Pak balance of payment gap may hit $ 700 million

ISLAMABAD, June 8: Pakistan's balance of payments deficit will be as high as around 700 million US dollar in the current financial year which ends on June 30, according to an estimate by the government, reports Xinhua.

The target of the balance of payments deficit was fixed at 116 million US dollar and the actual deficit last year was 186 million US dollar.

There is going to be a current account deficit of 2.590 billion which goes up to 2.855 billion when added to the error and commission figure of 265 million US dollar, the official estimates published here yesterday said.

The total deficit is likely to be partially met by the availability of a long-term net foreign capital of 2.162 billion, leaving an uncovered balance of payments deficit of 693 million leaving an uncovered balance of payments deficit of 693 million US dollar.

The Pakistan government is seeking balance of payments support from the International Monetary Fund and the World Bank to meet the deficit.

According to the estimates, the current account deficit of 2,590 billion is the result of a trade deficit of 2.222 billion dollar and invisible adverse balance of 0.368 billion dollar.

Exports are estimated to be around 7.300 billion dollar this year against the target of 7.800 billion dollar, while imports are estimated to be near to the target of 9.522 billion dollar.

Invisible adverse balance is partly caused by a fall in home remittances of the overseas Pakistani and partly by reduced invisible receipts.

Remittances this year are likely to be only 1.550 billion dollar against the target of 1.600 billion dollar.

Businessmen seek realignment of rupee

AFP adds from Karachi: Pakistani industrialists and businessmen Monday urged the government to realign the rupee to remain competitive in the international market.

The demand is based on a "general consensus" of the business community ahead of the new national budget due this month, said Mian Habibullah, President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI).

He said "the rupee should be realistically realigned to offset the effects of increasing competition from India and China in the recession-affected international market."

The FPCCI chief said the business community would take up the matter during talks with Prime Minister Nawaz Sharif and other government leaders.

So far the government has declined to devalue the currency, and a finance ministry official in Islamabad said "we are aware of the developments and their implications for the economy."

However, the Pakistani rupee has been allowed to depreciate in a managed float against a basket of currencies from time to time.

Habibullah said that due to the realignment of the Chinese and Indian currencies Pakistan's exports, especially textiles, would be affected.

He said Pakistan faced a budget deficit of about 100 billion rupee (3.70 billion dollar), and a shortfall of 2.5 billion dollar due to recent postponement of a World Bank-sponsored meeting of aid donor countries.

The aid consortium meeting was put off indefinitely after President Ghulam Ishaq Khan dissolved the National Assembly and sacked Sharif's government on April 18, an action reversed in May by the country's Supreme Court.

Finance Minister Sartaj Aziz was trying hard to get a new date for the meeting, official sources said.

Ali Murtaza, Secretary of the All Pakistan Textile Manufacturers Association (APMATA), said Pakistan's major yarn exports went to the Far East.

"With the free convertibility of Indian and Chinese currencies our exporters are faced with more competition," he said.

"We have impressed upon the government leaders that our currency is over-valued, needing realistic realignment through devaluation of about 10 per cent," Murtaza said.

He said Japan is a major buyer of cotton and cotton yarn from Pakistan while Hong Kong accounts for 20 per cent of yarn export and the Chinese currency realignment would affect the market if the rupee is not devalued.

The cotton textile industry of Pakistan produces 30 per cent of the country's industrial output and accounts for 75 per cent of exports.

Pakistan won't cut defence spending

ISLAMABAD, June 8: Pakistani Defence Minister Ghous Ali Shah today ruled out a cut in defence expenditure, six days before the announcement of the 1993-94 budget, reports Reuter.

The government has no plans to reduce defence spending because of an increased military build-up by India along the border with Pakistan, Shah told the national assembly.

"The government has attached top priority to national defence and is trying to meet Indian preparations," he said.

Pakistan allocated 82.15 billion rupees (3.26 billion dollar) to defence in fiscal 1992-93 up 8.4 per cent from the year before.

LONDON: Jaques Attali, President of the European Bank for Reconstruction and Development, answers questions June 7 after he gave a speech to the American Chamber of Commerce, as speculation mounts over his future at the helm of the bank. — AFP/UNB photo

America largest producer, importer of beef, veal

WASHINGTON, June 7: The United States is the world's largest producer and importer of beef and veal, with most imports consisting of frozen boneless meat from grass-fed animals, the International Trade Commission says, reports AP.

Beef from grass-fed animals, the commission said in a recent release, has different characteristics and uses than beef from grain-fed cattle, much of which is used for table beef.

Grain-fed beef is "typically marbled with fat, is more tender and has more flavor" than grass-fed beef, it said.

"Trade and industry sources report that the imported beef is closer in characteristics and uses to beef derived from domestic cull cows and bulls. The imported beef is often mixed with higher fat content trimmings from domestic grain-fed animals," it said.

A study of the US beef and veal industry found that US production of fresh, chilled or frozen beef and veal fell from a 1987 level of 24 billion pound to 23.1 billion pound in 1990, but rebounded slightly 23.4 billion pound by 1992.

It also found that from 1987 to 1991, US consumption of beef and veal dropped from 25 billion pound to 23.9 billion pounds, rising in 1992 to 24.1 billion pound. About 6 per cent of US consumption was imported annually during the 1987-1992 period studied.

"The US is the world's largest producer and importer of beef and veal; it is also a major exporter of those commodities," the release said.

Australia, New Zealand, Canada and Central America accounted for nearly all of the US imports during the period.

Other findings included: US exports of beef and veal increased from the 1987 level of 441 million pound valued at 729 million dollar to 962 million pounds valued at two billion dollar in 1992.

Japan, Canada, the Republic of Korea and Mexico were the largest US export markets.

