

China may become world's largest economy by 2010

LONDON, May 20: Amid East Asia's generally sluggish economies, China bolted ahead like a rocket during the past year and could be the world's largest economy by 2010, a London think tank predicted Wednesday, reports AFP.

In its annual strategic survey of the world, the International Institute for Strategic Studies (IISS) said that among the post-Cold War developments in the region, "none was more important than the rise of China alongside an apparent slowing of Japan."

"China's impressive and sustained economic growth is not only reshaping the politics of this looming power, but it is also reshaping the way East Asians are beginning to look at their future," said the IISS.

"As China rushes along its

course towards becoming the world's largest economy in the second decade of the 21st century, even the Japanese are adjusting to it."

In Japan, Prime Minister Kiichi Miyazawa "has proved a disappointment in navigating through some very choppy waters," said the survey. "He has appeared half-hearted over political reform, disengaged from the economy's problems and hesitant in dealing with a major political corruption scandal."

"The Japanese also seemed confounded by the rapid change in international affairs and unable to establish new approaches to foreign and defence policy," said the IISS.

The most dangerous threat to regional security, it said, was North Korea's decision to withdraw from the nuclear

non-proliferation treaty when threatened by International Atomic Energy Agency site investigation, it said.

"This has set alarm bells ringing throughout East Asia and the international community as well."

North Korea, according to the survey, "has been marching backwards for many years" and there is "no indication ... the calcification of leadership of policies ... would soon crack."

"Clearly, until the 80-year-old (President) Kim Il Sung becomes incapacitated or dies, significant change is doubtful."

"In contrast," said IISS, "optimism about the course of developing democracy in South Korea proved to be well-founded."

President Roh Tae-Woo concentrated on foreign affairs

which yielded several successes.

In Cambodia, "the intransigence of the Khmer Rouge" has rendered the outlook "bleak indeed" for the country and the UN reconstruction effort there, said the IISS survey.

The prospect of former Cambodian monarch Prince Norodom Sihanouk being elected to head a new government "is the only solution at the moment," it said.

"Paradoxically, he is no real solution. Even if he were successful, at best he would only give Cambodia and the UN a political breathing space."

"His election as president would not solve the critical problem of political institutionalisation which the UN role was intended to address."

The IISS was pessimistic about the capacity of the

Association of South East Asian Nations (ASEAN) — Thailand, Malaysia, Singapore, Indonesia, the Philippines and Brunei — to cope with Cambodia.

"By itself ... ASEAN ... is not capable of responding collectively to such a challenge, but no alternative structure is available."

"Although Vietnam and Laos have been accepted as virtual candidate members of ASEAN, the potential expansion of the association does not portend a new regional order," said the IISS.

The United States withdrew the last of its troops from the Philippines last November after failing to renegotiate leases on military bases there, the survey noted.

And although "limited access to forward military and repair facilities has been

agreed with Singapore, Indonesia, Malaysia and Brunei, the American commitment to the projection of military power in East Asia has been cast into further doubt."

In India and Pakistan, "national politics ... continue to suffer the extra ordinary degrees of social and religious violence that have been the curse of both countries since the mid-1980s," said IISS.

Pakistan's economy "faces problems of the incompatibility of Islamic laws and a free-market economy. Both states are tarnished by the image of corruption ... even if both can continue to receive aid and technological help from the West, it is difficult to have much confidence in their ability to overcome their economic failings," said the survey.

Indian meat exports reach \$103 million

NEW DELHI, May 20: India exported meat and meat products worth 3.3 billion rupee (103 million US dollar) during 1992-93, the Economic Times reported today, says Xinhua.

According to an annual report of the Food Processing Ministry for 1992-93, exports of these products in 1989-90 were worth 1.19 billion rupee (37 million US dollar), which increased to 1.39 billion rupee (44 million US dollar) in 1990-91, and to 2.3 billion rupee (72 million US dollar) in the year 1991-92.

The main markets of these products are West Asia, Malaysia and some African countries.

BRIEFS

Bill sale brings Moscow \$1m

MOSCOW, May 20: Russia's central bank on Tuesday raised nearly one million dollar from the sale of three-month bills in the country's first treasury auction, an exchange official said. The central bank declined to immediately comment on the sale of securities worth 750 million rubles, or 803,000 dollar, but Alexander Sarchev, head of securities for Moscow Interbank Currency Exchange, said officials told him they were "very happy with the results," reports AP.

