

BRIEFS

WB will resume aid to Kenya

NAIROBI, Apr 22: The World Bank said it had agreed to resume aid to Kenya, suspended in November 1991 after Kenya failed to honour economic reform commitments. The bank's Vice-President for Africa Edward Joyce told reporters a tranche of some 170 million dollar in quick-disbursal aid was immediately available from a previous agreement and would clear the way for future financing. "Kenya has met the conditions," reports Reuter.

China will destroy illegal trade zones

BEIJING, Apr 22: The central government plans to destroy hundreds of unauthorised economic development zones that have cropped up across the country in the past year, an official report said. The China Daily said local governments last year set up at least 2,000 development zones, but only 117 were approved by central or provincial authorities. The report said only a limited number of the existing development zones would be approved, based on their potential for attracting foreign investment, says AP.

Pak budget gap to stand at 7pc

ISLAMABAD, Apr 22: Pakistan's budget deficit in the fiscal year to end June 1993 is likely to be at least seven per cent of GDP against 7.8 per cent the previous year, ex-finance minister Sartaj Aziz said. "It's not as low as we would like it but considering the economic situation at least it's going down," said Aziz, a member of the government sacked by President Ghulam Ishaq Khan on Sunday, reports Reuter.

Japan to import gold for coins

TOKYO, Apr 22: The Japanese government is considering importing gold for use in commemorative coins, Finance Ministry officials told Reuters. The government on Tuesday approved the issue of two million 18-gram gold coins to commemorate the wedding of crown Prince Naruhito and former diplomat Masako Owada. "We have 93 tonnes of gold in the special stocks at the moment, enough to issue the wedding coins this time."

Private car use crosses 1m in China

BEIJING, Apr 22: The number of privately owned vehicles in China has surpassed one million, the People's Daily said Wednesday. From a base of virtually zero in 1978, the number of cars and trucks owned by individuals and private companies soared to 285,000 in 1985 and 960,000 last year, according to the official newspaper's overseas edition. It did not give an exact figure for the current number of private vehicles, but said it had "exceeded one million," reports AP.

Dollar suffers another plunge

TOKYO, Apr 22: The US dollar closed at yet another record low against the yen in Tokyo Thursday because of renewed speculation that the United States favours a stronger Japanese currency, dealers said. Prices on the Tokyo Stock Exchange declined. The dollar closed at 110.20 yen, down 0.15 yen from Wednesday's close. It opened at 110.83 yen, up from its overnight New York finish at 110.71 yen, and ranged between 110.05 yen and 111.70 yen, says an AP report.

Italian minister expresses anger

ROME, Apr 22: Italian Defence Minister Salvo Ando expressed indignation after anti-Mafia prosecutors put him under inquiry over allegations he broke electoral laws. "I am indignant, but calm," the Italian news agency ANI quoted Ando as saying. "This is a knavish trick, but it is not the first one," he added. Ando was reacting to another news agency report from his hometown Catania in eastern Sicily that the local anti-Mafia prosecutor's office was asking parliament to lift the minister's immunity from prosecution, reports Reuter.

Strong yen makes Japan's export less competitive overseas

TOKYO, Apr 22: The ever-strengthening yen sparked renewed frenzy in Tokyo on Wednesday among foreign-exchange speculators, reports AP.

Punters now believe Tokyo, isolated by its burgeoning trade surplus, can expect little help checking the yen's rise from western trading partners who see a powerful Japanese currency as the perfect solution to their deficit woes.

A strong yen boost the price of Japanese exports, making them less competitive overseas.

On Wednesday, the dollar dipped briefly below a record low of 110 yen in Tokyo, where authorities are increasingly jittery in the face of a domestic currency surge which they say threatens Japan's economic recovery.

The central bank of Japan, at Tokyo's request, has intervened over the past few days in the market to brake the yen, which has rocketed more than 12 per cent in three months.

However, central banks from the west, once pledged to concerted efforts to keep the yen within an agreed range against the dollar, have yet to intervene.

The issue is sure to arise at a meeting of Group of Seven (G-7) monetary officials in Washington on April 29.

Speculators know Europe and the United States want Japan's enormous exterior trade surplus, which totalled 111 billion dollar in 1992, to shrink.

