, checked out the day after the bombs," an employee of one luxury hotel said.

The state-run domestic carrier Indian Airlines reported a 40 per cent drop in passengers on flights to Bombay since last Friday's blasts ripped through major landmarks, killing at least 250 people and stunning Indias commercial capital.

"We have been receiving many anxious queries from abroad on the situation here," an official of the Taj Group of Luxury Hotels said.

In Washington, the US State Department warned Americans to stay away from New Delhi because of a "heightened threat of terrorism."

Department spokesman Richard Boucher said: "New information available to the US government suggests that there may be a heightened threat at this time of additional acts of terrorism in New Delhi."

Diplomats said they were not aware of any new information available to the Americans. The warning probably reflected reports from the US embassy noting a tense atmosphere in Delhi and a feeling, as one put it, that "this is not over yet".

A senior Indian official said security had been increased in the capital after the Bombay bombings. "If someone is going to hit Bombay, then logic tells you that New Delhi is the next likely target," he said.

In Agra, home of the Taj Mahal, India's most famous tourist attraction, police said they saw a similarity between the blasts in Bombay and bombings at two hotels, a passenger bus and a train in Agra exactly a month ago.

In Bombay, the targets included three luxury hotels and the headquarters of the national airline, Air India.

"It has created quite a scare because we have already had many bad events," said Gladwyn Pinto, Executive Secretary of the Travel Agents Association of India.

Plans to boost tourism have suffered because of recent communal riots and a crippling strike at the domestic flag-carrier Indian Airlines, which lasted for much of January.

"The bombings are likely to further affect tourist arrivals," Pinto said.

India was expecting tourist arrivals to touch a record two million in the 1992/93 financial year ending in March, but officials said the final figure was likely to be more than 200,000 short of that.

The tourism industry employs 1.7 million people.

The peak tourist season in December and January was badly hit by a wave of Hindu-Muslim killings following the destruction of a mosque by Hindu zealots.

"But tourism suffered much more by the Indian Airlines strike than during the communal riots," said Maharashtra State Tourism Development Corporation chief Dev Mehta.

Japan, China to talk tariff in Geneva soon

TOKYO, Mar 17: Japan and China are holding talks in Geneva this week in preparation for full-scale negotiations between the two countries on reducing Chinese tariffs a foreign ministry spokesman said Tuesday, reports AFP.

"The Japanese side and the Chinese side are exchanging information for the purpose of tariff negotiations," the spokesman said. "Both sides have agreed in talks to start negotiations some time in the future."

Japan is reportedly the first major industrial country to hold such talks with China, which are considered as a prerequisite for China joining the General Agreement on Tariffs and Trade (GATT).

China was Japan's fifth-biggest trading partner last year with two-way trade approaching 29 billion dollar. China is also one of the few countries to enjoy a trade surplus with Japan and last year's figure of five billion dollar was the highest for any country apart from Japan's major resource suppliers.

Clinton may reconsider some defence cut plans

WASHINGTON, Mar 17: US President Bill Clinton said he might reconsider some of his proposed deep defence spending cuts in light of developments in Russia and other international crises, reports Reuter.

But officials said Clinton wants to keep another controversial part of his economic package -- proposed spending to stimulate the economy and create jobs -- on track.

Asked by a reporter if he thought he could afford to cut the defence budget as much as he wanted to in light of tension in Russia, Clinton replied: "We're going to have to see."

"We'll have to cut it some. We can't meet the deficit reduction targets if we don't. What's happening in Russia may or may not present an additional threat to our security but what we hope we can do is to keep democracy and economic reform going."

Democrats in the House and Senate are considering more than 100 billion dollar in defence spending cuts over the next five years. But a power struggle between Russian President Boris Yeltsin and the parliament has raised questions about the future of Yeltsin and his drive to convert Russia to both a stable democracy and a functioning free-market economy.

The crisis in Russia and in war-torn former Yugoslavia are prompting some lawmakers to question whether proposed steep cuts in US defence spending might go too far.

Chief White House spokesman George Stephanopoulos played down the possibility of a retreat on defence cuts but conceded that possibility could not be ruled out.

Foreign investment in US drops

WASHINGTON, Mar 17: Direct foreign investment in the United States dropped to 2.6 billion US dollar in 1992, the Organisation for International Investment (OFII) said here yesterday, reports Xinhua.

This is the first annual drop in nearly 50 years, the organisation said.

Meanwhile, the OFII said, American corporate investment dollar flowing out of the nation climbed to 36.3 billion dollar in 1992.

New foreign investment in the US hit an all-time high of 69 billion dollar in 1989, and such investment had declined over since.

Analysts here said the world-wide economic recession was believed to be a leading factor for the slump in foreign investment in the US last year.

Tajik refugees in Afghanistan prepare to leave for home Wednesday. —Star TV photo

US deptt eager to help Russia's grain problem

WASHINGTON, Mar 17: The US Agriculture Department seems to be increasingly in favour of helping to move 250 million US dollar in booked but unshipped commodities to Russia, several grain industry and congressional sources said, reports Reuter.

"I think it's all being reviewed and being discussed, but it's not a firm commitment to do anything specific other than to say they will look at it," another grain sources said.