ROK firms post lowest profit

SEOUL, May 20: South Korea's manufacturing firms last year suffered the lowest profitability in 10 years despite fewer labour disputes, the Bank of Korea said Thursday. The central bank said stagnant sales boosted inventories last year, contributing to 1.5 per cent of profitability, the lowest level since 1982. Wage increases slowed to 12 per cent last year from 24.9 per cent in 1989, 19 per cent in 1990 and 18.9 per cent in 1991, the bank said, reports AP.

Big Japanese firm reports lower profit

TOKYO, May 20: Itochu Corp., one of Japan's five largest trading companies, reported Thursday a 7.1 per cent decline in its net profit to 10.13 billion yen (91.3 million dollar) for the fiscal year ended March 31. The company, in an annual report, attributed the decline to sluggish import business due to the nation's economic recession and weak domestic demand. The profit per share was 7.11 yen (6.4 cent), down from 7.66 yen (6.9 cent), reports AP.

White House travel staff fired

WASHINGTON, May 20: The entire staff of the White House travel office was abruptly fired Wednesday and the FBI was called in to investigate allegations of "shoddy accounting procedures" and mismanagement. In all, seven workers, all hired before Clinton took over the presidency, were fired and asked to leave by the end of the day. President Clinton's cousin, Catherine Cornelius, will be brought in to run the office, which coordinates commercial travel for White House staffers and charters planes for the White House press corps that accompany the president according to White House press secretary Dee Dee Myers, reports AP.

US agri-farms invited to Russia

WASHINGTON, May 20: The US Agriculture Department invited agri-business firms to take part in a June mission to explore investment opportunities in the vast Russian Far East. The aim is to bring together newly privatised Russian organisations with US companies involved in food, forest and fisheries products, technology transfers and licensing arrangements, said USDA Sales Manager Chris Goldthwait, reports Reuters.

Two Indian airlines to merge

NEW DELHI, May 20: A tiny, unprofitable government airline flying on routes picked by politicians will merge with the domestic carrier to cut losses, an official said Wednesday. The merger decision will help Vayudoot to retain its employees and link up remote areas that the bigger Indian Airlines does not fly to, a government spokesman said, reports AP.

Int'l meet on sugar opens

HAVANA, May 20: The 3rd international seminar on the sugar industry, diversification '93, opened in Havana Tuesday. Jose A Cerro, Secretary General of the group of Latin American and Caribbean sugar exporting countries, said that Latin America needs to come up with new organisation systems that will promote diversification and utility of sugar cane derivatives.

With Danish support secured, EC turns attention to economic hurdles

BRUSSELS, May 20: With Denmark back on board, the European Community Wednesday turned to the economic hurdles that stand in the way of creating a close monetary union in the coming years, reports AP.

Because of the recession gripping the trade bloc, some want to lower the barriers to keep alive the possibility of an economic and monetary union.

The Maastricht unity treaty calls for nations to meet strict economic criteria — low inflation rates, modest budget deficits and stable currencies to take part in the monetary union. It would lead to a joint central bank and single currency by 1999.

Danish voters on Tuesday reversed course and agreed to

back the treaty, which calls not only for a monetary merger but also a common foreign and security policy.

All nations must approve the accord before it can go into effect. Only Britain has still not ratified it.

After the Danish referendum, Hans van den Broek, the community's foreign affairs chief, said, "A lot of thinking (is) going on whether the (economic) criteria of Maastricht can be met within the timetable of the treaty."

And Belgium, which takes over the EC presidency next month, has taken a lead in questioning whether the targets are still realistic.

Belgium's finance minister, Philippe Maystadt, said, "It is

normal to talk about adapting criteria which were set during a period of economic growth."

France has also cast doubt on the targets.

The trade bloc's economic and finance ministers were expected to discuss the issue during an informal meeting Saturday in the Danish town of Kolding.

To streamline the 12 economies, the Maastricht treaty requires that public spending deficits must be no more than 3 per cent of gross domestic product, and total public debt a maximum of 60 per cent of GDP. GDP is the total value of goods and services produced by an economy.

AFP from Bonn says: Chancellor Helmut Kohl praised the big "yes" vote in the Danish

referendum on the Maastricht Treaty, saying it would give a "new boost to the process of European unity" and encourage Britain to ratify the accord.