And, as US President Bill Clinton pointed out last Friday in a meeting with Japanese Prime Minister Kiichi Miyazawa, a rising yen is "one of the means" of correcting imbalanced trade with Japan and paring its export competitiveness.

Clinton's comment underscores Japan's isolation on the trade issue and its upheaval in Tokyo are far from over. "Extraordinary and regrettable" for a chief of state,

Japanese Foreign Minister Kibun Mito, told parliament, referring to Clinton's remarks.

Meanwhile, Finance Minister Yoshiro Hayashi promised the G-7 officials would study the issue in Washington.

Yoshi Kono, government Secretary-General, echoing a statement made a day earlier by Bank of Japan Governor Yasushi Mieno, gave assurances that Clinton "did not wish to see the yen rise further."

However, currency speculators believe none of it. On the contrary, they were quick to take advantage of fresh signs of discord between Washington and Tokyo by selling the dollar a little lower.

According to Tokyo-based news agency Jiji Press, a US official in Washington registered a complaint with Japan's Finance Ministry over remarks to the Japanese press by Hayaashi following his meeting last week with US Treasury Secretary Lloyd Bentsen.

Hayaashi told reporters Monday that Washington, like

Tokyo, regards the yen's rise as too rapid.

On Wednesday, the Finance ministry declined all comment to the matter.

Europe has also expressed its favour for a stronger yen.

On Tuesday in Tokyo, Horst Krenzler, European Commission Director General of External Relations, called the yen's continued increase "a welcome factor" and said he regretted that the yen was not as strong against the German mark, Europe's key currency, as it was against the dollar.

Volume on Tokyo's foreign-exchange market has been climbing daily as speculators, mainly from Singapore and Hong Kong, brace for a near-term target of 105 yen.

A sudden quieting of big US investors, traditionally active, has foreign-exchange dealers worried.

The dealers say they do not rule out a swift technical turnaround by the dollar in the short term.

Quota violation may force OPEC to call urgent meeting

DUBAI, Apr 22: OPEC might call an emergency meeting before June if it sees major quota violations by its members, Qatar's Energy and Industry Minister Abdullah Bin Hamad Al-Attiyah was quoted on Wednesday as saying, says Reuter.

Attiyah told Al-Hayat newspaper that OPEC's compliance committee would continue to monitor monthly output from member states until OPEC ministers meet again in June.

"If there were major violations we might request an emergency meeting," he said. The committee groups Attiyah, OPEC Secretary General Subroto and Libyan Energy Minister Abdullah Salem el-Badri.

Attiyah said all OPEC producers had the right to "request (quota) increases, but we will have to wait until the June meeting which will decide all the allocations."

Air France loses \$604m last year

PARIS, Apr 22: Air France's losses zoomed to 3,266 billion franc (604 million dollar) last year, the airline confirmed Wednesday, due in large part to personnel costs and fare wars, reports AP.

The loss, about five times that in 1991, was predicted by the government-owned company over the winter. Company officials have said they expect further red ink this year, though half that of 1992, and to break even next year.

Air France has accumulated losses of 4.7 billion franc (870 million dollar) in the last three years as it struggles to cope with the continuing crisis in the airline business.

Passenger traffic rose four per cent but fare revenue rose only 1.9 per cent. Total operating revenue was 57 billion franc (10.55 billion dollar), down one per cent from the year before.

These figures are linked to the crisis of overcapacity affecting global air transport, said the Air France group, which comprises Air France-UTA, Air Inter as well as hotel and tourist subsidiaries.

'Man of steel' sacked

NEW DELHI, Apr 22: India's "man of steel" Rustomji Mody has been fired as Chairman of Tata Iron and Steel Co Ltd (TISCO) in a move that stunned the corporate world, reports AP.

The sacking of Mody, popularly known as Russi, climaxed a bitter feud in the top management levels of TISCO, which he helped build into India's largest private sector firm during his 53 years in the organisation.

TISCO's Board of Directors decided to remove the charismatic and controversial Mody, 75 from his post with immediate effect. They elected Deputy Chairman Ratan Tata, 55, son of the Tata family, as Chairman.