Sales of about 250 million US dollar worth of commodities Russia bought with US credits were registered, but shipments were held up when Russia stopped making payments on the loans.

Trade sources have said the goods could be shipped despite Russia's suspension from the credit programme, but USDA must amend the credits to cover new shipping times. Price, freight, and financing terms also would have to be renegotiated.

"I've had two or three people say the CCC (USDA's Commodity Credit Corp) has told exporters to get cranked up," a bank source said. "Exporters seem to think there is something moving."

But a bank source said some banks would not be willing to renegotiate the expired financing terms on the loans unless Russia came current on its mounting bad debts with the United States.

IMF to endorse Egyptian economic reforms

CAIRO, Mar 17: An IMF board meeting in Washington later this week will endorse the results of two years of economic reforms in Egypt, opening the way for a further three billion dollar of debt forgiveness, western economists said, reports Reuter.

The International Monetary Fund will meet on Thursday to consider a final review of a reform package signed with the Arab world's most populous country in May 1991.

Western economists said that despite frustrating delays, the reforms had been strong enough to begin to prise loose the government's grip on the economy and unleash market forces.

They said the board's endorsement was a formality, although final approval will come in May, after Egypt publishes fiscal and monetary indicators for March to be reviewed by the IMF representative in Cairo.

Egypt and the IMF will resume talks on new arrangements to cover a further period of reform next month. Economists in Cairo say that terms and type of a new agreement, to last at least 18 months, are still under discussion.

But with Egypt sitting on a record 14 billion dollar of foreign reserves, they say the IMF's main role is not to coax Cairo into reforms by lending cheap money.

The IMF role is instead to endorse reform policy so Egypt can qualify for more western debt forgiveness.

IMF pursues plan to help Russia

WASHINGTON, Mar 17: The International Monetary Fund (IMF) is pushing a proposal to help cash-starved Russia survive its economic and political crisis by creating billions of dollar of new assistance, monetary sources said, reports Reuter.

The controversial plan, which involves a world-wide issue of the IMF's artificial currency, the SDR, would make the funds available to Russia without costing the United States and its rich allies anything from their budgets.

"This is sort of magic," one monetary source said. "But it warrants serious consideration."

The IMF as policeman of the global monetary system, can, with the permission of its member-nations, create money virtually out of thin air — the same way that countries do when they issue currency.

It has not done so since 1981, largely because of opposition from the previous Bush and Reagan White Houses on the grounds that such a move would reignite global inflation.

But the urgent need to prop up Yeltsin in his power struggle with Russia's parliament means such a plan may now stand a better chance of being approved, sources said. The new US administration has not decided whether to back it.

President Clinton is pressing to put go together domestic and international support for Russia in time for his April 3-4 summit with beleaguered Russian leader Boris Yeltsin.

But the White House admitted on Tuesday that Clinton might have difficulty convincing Congress to spend scare US resources to help Russia at a time when Americans are being asked to tighten their belts.

The beauty of the IMF proposal is that he would not have to wory about that. By issuing SDRS to its 175 member nations, the IMF would pump up global currency reserves.

The rich nations would then hand their SDRS back to the IMF, which would put them in trust fund to lend to countries carrying out tough economic reforms. Russia would be an obvious candidate for such support.

The proposal was first made by Belgium over two years ago but never got anywhere due to opposition by the United States, Germany and Britain. They argued that an SDR issue would be inflationary because it would swell global liquidity.

Despite its attractiveness, some sources believe it won't go ahead and that rich nations will instead concentrate on trying to spur more lending to Russia from the World Bank.

The project, which had originally been expected to come before the bank's board in late April, is now unlikely to be considered until may, as in-depth negotiations with Moscow have yet to begin, bank sources said.

The bank expect to chip in 500 billion dollar to the project in the Tumen area of Siberia while the European Bank for reconstruction and development will contribute 133 million dollar. The balance might come from the export credit agencies of rich nations and other sources.

Communist Laos to join talks on market economy

BANGKOK, Mar 17: Communist Laos has committed itself to joining a dialogue with Thailand, Vietnam, Cambodia and the United Nations to ease Indo-China's move towards a market economy, reports Reuter.

Phaobounnaphol, chief of cabinet in the Laotian Prime Minister's office, told an aid donors' meeting that Laos was keen to learn from its neighbours and to collaborate with them as it reforms it tiny economy.

The country began to introduce economic reforms seven years ago but still has a per capita annual income of only 220 dollar. Some residents complain that Laos is a virtual economic colony of neighbouring Thailand.

A text of Phao's remarks, made on Monday in the Laotian capital Vientiane, was distributed in Bangkok on Tuesday by the UN Development Programme (UNDP).

The meeting proposed that the dialogue begin before the end of August this year.

Participants would discuss managing inflation, mobilising domestic savings and preparing for the entry of countries in Indo-China to the association of South East Asian nations.

The that government offered to share the costs of such a meeting with the UNDP.

Australians now looking longingly at billion—plus Chinese market

SYDNEY: Australia's China connection is growing stronger. There was a time — and not so long ago — when most Australians feared their vast empty continent would be invaded by the "yellow hordes" of China. Some of them still do.