"With this 'yes' for Maastricht, the citizens of Denmark have decided to shape the future jointly with their EC partners on the basis of the treaty for European union," the German leader said.

"It is a further important phase on the road to European union and will also facilitate the parliamentary debate in Britain," he said.

Kohl and his French ally, President Francois Mitterrand, were the main political force behind the treaty for monetary union and greater political integration signed in Maastricht, the Netherlands.

Pak forex reserve falls

KARACHI, May 20: Pakistan's foreign exchange reserves have decreased sharply to only about 425.32 million dollar since the dismissal of former Prime Minister Nawaz Sharif, central bank sources said Wednesday, reports AFP.

The reserves are now sufficient only for meeting the requirements of about a week's imports of the country.

The country's forex reserves had stood at 783 million dollar on April 18 when President Ghulam Ishaq Khan dissolved the National Legislature, and dismissed the Sharif Government on grounds of alleged corruption and malpractices.

Analysts attributed the fall in foreign exchange reserves in part to the political uncertainty and the lack of confidence among the local and foreign investors who have withdrawn their money from foreign currency accounts in the commercial banks.

More Italian politicians, businessmen arrested on corruption charges

MILAN, May 20: Several politicians and businessmen were arrested Wednesday on charges of theft and corruption in separate incidents across the country, reports AFP.

In Milan Giorgio Scavacca, the 60-year-old president of the Italian branch of the German company Siemens, was charged with corruption and breach of the rules governing bidding for contracts.

In another development judicial sources revealed that a new file had been opened on Renato Altissimo, the national secretary of the Italian Liberal Party (PLI), as part of the inquiry into the "clean hands"

political-financial scandal.

The mayor of Genoa, Claudio Burlando, of the Democratic Party of the Left (PDS) was also arrested Wednesday on charges of theft and abuse of power. Burlando, 39, was arrested with an aide Antonio Imperato and four others in connection with alleged corruption involving the construction of a tunnel in the centre of the northern Italian port city.

Scavacca is accused of having shelled out 2.23 billion lire (about 1.5 million dollar) in bribes to the telephone company ASST to secure contracts to supply material and equipment.



Danish police fight with teargas against hundreds of EC opponents in Copenhagen Wednesday. Police used live ammunition for the first time in peacetime in what authorities said was a "life or death" situation.

Protesters clash with police for second day

COPENHAGEN, May 20: Danish Police fired teargas on Wednesday night at protesters demonstrating for a second night after Danes voted to accept the Maastricht Treaty, the Danish news agency Ritzau said, reports Reuters.

It said that about 100 protesters lit fires in the streets and broke windows in a working class suburb of central Copenhagen.

On Tuesday night, police shot and wounded 11 squatters in the same Noerrebro area of Copenhagen in the most violent rioting in Denmark's modern history.

In Tuesday's clashes, 26 police officers were injured, mostly by demonstrators throwing stones.

Ritzau said police sealed off some streets in the suburb for a second night in a row.

Japanese firm to sell bone-making protein in Europe

TOKYO, May 20: Japan's Yamanouchi Pharmaceutical Co. Ltd. plans to sell bone-making protein for medical use in Europe as well as in Japan in a joint project with Genetics Institute Inc of the United States, a spokesman said Thursday, reports AFP.

The Japanese and US partners will also soon begin clinical tests at their joint venture in Japan and hope to market the product as a new medicine in 1988, the Yamanouchi spokesman said.

The two companies announced in May 1990 their agreement to develop the product in Japan, the spokesman said. Genetics is independently developing the product for the US market, he added.

Gold price jumps to 28-month high

LONDON, May 20: The price of gold jumped to a 28-month high here following a new wave of speculative buying in New York and Tokyo on Tuesday and Wednesday, reports AFP.

At the midday fixing in London, gold price rose to 383 dollar and ounce from 370.25 dollar at the close on Tuesday. In New York it had risen to 382 dollar.

Since March, when gold hit a seven-year low at 325.85 dollar an ounce, prices have risen by more than 16 per cent.

The jump in price followed its close in London on Tuesday above the psychologically-important 370 dollar ounce level, Mike Kurtanek of Brokers Credit Lyonnais Laing said.

The US investors took up

the movement Tuesday, encouraged by fears of a resurgence in inflation in Germany and the United States and the effect this would have on demand for the gold market.

The instability on the exchange markets and fears of an increase in inflation have vied with the recovery in the jewellery sector to push prices higher in the gold sector, analysts said.