In a press statement, the board objected to "the utterances, misleading statements and insinuations made by Russi Mody in the recent past during his interviews in the press and on television."

Mody had less than a month to run before his retirement, set for May 17, when he was unceremoniously thrown out.

One of the country's best known corporate executives, Mody was Chairman and Managing Director of TISCO, the 800-million-dollar flagship company of the Tata Group of Industries, for 17 years.

He stepped down as Managing Director in May 1992 at a time when the Tata young guard led by Ratan Tata launched an all out bid to assume control of the group.

'Aussies trade bloc with APEC to fuel tensions'

SYDNEY, Apr 22: A major government report on Australia's trading options warned Wednesday against any attempt to form a trade bloc with Asian neighbours as a response to increasing global trade tensions, reports AP.

But the report, by a team headed by Economics Professor Richard Snape, supports moves by Prime Minister Paul Keating towards trade liberalisation goals through the Asia Pacific Economic Cooperation (APEC) forum.

It also reinforces the importance to Australia of a successful outcome of the GATT (General Agreement on Tariffs and Trade) talks, arguing it should not pursue bilateral trade agreements while the Uruguay Round is still alive.

The report was launched by Trade Minister Peter Cook on the eve of a visit to South East Asia, his first overseas foray since taking up the trade portfolio.

Cook, who is visiting Thailand, Malaysia, Singapore and Indonesia, said his trip was a follow-up to Keating's

proposals for APEC. The report says the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico would particularly hurt Australia's export interests.

Nevertheless, Snape argues that any attempts at securing a preferential and discriminatory trading bloc in the region would be futile.

Preferential agreements with Japan or Taiwan would only be of significant benefit to Australia if they were to discriminate against the US and New Zealand, and it is unlikely that either side would desire this.

"If the Uruguay Round does not end with at least moderate success, subsidy and other trade wars between the US and Europe may grow, as may the aggression towards East Asia, inviting retaliation."

Inevitably, peripheral countries would seek trade agreements among themselves, or with the principles, which would present a bleak scenario for Australia and other countries which depend on an efficiently trading world economy.

Mehta denies involvement in stock market boom

NEW DELHI, Apr 22: Harshad "big bull" Mehta, alleged mastermind of India's biggest bank fraud, has denied that he created the stock market boom which fizzled with the scam's eruption a year ago, reports AP.

In a letter to a parliamentary panel probing the scam, the 40-year-old stock broker also contested investigators' estimates putting his liabilities in the fraud at a massive 14.94 billion rupees (498 million dollar).

Mehta said the share market boom which propelled the Bombay Stock Exchange (BSE) index to nearly 4,500 points

last April, was a result of panic buying by bear operators. The Press Trust of India, in a report Wednesday, quoted Mehta as denying in the letter that he had "created an artificial boom in the capital market."

The broker said his company, growmore, was a long-term investor and not a speculator and had always advised its clients to exercise caution.

"We have been highly research-oriented in decision-making," he said. "We were bullish on the market from the BSE index level of 956 recorded on January 25, 1991."

China may start stock lottery to halt unrest

BEIJING, Apr 22: China is planning to open stock lotteries to all potential investors in a bid to prevent a recurrence of riots and curb black market trading, an official newspaper said Wednesday, reports AP.

"The issuance of shares is only a technical problem, but experiences have taught us that problems in the issuance can result in some social problems", an official with the securities regulatory commission told the China Daily.

Because of overwhelming interest among Chinese people to buy stocks, the Shanghai and Shenzhen bourses implemented a lottery system in 1991 to control the issue of new shares. Designated banks and stock

brokerages sell forms to would-be investors to participate in a lottery in which about one out of 25 win the right to buy shares.

The new system would provide for an unlimited number of application forms, issued at cost and not transferable, for anyone wanting a chance to buy stocks.

The new regulation, which is still in the draft stage, came after riots in Shenzhen last August when more than one million people poured into the southern special economic zone and queued for forms, only to find that corrupt officials had diverted many of them to relatives and colleagues.

