Growth undercutting China's trade situation

BEIJING, May 31: China's angry posturing over its US Most Favoured Nation (MFN) trade status reflects worries in Beijing that its overall trade situation is being undercut by fast growth at home, reports Reuter.

From January to April, China logged a trade deficit of 1.7 billion dollar — its first shortfall in over four years, the official China Daily said on Sunday.

The trade gap, caused by frantic import buying and a drop in exports by the large state sector, is another warning sign to officials already concerned that the current economic boom may be getting out of hand.

China snapped at US President Bill Clinton on Saturday after he extended Beijing's MFN status this year, saying his move to make next year's extension conditional on human rights improvements was unacceptable.

Beijing's fear is that the key US market, which absorbs about 30 per cent of China's exports every year, may become more difficult to penetrate just as Chinese consumers are developing a taste for imports themselves.

The trade deficit has come as an unwelcome warning to officials who had long grown used to comfortable surpluses such as the five billion dollar China racked up in 1992.

This year has been a different story. China's imports jumped by 24.7 per cent in the first three months of 1993 compared with the same period last year, while its exports rose by a relatively modest 7.7 per cent.

Set off by rising incomes and easier credit, the buying splurge has been accelerated as people seek to hedge against rising inflation by stocking up on material goods.

Pang Rongqian, a senior analyst at the Ministry of Foreign Trade and Economic Cooperation, said the current trade deficit "was only temporary" and that the government was seeking ways to make sure the books stay balanced.

"It's not abnormal to see a deficit," the China Daily quoted Pang as saying.

"For the whole year, China will achieve a virtual balance of foreign trade, or perhaps exports will slightly outweigh imports," he said.

To achieve that, Beijing must figure out how to spur state companies to concentrate on exports, which have fallen as managers look to other sectors such as real estate speculation and domestic marketing in search of faster profits.

"The hectic domestic market has lured away many exports to more profitable home sales," Pang was quoted as saying.

The China Daily said state-run foreign trade companies, the traditional backbone of China's trade structure, posted negative growth in exports during the first four months of 1993, while overseas funded ventures saw exports grow by 60 per cent.

Exports also slowed due to shortages at home. Overseas sales of raw materials and building supplies such as oil, rolled steel and cement all dropped sharply as China's own companies fought to launch expansion projects and building deals.

Chinese bank to issue bonds on US market

BEIJING, May 31: People's Construction Bank of China plans to become the first Chinese financial institution to tap the US bond market, the China Daily's business weekly said Sunday, reports AFP.

