

BRIEFS

US, Russia sign aviation accords

WASHINGTON, May 26: The United States and Russia have initiated two new civil aviation agreements which will allow US carriers to use new routes over Asia and serve several new destinations in Russia, the US state department said yesterday.

Meet in Tokyo on financial policies

TOKYO, May 26: Officials from Japan, Australia, Singapore and Hong Kong met here Tuesday to exchange opinions on financial policies, government sources said.

26.9 pc Russian firms privatised

MOSCOW, May 26: Russia has privatised more than one-fourth of its state-owned enterprises and the country's privatisation drive is gaining speed, a government official said Tuesday.

Russian to cut oil supply to Belarus

MINSK (Belarus), May 26: Russia is to cut oil deliveries to Belarus by two-thirds from June because of the former Soviet republic's growing debts, Belarussian officials said on Tuesday.

German auto output declines

FRANKFURT, May 26: German car output fell by 26 per cent in April from the figure one year earlier to 352,700 vehicles, the VDA Trade Federation said yesterday.

Pak sugar output up

KARACHI, May 26: Pakistan's sugar output in the current season increased by 2.56 per cent to 2,355 million tonnes from 2,296 million tonnes during the corresponding year last year, a spokesman of Pakistan Sugar Mills Association said here Tuesday.

IBM to offer stock to raise capita

NEW YORK, May 26: IBM said it planned to raise up to three billion dollars in the financial markets, including its first issue of preferred stock worth 750 million dollars.

US auto sale up by 16.1 pc

DETROIT, May 26: Domestic auto-makers appear to be keeping up their sales momentum despite the continuing slide in consumer confidence, according to figures released Tuesday.

Danish central bank chief says EMS has effectively collapsed

COPENHAGEN, May 26: The European Monetary System (EMS) has effectively broken down by allowing some countries to win competitive advantages when devaluing their currencies, Danish central bank chief Erik Hoffmeyer said on Tuesday, reports Reuter.

I have no reservations about saying that the currency cooperation has collapsed in the past nine months, Hoffmeyer said in a speech to a Danish business seminar.

Hoffmeyer, former chairman of the European Community central bank governors committee, is the first senior monetary official to launch an open and forceful attack on competitive devaluations by

some currencies.

Britain and Italy pulled their currencies out of the EC Exchange Rate Mechanism (ERM) last autumn, and Ireland, Spain and Portugal were forced to devalue within the mechanism as a speculative storm swept through money markets.

We have seen a series of major devaluations which were completely out of line with the reasonable pattern in a fixed exchange rate cooperation, Hoffmeyer told the seminar.

He emphasised that the point of the EMS was to avoid competitive devaluations.

This has not been the case. What we have seen has been irresponsible exchange rate changes, he said.

Hoffmeyer mentioned the British pound, the Italian lira and the Spanish peseta, all of which have been effectively devalued by between 14 and 17 per cent.

The Danish crown has withstood several rounds of speculative pressure in the ERM, but several of Denmark's key markets are suffering because of the devaluations and unemployment is at a record 12 per cent.

Hoffmeyer's speech was likely to undermine EC political efforts to give the impression that all is well in the EMS.

EC finance minister agreed at an informal meeting in the Danish town of Kolding during the weekend that a major overhaul of the EMS was not

needed. But monetary officials said discussions at Kolding concluded that the system had been abused for competitive ends and that this must be prevented in the future.

Danish analyst Ivan Hansen, a Vice Director at Jyske Bank, said Hoffmeyer's remarks reflected long-standing irritation in Denmark and in other countries which have managed to avoid devaluation by pursuing tight fiscal policies.

The EMS system has not shown much solidarity. The countries which have devalued have simply transferred their deteriorating competitiveness to the other economies in the system, he said.

China blacklists 3,000 firms as worst polluters

BEIJING, May 26: The Chinese government has blacklisted 3,000 companies judged to be the country's worst polluters, Xinhua news agency said on Tuesday, reports Reuter.

The companies belched out 60 per cent of China's measured industrial waste, soot and other pollutants, the official agency said.

"If major efforts are made for the control of environmental problems caused by the 3,000 enterprises, China will be much cleaner," it said.

Among the offenders were giant state-run enterprises like Anshan Iron and Steel and the Dajing General Industrial Petrochemical Plant.

Money isn't everything

HONG KONG, May 26: It took a survey to thousands of Asians to prove the old adage — money isn't everything, reports Reuter.