German budget deficit to up for jobless spending

BONN, Apr 22: The German federal budget will surge to over 65 billion marks (40.5 billion) in 1993 from 39 billion (24 billion dollar) in 1992 because of heavy spending on unemployment and job-creation, Finance Minister Theo Waigel said on Wednesday, reports Reuter.

Waigel told journalists the deficit would be substantially higher than the 54 billion marks (34 billion) forecast only last month, because of extra spending by the federal labour office.

It pays unemployment benefit and runs job-creation schemes for the growing army of unemployed in East and West Germany.

"Because of the economic situation a greater (borrowing) requirement will be unavoidable," he said. "We must expect it to be... slightly more than 65 billion marks."

Coalition sources said the deficit would be 65 to 70 billion marks (40.5-43.5 billion). Bonn has to revise its budget forecasts repeatedly because of extra spending to prop up former communist East Germany and a decline in tax revenue caused by recession.

Waigel said higher deficits must not be allowed to become a long-term phenomenon and would have to be reduced.

But he added: "In such a situation of economic weakness and recession, it is justifiable... to accept an increase in the deficit."

Government sources said the Nuremberg-based labour office would show a deficit of 11.5 billion marks (7.2 billion) by the end of May.



A cosmopolitan group of architectural students studying the new Prince of Wales's Institute of Architecture in London examines the construction of a cane frame made into a 30-faced solid, proportional sphere, made by the students in the courtyard of the institute to demonstrate the golden mean. Each students made a diamond-shaped cane frame in the 2-3 proportion. --LPS photo

Gulf War costs Arabs \$676b

ABU DHABI, Apr 22: Arab countries lost 676 billion US dollar as a result of the 1990-92 Gulf crisis and war, equivalent to 18 months' loss of their total gross national product, according to figures from the Arab world's main monetary agency, reports Reuter.

The figures, which equate to around 1-1/2 times the value of total US investments abroad, were released by the Arab Monetary Fund (AMF) in an annual report on Arab economies prepared with two other major Arab financial institutions.

The report shows that the two main Arab antagonists suffered similar losses. Iraq, which triggered the crisis with its August 1990 invasion of Kuwait, sustained economic losses of 237 billion dollar while the victim, Kuwait, lost 240 billion dollar.

For the 600,000 Kuwaitis, this was more than 10 times their country's gross national product (GNP) for the last precrisis year, when it stood at 23 billion dollar.

Kuwait has had to liquidate about two-thirds of its 100 billion dollar "fund for future generations," mainly invested abroad over some 25 years, to help pay for the war and post war reconstruction.

For Iraq, which has almost 20 million people, the cost was almost four times its 1989 GNP of 64 billion dollar.

The two states accounted for 70 per cent of the total cost of the crisis for the nations of the 21-member Arab League.

Fund officials said the figures collated from official and other sources had not been challenged by either government.

The report said that apart from the costs of Kuwait and Iraq resulting from war devastation, the Arab world as a whole also lost about 91 billion dollar from a sharp drop in economic growth.

Money laundering on rise

SINGAPORE, Apr 22: Money laundering is on the increase worldwide as communication networks and methods of transferring funds become more sophisticated, legal and finance officials said Wednesday, reports AP.

"The increasing globalisation of financial markets has, to some extent, fortuitously benefited money laundering activities," Singapore Finance Minister Richard Hu said in a message at the opening of the three-day Asia Money Laundering Symposium.

The availability of advanced communications facilities and information technology in the financial industry today has facilitated international financial

transactions," Hu said in the message delivered by Attorney General Chan Sek Keong.

"The swift and efficient international transfer of funds is vital to the functioning of global financial markets. Unfortunately, it is also proving useful to money launderers who need to move funds quickly through various accounts around the world," Hu said.

He said that money laundering, the process by which criminal gains were converted into legitimate funds through a series of transfers, was "by its very nature, transnational, and thus requires a corresponding response."

Money laundering techniques included the use of false companies, the creation of inflated business invoices and the development of underground banking systems.

The conference is jointly organised by the Financial Action Task Force, established by the Group of Seven (G7) industrialised countries in 1989 to combat drug trafficking and money laundering worldwide, and the Commonwealth Secretariat.

Tom Sherman, president of the task force, said money laundering increasingly, included income from economic crimes, like fraud and corruption.