Prices could soon rise above 400 dollar to 450 dollar an ounce if adverse factors did not appear, Kurtanek said.

Speculative buying by multi-billionaire US financier George Soros and reports from several brokerage houses have added to the conviction that the market is set to climb further.

Malaysian Trade Minister predicts East Asian economies will surpass all

PORT MORESBY, May 20: Malaysian International Trade and Industry Minister Dato Seri Rafidah Aziz has predicted that the economies of the East Asia region will surpass all others and come close to that of the United States and the European Community by the end of this century, reports AFP.

Rafidah has told Papua New Guinea officials that as a vehicle to spur this "collective dynamism" Malaysia proposed that there be a East Asia economic regional caucus within the Asia-Pacific Economic Cooperation (APEC) framework.

"I'm sure that when this region prospers not only will there be greater stability but we ourselves can impute into other regional entities such as APEC and other regional groupings that may evolve later on," Rafidah said.

Rafidah said Malaysian leaders were now propagating closer contact and economic co-operation among south-south countries.

Malaysia supported Papua New Guinea's participation in APEC, Rafidah indicating that her country would support its membership when it comes up for consideration later this year.

Rafidah said Malaysia itself was hoping to become an industrialised nation by 2020.

"We, the multi-racial Malaysia, have one purpose and that is to ensure that come the year 2020, Malaysia would indeed become a 'industrialised country, but in Malaysia's own way,'" Rafidah said.

"NAFTA-AFTA link will be studied"

Another report from Kuala Lumpur says: A US request for formal links between the proposed free trade areas in North America and South East Asia should be examined carefully, Malaysian Prime Minister Mahathir Mohamad said today, reports AFP.

"We have to study this proposal first and find out what the linkages would be," said Mahathir, as he responded to Washington's suggestion that there be a tie-up between the North American Free Trade Area (NAFTA) and ASEAN's

Free Trade Area (AFTA).

Winston Lord, US Assistant Secretary of State for East Asia and Pacific Affairs, made the suggestion during the weekend's two-day US-Association of South East Asian Nations (ASEAN) senior officials' forum in Brunei.

ASEAN, comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, agreed last year to form a free trade area in 15 years under a scheme launched in January to gradually cut tariffs for manufactured goods and processed agricultural products traded among them.

NAFTA was signed in December by Mexico, Canada and the United States, but is awaiting legislative approval in each country before it can go into effect on January 1, 1994, creating a free trade zone with greater output than that of the European Community.

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For calculators old is gold

LONDON, May 20: A rare 19th century German mechanical calculator sold on Wednesday for nearly eight million pound (12 million dollar) — 385 times what it was expected to fetch, Christie's auction house said, according to AP.

Edgar Mannheim, a Swiss collector, won the 8½-inch (21.5cm) instrument with a telephone bid of 7,701,500 pound (11,360,300 dollar) after an astonishing competition with a bidder in the saleroom.

Christie's had set an estimate of 15,000 to 20,000 pound (23,000 to 30,000 dollar) for the circular gilt and lacquered brass device of interlocking discs, measuring 8½ inches in diameter by 3½ inches deep (21.5 cm by 9 cm). It was made in 1822 by Johann Christoph Schuster, a maker of instruments and clocks, who worked in Ansbach, Germany in the late 18th and early 19th centuries.

The price he paid was more than seven times the previous auction record for scientific instruments.

US trade gap balloons to \$ 10.2b in March

WASHINGTON, May 20: The US merchandise trade deficit rose to 10.2 billion dollar in March, its highest level in nearly four years, the Commerce Department said Wednesday, reports AFP.

Analysts expected a trade deficit of 7.5 billion dollar.

But record imports, particularly oil and automobiles, ballooned the deficit by 29.1 per cent over the previous month, when it stood at 7.9 billion dollar.

Imports rose 9.7 per cent to 49.2 billion dollar, a record, overwhelming a 5.6 per cent increase in exports to 39 billion dollar.

Crude oil imports and other energy products rose by 795 million dollar, a 21.8 per cent increase. Auto imports were up by 400 million dollar, iron and steel were up 250 million dollar and chemical imports rose 150 million dollar.

At an annual rate, the US trade deficit is running at 103 billion dollar compared to 84.5 billion dollar last year.