The results of an Asia-wide "happiness survey" published by a Hong Kong firm found that 94 per cent of people in impoverished Indonesia and the Philippines described themselves as "happy" while only 64 per cent of Japanese did so.

Almost a third of those polled in wealthy, high-stress Japan admitted to being generally miserable, according to the investigation by Survey Research Hong Kong. Between the two extremes lie

Malaysia, Singapore and Thailand, neck-and-neck with a happiness rating of 92 per cent, followed by Hong Kong (89 per cent), Korea (85) and Taiwan (79).

In most countries the happiest people were the under-20s — except in Korea and Taiwan, where bafflingly, age, lack of education and low pay appear to bring bliss. Only Filipinos and Thais said they were happier single.

There is an old Chinese saying: You can be content even if you are poor, but if you are content you will be unhappy even if you gain riches," said the research firm's managing director Allen Leung, commenting on the results.

EC okays \$100m rehabilitation fund for Africa

BRUSSELS, May 26: European Community development ministers of Tuesday agreed to devote more than 100 million dollar rehabilitation in African nations ravaged by war or famine, reports AP.

Under the so-called Special Africa Initiative, at least 100 million European Currency Units (120 million dollar) would be freed for urgent donations to sub-Saharan states, said Danish Development Minister Helle Degn, who led the meeting.

But the ministers were criticised for recycling old funds and not ensuring that the money would arrive in Africa with the needed urgency.

The aid is aimed at bridging

the gap between emergency food aid and traditional, long-term development projects.

The funds may be used to supply agricultural tools and seeds, reconstitute cattle populations and food stocks, repatriate refugees and demobilise troops as civil wars end, according to a joint statement from the 12 ministers.

EC sources criticized the ministers for refusing to untie the money from normal funding procedures, which include translating proposals into the EC's nine official languages and opening bids to European suppliers of water pumps, land cruisers, and grain. Those requirements often mean a lapse of month before aid can reach

its target.

Ministers also failed to specify which countries should receive the aid. Degn told reporters the money would go to countries that already receive EC funds, and maybe others as well.

\$120m ECUs for environment

A Reuter reports adds: European Community development ministers agreed on Tuesday to provide an extra 120 million ECUs (144 million dollar) in 1993 for environmental projects in developing countries while confirming their commitment for an initial tranche of 600 million ECUs (720 million dollar).

Clinton urged to sell deficit cut package to Congress, nation

WASHINGTON, May 26: House Democrats told President Clinton on Tuesday that he hasn't effectively sold his deficit-reduction package to Congress or the American people, reports AP.

Still optimistic that the bill will pass the House on Thursday, the Democratic lawmakers emerged from a White House meeting and said Clinton needs to intensify his lobbying. Some suggested he make a television pitch for his package.

"The American people do not completely understand what's in the programme," said Rep. Dan Glickman.

The lawmakers said Clinton must reverse the perception that his package relies too much on tax increases by highlighting the programme cuts. "We seem to have lost the perception game," said Rep. Bill Richardson.

Clinton was meeting with freshman lawmakers later in the day.

Freshman Rep. David is expecting some vigorous arm-twisting this week because he's still inclined to vote against Clinton's deficit-reduction tax increase.

Rouble takes another plunge against dollar

MOSCOW, May 26: The rouble fell to 960 to the dollar in trading here, shedding another 20 points from last Thursday's fixing and edging closer to the psychological barrier of 1,000, reports AP.

Offers on the Moscow interbank currency exchange were posted at 60.4 million dollar and demand for dollar totalled 64.9 million dollar with trading volume at 40.4 million dollar.

Day's trading session came after the Government and the central bank finalised an agreement on coordinating monetary policy under which the bank pledged to stop supporting the Russian money with artificial rouble buying.

The rouble had been expected to break through the 1,000 mark against the dollar earlier this year but has been bolstered by central bank intervention and by importers converting hard currency profits into rouble recently.

\$1b hoarded in cash

Reuter reports: Russians are hoarding one billion dollar in cash and a further nine billion dollar in bank accounts across the country, Vechernyaya Moskva newspaper quoted Finance Minister Boris Fyodorov as saying.

The dollar has virtually become a parallel currency in Moscow and some other cities, as the rouble falls to new lows and inflation whittles away the value of rouble savings.

The evening newspaper, in its Monday edition, said many people were hoarding dollars at home.