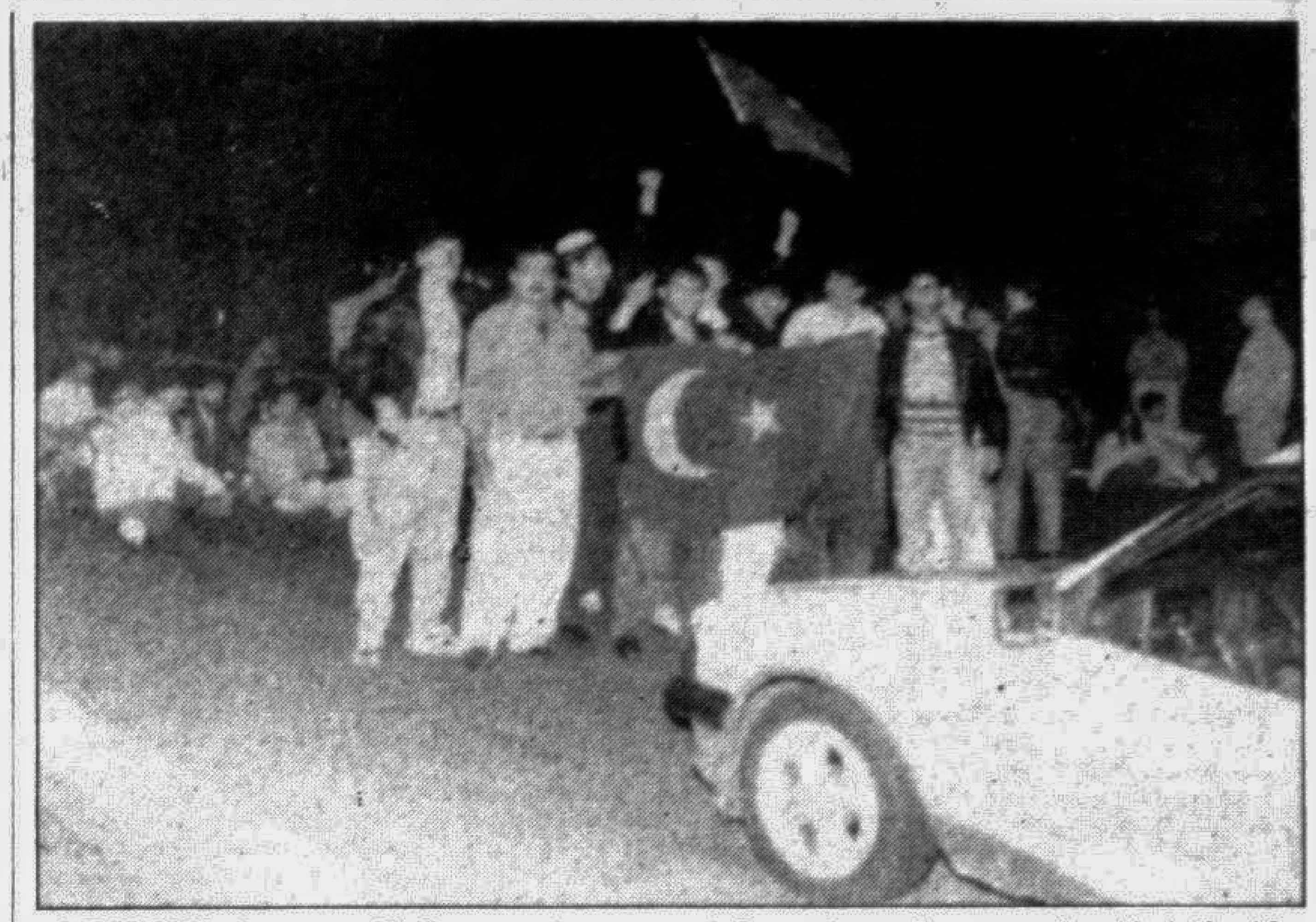
The state-owned bank is considering a 200 million to 300 million dollar bond issue on the European and US markets this year, Deputy General Manager of the International Department, Mao Yumin, told the newspaper.

"Issuing bonds in the US is challenging," he said, "but we are confident."

The US issue would be long-term bonds that run for more than seven years and have fixed rates. The Construction Bank was also considering another issue in London, after a bond flotation last year of 150 million dollar.

After a decade of concentrating on Japanese and Singapore markets, Chinese banks are turning to western markets to diversify.

The Bank of China, after a six-year break from the Eurobond market, said earlier this month that it would float 150 million to 200 million dollar in London before August.



SOLINGEN (Germany): Turks wave their national flag in front of a car, as they block the A3 motorway causing immense traffic obstruction late May 29 near Solingen, in protest against the right-wing arson attack on a Turkish home in which five people were killed.

— AFP/UNB photo

Closure of occupied territories hurting Israeli economy

JERUSALEM, May 31: Israel's closure of the occupied territories has boomeranged onto its own economy, reports AFP.

It shut the Gaza strip and West Bank in late March to curb killings of Israelis but the move threatens to cut industrial growth by one per cent and hike inflation by three per cent, the Finance Ministry has reported.

"It's all the more unfortunate as last year's growth rate was 6.6 per cent, much higher than that in industrialised countries, and as inflation dropped below 10 per cent for the first time in 23 years," a ministry official said.