But now the big emphasis is on trade and investment.

For a long time Australian exporters have looked longingly at the billion- plus China market. Wool-growers have been impressed by the demand that would be created if every Chinese wore a pair of woollen socks — or, better still, a woolen sweater.

Australian wheat-growers would not have marketing problems if every Chinese family consumed a loaf of wheat bread a day. And what about the potential for canned fruit, raw cotton, minerals and consumer durables like refrigerators?

Breakthroughs are now being made, trade is increasing, joint ventures being negotiated and economic links strengthened. And this, despite enormous problems and protracted negotiations that sometimes seem to go on forever.

Thousands of Australian businessmen have given up China as a hopeless proposition after encountering long delays and seemingly mindless procedural negotiations with bureaucrats. The People's Republic was once described here as "a sleazy place to do business, not only for locals, but for the large numbers of foreigners, including Australians, who hope for a China bonanza."

But despite the frustrations, a lot of progress is being made and a few Australian companies have achieved a Chinese bonanza. There are confident productions that China will become Australia's best customer (replacing Japan) and that Australia will be among the major suppliers of goods, information and services to the People's Republic.

Although the enthusiastic rush of the 1980s has given way to a more sober attitude, there is optimism among Australians about solid prospects for strong economic relations between both countries.

Leading Australian investment consultants have advised clients to look closely at companies heavily involved in the China scene. They believe that companies which appreciate China's potential are likely to expand in line with the country's high economic growth.

"Any company doing business with China today is heading in the right direction for future expansion," says a Sydney stockbroker.

Prominent Australian stockbroker Potter Warburg earlier this year was granted a licence to trade on the Shenzhen Stock Exchange, one of two exchanges in China. Potter Warburg became the first Australian firm to receive such a licence which enables it to underwrite and distribute Chinese share issues to foreign investors.

It is now advising Australian investors and companies wishing to participate in what a spokesman describes as the "exploding" Chinese economy.

China is Australia's ninth largest export market. It is an important customer for iron. Australia exports no less than 11 million tons of iron or to China each year, and there are solid prospects for long-term growth as China has repeatedly expressed its desire to expand steel production for domestic consumption and exports.

China is already a significant investor in the Australian iron or industry. It owns the rich Channar mine in Western Australia which was commissioned in 1990. It is not only China's biggest single investment in Australia, but also its largest commercial operation in a foreign country.

China also has a 10 per cent stake in Australia's Portland aluminum smelter. It sells aluminum from the smelter to the Asian region, particularly Japan and South Korea.

China's investment in Australia totals roughly US$350 million — much the same as Australia's investment in China.

Australian companies have established some 60 joint ventures in China during the past 10 years. But only a few of those Australian companies seeking a slice of the Chinese action are ever successful in concluding a joint venture arrangement. And not all of these live up to expectations.

A multi-million -dollar joint venture between Australia's Email Limited and the Tianjin Municipal Household Electric Appliance Industrial Corporation was a disaster. A special factory was built in Tianjin to produce washing machines, but it was a dismal failure.

However, an Australian-designed and built bakery in Tianjin is very successful, and there are hopes that others will be built throughout the People's Republic to foster bread production — and the consumption of flour made from Australian wheat.

There is some acknowledgement here that a convenient way for Australian manufacturers to move into China is through join ventures with Taiwanese companies which are setting up manufacturing plants in China, mainly in the south of the country.

Still, at this stage, most Australian manufacturers are finding it difficult to compete in the enormous Chinese market. Generally, the type of manufactured goods that China needs can be made more cheaply in Asia or in joint venture plants established by Asian companies in China.

An Australian businessman commented: "Linking with Taiwanese companies makes sense. They know the market, the language, the commercial problems and the right people to contact."

But many Australian companies remain optimistic about the prospects for sophisticated goods in niche markets in China.

However, while Australia in pulling out all stops to encourage exporters and investors to move into China, it is restricting the entry of Chinese students into Australia.

Last year, at least 2,000 students from China came to Australia to take up a wide variety of courses at colleges and universities.

The reason: Chinese students are the worst offenders of the country's immigration laws. More than 20 per cent of them overstay their visas. Many have no intention of returning home — they get "lost" in the Chinese communities of the bigger cities.

By comparison, only 0.4 per cent of Japanese students who come to Australia break their visa restrictions. — Depthnews, Asia.

Taiwan invests $7b in China since 80s

TAIPEI, Mar 17: Taiwan has invested at least seven billion (US) dollar in China since political tensions began to ease in the late 1980s and the amount is growing rapidly, the island's Economics Ministry said on Tuesday, reports Reuter.

Lee Ming, head of the ministry's China research section, estimated that Taiwanese investment now totalled between seven billion and eight billion US dollar. His estimate was based on data released by the Chinese government.

In 1992 alone, Taiwanese firms poured about 3.5 billion US dollar into China, focusing on labour intensive industries such as textiles and cheap consumer goods, Lee said.

Another ministry official said investment would continue surging as tensions between the rival government in Taipei and Beijing eased further and large Taiwanese corporations followed small and medium-sized companies into China.