Sutherland may replace Dunkel as GATT chief

GENEVA, May 26: The GATT world trade body on Tuesday announced a special meeting on June 9 to appoint a new Director-General, widely expected to be Peter Sutherland, chairman of allied Irish banks, reports Reuter.

Sutherland, an Irishman who was European Community (EC) Competition Commissioner from 1985 to 1989, is the top choice to succeed Arthur Dunkel, due to retire at the end of June, according to trade delegates.

The purpose of the session is the appointment of a new Director-General, the General Agreement on Tariffs and Trade (GATT) said in a statement announcing the closed-door meeting.

EC trimming growth forecast

BRUSSELS, May 26: The European commission is in the process of cutting its forecast that European Community economies will grow at an average rate of 1.8 per cent next year, an official said on Tuesday, reports Reuter.

"We expect that it will be above one per cent, but only just, the official, who asked not to be named, said.

The official said the commission had also begun pushing back the timing of the expected economic upturn from the second half of this year to the first half of 1994.

This would obviously have a strategic bearing on growth forecasts for next year.

The commission is also revising downward its growth forecasts for the current year to between zero and minus 0.5 per cent from the plus 0.8 per cent, it predicted in January.

Last month community Finance Ministers unveiled a 35 billion European currency unit (42 billion dollar) plan aimed at adding 0.6 per cent to growth over the next 18 months and creating 450,000 jobs.

The official said the new forecast for growth in 1994 took this plan into account as far as it was possible to assess its likely impact.

Yugoslavia introduces 5m dinar note

BELGRADE, May 26: The Yugoslav National Bank (NBY) issued a five million dinar note on Wednesday, reflecting the depressed value of its national currency, Yugoslav news agency Tanjug reported, says Reuter.

Currently the highest denomination in use is the 500,000 dinar note, worth 1.25 US dollar on the black market, introduced several months ago when it was worth 666 US dollar at the official exchange rate.

Yugoslavia's economy is crippled by the devastating two-year war in Croatia and Bosnia-Herzegovina and its inflation rate — close to 20,000 per cent last year and still soaring — is the worst in the world.

Trying to salvage the dinar under conditions worsened by stifling UN sanctions against rump Yugoslavia, comprising

Serbia and Montenegro the NBY early last month devalued it for the fifth time in 13 months.

But the rampant monthly inflation rate continued, touching 225.8 per cent in March with a further 114.1 per cent in April.

Yugoslavia's industrial output in the first two months this year dropped by 40.2 per cent compared with the same 1992 period and economists warn that soon it will be impossible to halt the currency's plunge.

The black market rate of exchange is practically doubling every second week. Early this month a dollar fetched 160,000 dinar and a month earlier 48,000.

Economists said the decision to issue a new note was also prompted by a severe shortage of paper and dye.

Japan expected to begin recovery this fiscal

TOKYO, May 26: The Japanese economy is expected to recover in the latter half of this fiscal year ending in March, Bank of Japan Governor Yasushi Mieno said here Tuesday, reports AP.

The economy is expected to enter a recovery stage in the latter half of this fiscal year although the pace might be moderate, Mieno said at a meeting of trust banks.

The central bank governor said that the Japanese economy would be supported mainly by public works projects for the time being.

The Japanese government announced a package of economic recovery measures which 10.7 trillion yen (97 billion dollar) last August and another similar package of 13.2 trillion yen in April this year.

Mieno said he wanted the Japanese currency to stabilise against other currencies as a stronger yen could invite deflationary pressure in Japan.

closed at 110.56 yen to the dollar on the Tokyo foreign exchange market Tuesday, up 0.02 yen from the previous day's finish.

In a report released Tuesday, the bank of Japan said that the Japanese economy was still at an adjustment stage.

Domestic demand continues to be stagnant with consumer and corporate capital spending remaining dull, it said.

But the Japanese economy is nearly at the bottoming-out phase, the monthly report said.

Regional governments are staging concerts, exhibitions and tree-planting projects to commemorate the June 9 wedding of Prince Naruhito, 33, to former diplomat Masako Owada.

Newspaper editors plan to mobilise thousands of reporters to cover the marriage while television networks are scheduling up to 13 hours of coverage on the big day.

4-day-week answer to global unemployment, layoffs?

NEW DELHI, May 26: Will a four-day-week help industrial nations curb growing unemployment and avoid layoffs?, reports AP.

It's worth trying, says a top United Nations economist.