Building and agriculture, where nearly half the workers are Palestinian, were hit especially hard when almost all of the 116,000 Palestinians, in the territories are prevented from travelling to their jobs in Israel.

"We've already lost 115 million dollar in two months," said Zvi Fredman, a spokesman for the Israeli builders' association. "Housing construction projects which took 18 months now require 22 months to complete."

In April, the price index registered an increase of 1.4 per cent, due mainly to housing price hikes.

"Inflation will climb back up to 17 per cent in 1993, an undeniable regression," a treasury official lamented.

The closure has also hit companies specialising in construction materials which represent nine per cent of industrial production, said Ezra Hadar, a senior official at the central statistics bureau.

And the measure has had other kinds of ripple effects, he said.

Since 1967, the occupied territories have been Israel's third largest export market with a billion dollar in sales last year, after the United States and Britain.

"Now the Palestinians have suffered a dramatic loss in purchasing power since salaries paid in Israel represent about 40 per cent of their income, which reduces our sales," Hadar said.

To limit the damage, the treasury wants the government to ease up on the closure. Pressured by employers, the government has allowed 45,000 Palestinians to return to work in Israel and announced that 6,000 others would be hired.

Finance Minister Avraham Shohat hopes to go further. He suggested the return of 70,000 Palestinians, a figure that corresponds to the number of people who had permits to work in the occupied territories before they were sealed off.

But employers prefer using 30,000 foreign workers, notably from Thailand, who are considered to be better workers and not a danger to Israel's security.

Japan to help Iran build dam on Karun river

THERAN, May 31: Japan is to help Iran build a dam on the river of Karun in southwest of the country, according to an official announcement here, reports Xinhua.

Under an agreement signed by Iranian Foreign Minister Ali Akbar Velayati and Japanese Ambassador Tsuneo Oyake here today, Japan will offer Iran a preferential credit of 160 billion yen (about 1.3 billion US dollar) for the project in three phases.

The credit will be paid back in 18 years starting seven years after the use of the credit by Iran, with an interest rate of 3 per cent.

The project includes a 800-meter-deep dam in the western part of Karun River, Khuzistan Province and a power plant with initial capacity of 1,000 megawatts, capable of being increased to 2,000 megawatts.

The project, which is expected to be completed by the year 2002, is said to be the first largest cooperation venture between Iran and an industrialised country since the Islamic revolution in 1979.

Delhi attains position to export foodgrains

NEW DELHI, May 31 : India is in a position to export wheat and rice this year as it has surpassed its procurement targets a month ahead, the Minister of State for food Kalp Nath Rai said here yesterday, reports PTI.

As against the procurement target of 100 lakh tonnes of wheat for the current year, the Food Corporation of India (FCI) and other state procurement agencies have procured 120 lakh tonnes of wheat as on date and by June end the procurement would touch 135 lakh tonnes, Rai told PTI.

Similarly as against the procurement target of 100 lakh tonnes of rice for the current year the procurement agencies would procure 125 lakh tonnes by June end, he said.

Last year 60 lakh tonnes of wheat was procured during the same period which was 40 lakh tonnes less than the target, the minister said.

The government had imported 30 lakh tonnes of wheat from the United States of America, Canada and Australia due to inadequate procurement of the commodity. This step, Rai said, had helped to stabilize open market prices.

Woollen textile exports up

Xinhua adds: India's woollen textile exports in fiscal 1992-93 amounted to 146 million US dollar as compared to 101 million US dollar in 1991-92, registering an increase of 44.9 per cent in dollar terms, according to an official release available here today. Against the target of 94 million US dollar fixed for 1992-93, the achievement amounted to 155.3 per cent of the target, the release said.

The country's woollen industry is small in size and widely scattered. While 40 per cent of woollen units are located in Punjab, Harayana, accounts for 27 per cent and Rajasthan 10 per cent of the total woollen units.