The trade deficit's unexpected large expansion in March will probably result in a reduced assessment of the economy's performance in the first quarter from an already weak 1.8 per cent gross domestic product growth.

But the increase in imports also suggests a growth in demand in the US economy which is a healthy sign for future growth.

With Japan, the US trade deficit rose to 5.2 billion dollar from 4.13 billion dollar in February. The trend is not likely to turn around soon, for Japan announced Tuesday that its surplus with the United States grew in April by 23 per cent to 4.03 billion dollar.

The trade deficit with China rose to 1.46 billion dollar in March. The United States must decide in early June whether to renew Most Favoured Nation trading status for China.

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Pakistan may turn into a drug money dominated economy?

ISLAMABAD, May 20: Pakistan's economy faces growing domination by earnings from heroin that could transform the country into a Latin American-style drug-dominated republic, drug experts said, reports Reuters.

The final report of a government-sponsored conference warned of the threat posed by drug money to Pakistan, now the world's largest source of heroin after the Golden Triangle in South East Asia.

"The massive inflows of money financed by drugs have given birth to a new political situation in Pakistan," said a report compiled by local and foreign experts at the end of a three-day conference in Islamabad on drug abuse.

Huge earnings from drug trafficking could result in the domination of Pakistan's economy by "black" money, as in several Latin American countries, the report said.

"The profits generated from illicit narcotics activity have contributed to a huge black economy, half the size of the official one," it said.

"The power that this economy has generated might push Pakistan on the road some Latin

American countries have taken. There is a need to learn from the experience of these nations and reverse the trend in Pakistan."

Narcotics Control Minister Sardar Aseff Ahmad Ali said the government would try to incorporate conference recommendations in a proposed new national policy on drugs.

However, Pakistan was not yet facing problems on the scale of the Latin American drug mafia, he said.

"There is no such thing that we are becoming (another) Panama of Colombia," he told reporters.

Pakistan produced about 180 tonnes of opium in 1991/92 and was expected to produce almost the same amount in 1992/93. Much larger crops are believed to be grown in Afghanistan.

The heroin is processed in laboratories in Pakistan's semi-autonomous tribal areas where Pakistani law is not enforced.

Pakistan says most of the drug that passes through its territory originates in neighbouring Afghanistan.

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The conference report criticised Islamabad's past "money-whitening policies" referring to now-abandoned government bond offers that asked no questions about the source of income.

"It was agreed that drugs have a great potential to influence the political life of countries and that this should be strongly opposed in Pakistan," it said.

It called for the provision of larger funds and a more efficient policing machinery to fight the menace.

The conference proposed an aid consortium of interested countries and agencies should help anti-drug operations.

It called for the establishment of a special force of "drug agents and drug commandos" to track down traffickers, and special courts in which to try them.

The conference reached no agreement on a proposed death penalty for traffickers, one conference official said.

The experts also warned that many of Pakistan's 1.5 million heroin addicts were turning to intravenous injections, and warned this could spread AIDS and prove to be "the

bombshell of 1990s".

The report urged careful monitoring of what it called "one of the most alarming developments linked to drug abuse ... creeping in on all of us."

It cited "increasing use of intravenous injections by heroin addicts" in places such as Pakistan's largest city of Karachi.

"There is a real fear of the AIDS (acquired immune deficiency syndrome) spreading through this practice," the report said.

"This could prove to be the bombshell of the 1990s, especially since there are already over a million HIV (human immunodeficiency virus) positive persons in neighbouring India," it said.

No reliable estimate of AIDS patients in Pakistan is available. A Health Ministry official said last month a total of 170 HIV and AIDS cases had been detected up to the end of December.

Officials estimate Pakistan has a total of 2.5 million drug addicts, of whom 1.5 million are addicted to heroin.

US dollar falls

LONDON, May 20: The US dollar fell against most major currencies on news that the US deficit widened, reports AP.

In Tokyo, the dollar closed sharply lower at 110.40 yen, down 1.16 yen from Wednesday's close. Later in London, the dollar was quoted at 110.85 yen.

Dealers said the dollar was weak following a bigger-than-expected surge in the US trade deficit in March.

Other dollar rates compared with late Wednesday:

- 1.6205 German mark, down from 1.6240
- 1.4725 Swiss franc, down from 1.4747
- 5.4628 French franc, down from 5.4770
- 1.8130 Dutch guilder, down from 1.8213
- 1.473.50 Italian lire, up from 1.472.25.

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