"Reduced working hours, innovative proposals for work sharing and redefining the very concept of work" are some things western nations are considering, said Mahbub ul Haq, head of the United Nations Development Programme.

Industrial nations may have to consider whether it is better for most people to work five days a week, in order to benefit some people on unemployment benefit, or whether it is better for all people to work, says, four days a week," Haq said while releasing the UNDP's Human Development Report, 1993.

The UN organization is chronicling the quality of employment on the planet.

"We are witnessing and new and disturbing phenomenon ... in developing countries, the increase in unemployment has been proceeding at about half the rate of increase in output in the last three decades," said Haq, a former finance minister of Pakistan.

"Expanding unemployment benefits is no solution in a world without many jobs," he said.

Developing nations are experiencing double digit unemployment. They must create one billion new jobs this decade to stay abreast of increases in labour force and to absorb the growing reservoir of unemployed workers, the report said.

Citing an example, Haq said in Germany, between 1960 to 1987, total output increased by more than two and a half times, but employment fell by nine per cent.

In the Organisation for Economic Cooperation Development, which groups 24 countries, including the United States, unemployment stayed above six per cent throughout the 1980s, reaching a peak of 6.9 per cent in 1991, which means 30 million jobless persons.

Unemployment in the European members of the OECD rose from three per cent in mid-1970s to about 10 per cent in 1992.

"jobless growth" — output rising but employment declining.

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South-South cooperation gets a boost from Mahathir's actions

KUALA LUMPUR: When not denouncing the West, Malaysia's high-profile Prime Minister Mahathir Mohamad can be heard championing Third World causes and exhorting developing countries to forge closer economic relations to survive.

But unlike the anti-Western rhetoric, which flies in the face of Kuala Lumpur's overwhelming dependence on trade with the European Community and the United States, Malaysia seems to be putting its money where its mouth is when it comes to South-South cooperation.

In the past, Malaysian investment overseas tended to concentrate on Australia, Hong Kong, Singapore and the United Kingdom. These days, Malaysian companies are looking to East Asia and beyond to other developing countries for trade and investment.

Malaysian companies are now investing millions of dollars in Papua New Guinea, Fiji, Indonesia, Africa and Latin America in energy, construction, hotel and manufacturing.

The Sime Darby Group, one of Malaysia's biggest conglomerates, has announced plans to set up a palm oil refinery in Latin America. Other local companies are involved in joint ventures in similar refineries in China, Pakistan and Egypt.

Two gaming companies have reported securing gambling licences in China. Sapura Telecommunication has landed a contract to supply telephone equipment and operate a payphone system in Vietnam.

Several local banks have set up branches in Indochina. A Malaysian company is building low-cost houses in Mauritius and has similar projects lined up in Madagascar, Reunion Island and Papua New Guinea.

This global search for non-traditional markets in the South is being led by the peripatetic Mahathir, who has forayed with trade and investment delegations in tow to Latin America, Africa, Indochina, South Asia and early this month, Central Asia.

Malaysia's leading role in such Third World fora as the G-15 group of developing countries has given Mahathir ample scope to expand on his ideas about tackling inequalities in the global economic order. Indeed, at the G-15 inaugural summit in here in 1989, Malaysia proposed two schemes to encourage and facilitate trade and investment among countries of the South.

Trade officials here say the bilateral payments arrangement (BPA) by which the central banks of respective trading countries in effect guarantee payment

to exporters has resulted in boosting trade between Malaysia and its South trading partners.

Last year, 35 Malaysian companies made use of the



BPA facility to export US \$40.7 million worth of goods to Mexico, Chile, Peru, Romania, Sudan and Venezuela.

The other project, the South Investment, Trade and Technology Data Exchange Centre (SITDEC), is a Kuala Lumpur-based data centre providing information to small and medium-sized industries in South countries.

In introducing the schemes, Mahathir said they would promote less dependence on financial institutions and mechanisms controlled by developed countries. "Malaysia does not pretend to have expertise in every field but I believe we can exchange information on economic planning, privatisation and other development programmes," he said on his return from the G-15 summit in Dhaka last year.

But aside from the desire to win friends in the developing world, Malaysia's strong export-driven economy also needs to venture beyond its traditional developed country partners to the economies of the South.

With the emerging single European market, the North American Free Trade Market (NAFTA) and the Asian Free Trade Area (AFTA), rising protectionism and trade and investment have become major concerns as has the continued pessimism about the Uruguay Round of the General Agreement on Tariffs and Trade. — IHS's altin