During the eighth plan (1992-97) India planed to take up few pilot projects for promotional activities. The major scheme includes wool market intervention, carpet weaving centres and market intelligence network.

Coke, Pepsi's sell-off bid stirs up nationalist resentment in Egypt

CAIRO, May 31 : Egypt's sell-off of two state firms that make Coca-Cola and Pepsi-Cola under licence has caused nationalist resentment to bubble beneath the country's bright, breezy free-market surface, reports Reuter.

The world-famous brands, often seen in the developing world as the missionaries of western capitalism, have become the focus of fierce argument over the rights and wrongs of privatisation.

Local businessmen competing to buy the firms accuse the franchise-givers, Coca-Cola Co and Pepsico Inc in the United States, of holding back vital information so they win the bids themselves. Government officials deny this.

But large sections of public opinion suspect prime assets are about to be sold cheaply to foreigners who plan to sack workers by the thousands.

The arguments over the Nasr bottling plant and the Misr bottling company, which produce Coke and Pepsi respectively, have touched the country's political soul.

Mahmoud Wahba, head of the Egyptian-American businessmen's association, said Coca-Cola and Pepsico denied him information he needed for his bid and threatened to withdraw their franchises if they did not win themselves.

"Egyptian-owned firms will be put up for sale regardless of how that may conflict with national interests. We must raise a time-worn banner "Egypt for the Egyptians," he wrote in Al-Ahram newspaper. Others have since echoed his criticism.

Egypt, pressed by the International Monetary Fund (IMF) and the World Bank started economic reforms in 1991 which will win it over 10 billion dollar of debt forgiveness from western creditors.

But privatisation has raised the old dragon of foreign economic control, buried deep in Egypt's collective memory for over a century.

Europeans came to own most of Egypt's prime economic assets during 70 years of British colonial dominance from 1882 to 1952. The British first became involved in the Egyptian government in 1876 after it ran deeply into debt building the Suez canal.

"Whatever pressure the IMF exerts, we cannot afford to sell off Egypt's national interests. The sales require a great deal of consideration and study so Egypt does not suddenly wake up to find itself under a new form of colonialism," Wahba wrote.

The organisation has increasingly found itself without a role as liberalisation sweeps aside controls.

Wahba now heads a government-blessed group that will vet the reform process for opportunities for Egyptian businessmen living abroad — and signs of favouritism to foreign firms.

Government officials handling the privatisations say 11 groups bought sets of specifications, a pre-qualification for bidding, and deny they allowed Coca-Cola and Pepsico to set conditions.

Industry sources said groups showing an interest included Kuwaitis and Saudis as well as the US mother companies and Egyptians. The final results of the sealed bids are due to be announced within two months.

Together they run 13 factories, employ 8,800 workers and control 60 per cent of the Egyptian soft drinks market, selling more than a billion and a half small bottles wholesale for a combined turnover of about 100 million dollar.

Rafik Cressaty, who runs the Coca-Cola factory in Cairo that supplies concentrate to Nasr, said: "There's nothing that prevents anyone from making a bid. We bid under the same terms as everyone else."

He said the Nasr firm was currently overmanned but Coca-Cola would maintain staff levels for three years by retaining workers and planning for market expansion.

The soft drinks industry regards Egypt, home to millions of tea and coffee addicts, as a relatively sluggish market. The average Egyptian drinks only 40 bottles a year compared to 150 bottles per head in the Philippines.

IFC to invest $ 39m in Pak cement plant

ISLAMABAD, May 31 : The World Bank-affiliated International Finance Corporation (IFC) will invest 39 million dollar to finance construction of a cement plant in Pakistan, an IFC official said here Sunday, reports AFP.

The IFC financing involves five million dollar in equity investment and a direct loan of 24 million dollar, said the IFC's Director for Central Asia, Middle East and North Africa, Andre Hovaguimian.