Indian gold bond scheme — a chance to whiten black money

NEW DELHI, Apr 22: Wealthy Indians are flocking to a new—and legal—channel to launder money hidden away from the tax man, writes AP.

The first peace-time gold bonds scheme floated by the government to mop up idle gold resources is offering tax-dodger a chance to "whiten" their "black money". Depositors of a minimum 500 grams (1.8 ounces) of the precious metal are given five-year bonds under the scheme, which began March 15 and is available to investors until June 14. When the bonds mature, depositors will get back their gold plus two per cent annual interest.

But more attractive than the paltry return is the immunity from the tax man offered by the scheme, under which no questions are asked about the source of the gold.

Bank officials and bullion market sources say the scheme is turning out to be a bigger success than the gold bonds floated to finance war efforts against China in 1962 and Pakistan three years later. Together, those schemes yielded 33 tonnes of gold, while the government is expecting up to 50 tonnes of gold to be invested through the

bonds. "Initially we thought the response will be poor because of the low return it is offering, but it seems to be working very well," said Bomi Daruwalla, a leading tax consultant.

Jagjeeet Kumar, Assistant General Manager of the State Bank of India, said the bank had attracted deposits of more than 100 kilograms (62 pounds) of gold in New Delhi alone and was dealing with 600 prospective depositors.

In Bombay, India's financial and bullion capital, banks have been attracting deposits of about 100 kilograms daily over the past two weeks after a slow start.

Gold prices have shot up 300 rupee (10 dollar) since February to more than 4,200 rupee (140 dollar) per 10 grams (0.36 ounces) and jewellers have reported an increase in demand for the metal.

"This is not a scheme for small people with small gold holdings, but for those with black money to whom the interest rate does not matter," said jeweller Kishorebhai Zaveri of Tribhuvandas Bhimji Zaveri.

Sanjeev Sethi, a manager of Mehroons gold room, agreed, "It is not an investment scheme,"

but a means of legitimising unaccounted wealth, he said, cautioning that gold prices could actually crash when the bonds mature and flood the market with gold.

The government floated the bonds to tap private gold savings as a way out of potential foreign exchange shortages and to use as collateral against borrowing.

The gold could also be used to save foreign exchange spent by jewellers for raw material imports.

But by setting a high minimum deposit limit, the government has effectively taken out of the net the millions of middle-class Indians who have hoarded away gold as a hedge against difficult times, critics have said.

The minimum deposit limit of 500 grams and 99 per cent purity is to steep for ordinary people," Zaveri said.

The Reserve Bank of India (RBI) estimates the gold holdings in India at 7,214 tonnes—a staggering quantity for one of the world's poorest countries. The RBI's own gold reserves are 351 tonnes.

India is also one of the world's highest consumers of gold, with annual purchases of the

metal totalling some 150 tonnes, much of it contraband.

Indian mines produce less than two tonnes and the country was a lucrative designation for smugglers who, according to the RBI, pumped in gold worth 14.82 billion dollar from 1981-91.

In 1989, the government relaxed controls on buying, selling and stockpiling gold it had implemented to restrict Indians' ardour for the precious metal, and important part of a bride's trousseau at weddings.

Last year, the government also deregulated the import of gold by allowing Indians returning from abroad to pack five kilograms (11 pounds) in their luggage in a blow to smugglers' syndicates.

The gold bond scheme was a logical follow-up to that measure, under which Indians are estimated to have brought in more than 12 tonnes, forcing down gold prices and reducing India's lure for smugglers, officials said.

JAL to suspend recruitment of stewardesses

TOKYO, Apr 22: Japan Airlines Co (JAL) said Wednesday it would suspend recruitment of stewardesses in fiscal 1994, starting next April to tide itself over a slump in the aviation business, reports AP.

The largest Japanese airline postponed employing 356 stewardesses, recruited this year, for five months as part of its cost-cutting efforts.

JAL, hit by the slowing economy and poor business performance on international routes, is believed to have suffered a pre-tax loss of 50 billion yen (455 million dollar) in the year to March, industry sources said.

The airline had said it would not hire ground service personnel next year in order to improve its financial position.