The remaining 10 million dollar required will be loaned by a syndicate of international commercial banks as participants in the IFC financing, he told a press conference here.

The project is being built by a private Pakistani concern, Fauji Foundation, near the town of Fatehjang in Punjab Province, at a cost of 163 million dollar.

US warned against managed trade

OECD will urge Japan to cut trade surplus

TOKYO, May 31: Members of the 24-nation OECD will this week urge Japan to cut its huge global trade surplus and caution the United States against managed trade, a Japanese daily said on Sunday, reports Reuter.

Asahi Shimbun quoted a copy it had obtained of a draft communique to be released at the annual meeting of the Organisation for Economic Cooperation and Development (OECD) beginning in Paris on Wednesday.

The document calls on Japan to make further efforts to boost domestic demand in order to deflate its ballooning trade surplus, Asahi said.

Earlier this month, Japan said its global surplus in current account — the broadcast measure of trade in goods and services — rose to 136 billion dollar in the 1992/93 fiscal year, up from 70 billion dollar the previous year.

The OECD report also calls on the United States to cut its deficit and urges it to uphold free trade principles. Asahi said it warns Washington that protectionism will reduce living standards in the long run and hinder economic development.

Japan in particular is critical of what it sees as US efforts to manage trade. The Clinton administration wants to set targets in various sectors to measure the level of improvement in Japan market access for American companies.

Asahi said the draft recommended that nations adopt growth-oriented fiscal and monetary policies to reduce unemployment, particularly in the 12-nation European Community where the jobless rate is now 10.3 per cent.

Germany and other countries should continue to cut their interest rates to help spur growth, it said.

Downward revision of OECD economic growth

AFP from Paris says: Weaker than expected activity in the United States since last January will entail another downward revision of OECD economic growth projections ahead of a ministerial conference in Paris next week, OECD delegation sources said.

They suggested that expansion this year in the industrial world might now not exceed 1.2 to 1.3 per cent.

Economists of the OECD earlier this month projected growth of 1.5 per cent in the OECD area as a whole this year, the same modest rate as recorded for 1992.

However, the sources said, this assumed US growth of some 3.3 per cent this year, which was clearly too optimistic.

The latest US administration forecast foresaw expansion in the 2.5 per cent to 2.8 per cent range — some 0.5 to 0.8 percentage points below the level suggested by the OECD.

Revised first-quarter figures just published in Washington put year-on-year growth at 0.9 per cent rather than the initial estimate of 1.8 per cent, confirming persistent weakness in the economy in the three-month period.

"Given the weight of the US economy in the OECD total — it accounts for nearly 40 per cent — the 1.5 per cent forecast will have to be lowered," the same sources said.

The revised figures would be submitted to OECD ministers when they meet in Pairs next Wednesday.

Draught-stricken Africa now fears about bumper harvest going to waste

Harvesting has begun in southern Africa and good crops are forecast. The pangs of drought-induced hunger, which last year devastated much of the region, seem to be almost over. Rainfall has been quite good. Now comes a new worry: how much of the crop can be saved from going to waste? In Zambia, for example, roads are in a shocking state and storage facilities poor.

The ravages of the worst drought in southern Africa for 50 years may now be at an end. The latest forecast by the ten-nation Southern African Devel-opment Community (SADC) estimates a crop this year of 11.4 million tonnes of cereals, mainly maize grain, the region's main staple food.

This is nearly double last year's drought-stricken harvest of about 5.9 million tonnes, which left just over one-third of SADC's 83 million population starving. The success is attributed to better weather, improved producer prices, availability of inputs and liberalisation of agricultural sector in most member states.

One SADC official said: "If well harnessed, members with surpluses like Zambia should supplement deficits in other member states like Namibia, Angola and Mozambique where either war or insufficient rain has adversely affected crop production."

Fears of the crop going to waste are the talking point in the region. In Zambia, five to seven million bags of the total marketable harvest of 18 million bags could be lost between now, when the harvest starts, and December.

The country's total harvest this year represents almost twice its annual consumption and should wipe out last year's donor-funded food imports worth over 200 million US dollar. Last year two million of the 8.3 million population suffered critical food shortages.

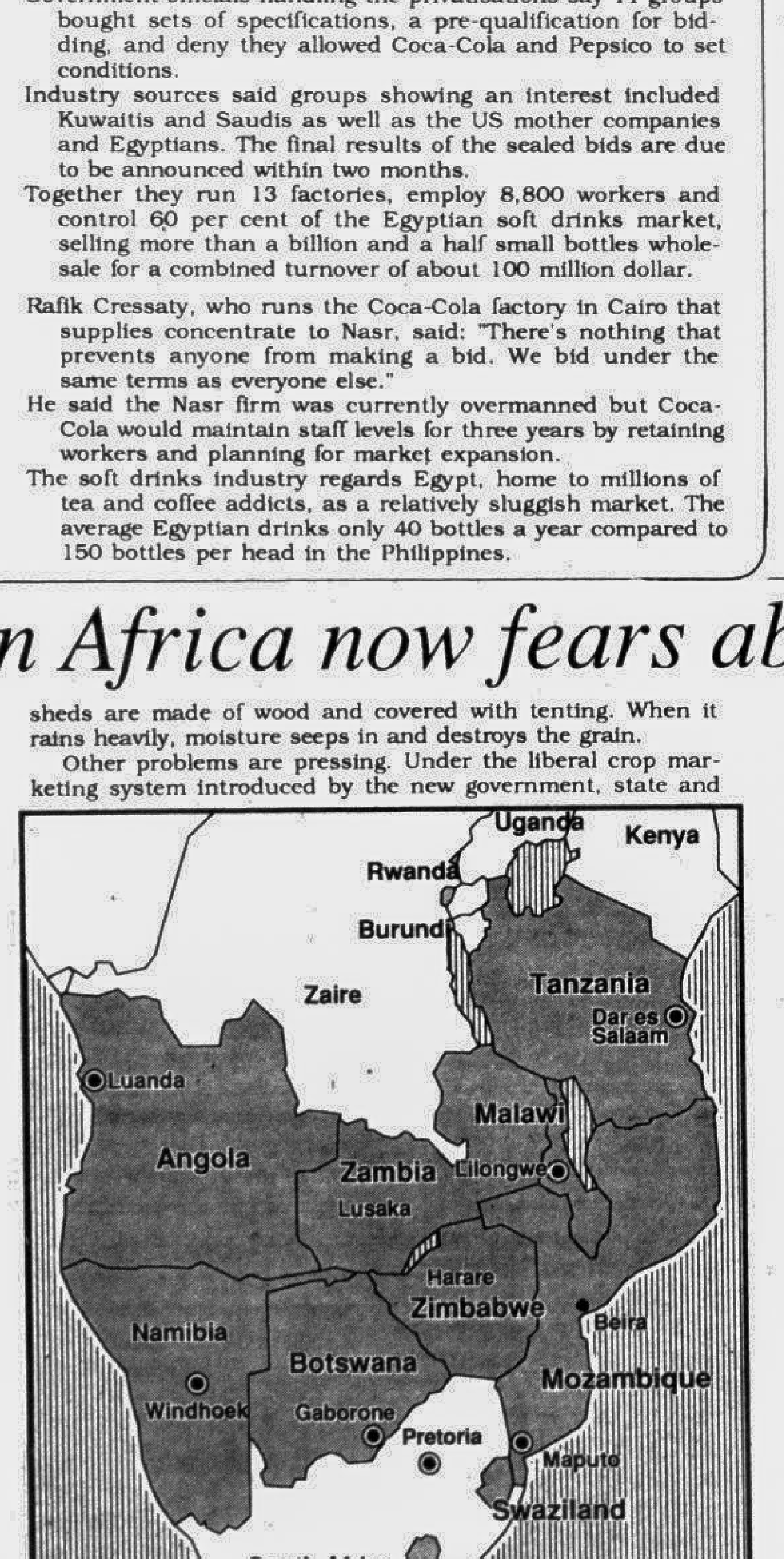
This year they should face no problem, but the National Agricultural Information Services (NAIS), which is responsible for monitoring marketing, distribution and storage, is not so sure.

NAIS sent the government of President Frederick Chiluba and the entire farming community into a panic by warning recently: "The bumper harvest is in grave danger unless storage facilities and marketing are made adequate and harmonised."

This problem, compounded by chronic shortages of capital, transport and the deplorable state of the entire road network, has existed for years.

NAIS says current storage facilities, half of which need urgent repairs, can take only 13 million bags of maize. Waterproof silos can take only 1.3 million bags. Most storage sheds are made of wood and covered with tenting. When it rains heavily, moisture seeps in and destroys the grain.

Other problems are pressing. Under the liberal crop marketing system introduced by the new government, state and private millers, individuals and agro-based commercial banks are expected to shell out an estimated 100 billion kwacha this year for maize purchases alone.



But the marketing agencies, including the autonomous Zambia Co-operation Feder-ation (ZCF), the leading marketing body, and the agro-based Lima Bank, say the most they can raise is probably 40 billion kwacha and that the state should finance the shortfall. In reply, the state says there will be "no spoon feeding from now on."

It is feared individual businessmen could take advantage of the liberal rules, buy most of the crop and export it illegally, a euphemism for the rampant smuggling said to cost Zambia up to three million bags of maize a year. Most of it goes to strife-torn Zaire.

The road network of Zambia is in shambles. In the countryside, most feeder roads are either impassable, not available, or in urgent need of repair. Many bridges have been washed away by torrential rains. Peasant farmers are worrying that their crops may rot in their backyards.

Haulage is another head-ache. The ZCF and the Tru-ckers Association of Zambia say they have just over 1,050 trucks to cover the 753,000 square miles of Zambia. NAIS estimates that at least 2,500 trucks are needed.

In addition, many private truckers are reluctant to risk their vehicles on rural routes. One said: "Your tyres get worn out after two to three trips. What you earn won't meet costs even half way, so what's the use of trying?"

Dr Guy Scott, minister of agriculture until a recent cabinet reshuffle, says a marketing and processing project, to be funded by the World Bank, the International Fund for Agricultural Development and other donors, is in place.

It is to focus mainly on the rehabilitation of rundown storage and trunk roads. An overall national road rehabilitation task force has also been set up with an initial capital of 10 billion kwacha. It is hoped task forces will be formed to repair feeder roads under the scheme.

Critics, however, say such efforts are too little and too late and could be hampered by bureaucratic procedures and shortages of cash. This year, for instance, only 7.8 billion kwacha has been allocated for capital projects by the entire Agriculture Ministry, which covers Lakes and Fisheries as well.

Before he left office, Scott was optimistic that donor funds would be forthcoming to supplement government efforts. He planned to plough some of the donations into the Food for Work Programme (FWP), which this year has received 5.7 billion kwacha, against one billion kwacha in 1992. This aims to attract rural communities to rehabilitate feeder roads and open up new ones.

Here there are problems too. Gross inefficiency by FWP managers and incessant disbursement delays left half of last year's allocation unused, even though working for food seems to have much enthused the rural population.

The cash-starved private sector and most farmers are also showing concern about the government's sudden switch of support to the struggling private sector.

As one farmer put it: "The transfer of marketing of crops should have been done gradually to ensure a smooth transition. If food goes to waste the government's blind faith in market forces will be to blame."

Other SADC countries have similar fears. The solution seems to lie in a national and regional effort to provide a full-proof food security system. —Gemini News

Exchange rate: 1$ = 514.8 Kwacha