Exports of live cattle and calves increased from 1987's level of 31,000 animals valued 105 million dollar to 322,000 animals valued at 193 million dollar in 1992.

Imports of live cattle were equal to about 3 per cent of the animals slaughtered in the United States in 1987, increasing to 6 per cent in 1990 and in 1991.

Extra $ 2.5b sought to combat AIDS

BERLIN, June 8: An international summit on AIDS was launched here Monday to urgent appeals from a top health official for an extra 2.5 billion dollar to help countries in Africa, Latin America and South East Asia stave off a disastrous epidemic, reports AFP.

Michael Merson, Director of the Global AIDS Programme at the World Health Organisation, warned that despite AIDS "relentless advance," developing countries suffered a terrible lack of funds for educating their people in to even basic awareness of the disease.

A new WHO study, he said, showed that if an extra 1.5 billion to 2.9 billion dollar a year were spent on education and prevention in those countries, "we can cut the number of new infections between now and the end of this decade in half."

It would avert four million new infections with the Acquired Immune-Deficiency Syndrome (AIDS) virus in Africa, four million in Asia and "about a million" in Latin America, he said.

"Investing 2.5 billion dollar a year would save close to 90 billion dollar in direct and indirect costs by the turn of the century," he said.

"2.5 billion dollar is scarcely one-twentieth of the 49 billion dollar spent on Operation Desert Storm. It would hardly buy one can of coke for every person in the world."

The emphasis on AIDS education — rather than a cure or a vaccine for the disease — was a keynote at the start of the ninth international conference on AIDS.

The mood was gloomy, as medical experts reported "explosive growth" of incidence of HIV, the virus that causes AIDS in South America and South East Asia, with still no sign yet of a laboratory breakthrough.

Merson also pointed to new data suggesting that transmission of AIDS to babies was far easier than initially thought. In cases where babies and infants were infected with the Human Immune-deficiency Virus (HIV) in their first five years of life, up to 50 per cent could be due to breast-feeding.

The conference chairman, German professor Karl-Otto Habermehl, cautioned against any wild talk of miracle cures.

He warned the meeting could only succeed if it were "free from any spectacular publicity and free from unfounded speculation."

In the past year, at least another million people had become infected with HIV or developed full-blown AIDS, bringing a known total of 14 million, according to the latest figures.

Adding to the pessimism was a recent Anglo-French study showing that AZT, a controversial drug whose defenders say can prolong the life expectancy of those with the AIDS virus, to be of no known benefit.

Around 15,000 medical researchers, including the top names in the field, CARE workers and AIDS activists are taking part in the five-day conference, from 166 countries.

Militants from the AIDS campaign group Act Up staged a noisy demonstration at the start of the conference, urging big drugs companies to order earlier release of experimental treatments and laboratory data.

They chanted: "break down the wall around AIDS break down the wall."

AIDS radicals said they were worried that the conference would further cement what they called the "AIDS establishment," comprising virologists and immunologists who pursued accepted lines of thinking, backed by wealthy and powerful drugs companies.

OPEC's oil output rises slightly

PARIS, June 8: Oil output by the Organisation of Petroleum Exporting Countries (OPEC) increased slightly to 24.2 million barrels a day from 24.1 million barrels in April, the International Energy Agency (IEA) said Monday, reports AFP.

The increase was caused mainly by an increase in output from the neutral zone between Kuwait and Saudi Arabia, and by increased output in Nigeria, the IEA said in its monthly report.

Taiwan's forex reserves stand at $ 85b

TAIPEI, June 8: Taiwan's foreign exchange reserves stood at 85 billion US dollar at the end of May after hitting a record high of 89.5 billion dollar in September, officials said Tuesday, reports AFP.

The figure, the highest in the world and up from 82.45 billion dollar in February, was mainly boosted by some six billion dollar worth of interest increments, the Central Bank of China (CBC) officials said.

Some 60.81 per cent of Taiwan's reserves are US dollar-denominated 22.28 per cent in German mark and 11.04 per cent in Japanese yen.

The CBC also holds 13.54 million ounces of gold reserves worth six billion dollar.

Asia-Pacific region will spend $ 68b for oil, gas

SINGAPORE, June 8: The Asia Pacific region will spend more than 68 billion US dollar on offshore oil and gas projects in the first half of this decade, a Singapore official said Monday, reports AFP.

Lim Boon Heng, senior Minister of State for Trade and Industry, said the biggest project was a proposed 5,000-kilometre (3,125-mile) long gas pipeline linking the six Association of Southeast Asian Nations (ASEAN) countries.

The trans-ASEAN pipeline will link gas fields in Brunei, Indonesia, the Philippines, Cambodia and Vietnam with markets in the ASEAN countries of Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Lim, who was speaking at the opening of the third international offshore and polar engineering conference, said the Asia-Pacific region was currently the second most active area for oil and gas exploration in the world.

He said the regions dynamism was generated largely by the development of the ASEAN countries, Vietnam, China and South Korea.

Lim said more than 75 per cent of all refining capacity was being planned or built in the Asia-Pacific Region.

The four-day conference, which deals with technical matters, attracted some 400 participants from 36 countries.

3 firms plan to work on computer-cable TV links

SAN FRANCISCO, June 8: Kaleida Labs, Motorola and Scientific-Atlantic plan to work together on developing computer technology for interactive and multimedia services to the home through cable television networks, reports AP.

In an agreement announced Sunday, the companies said they plan to provide new forms of consumer-oriented cable television services, ranging from interactive entertainment to information services and education programmes.

Under terms of the agreement, software-specialist Kaleida will supply Script, its core technology to Scientific-Atlantic to foster development of new interactive services that will be accessible through home terminals and networks manufactured by Scientific-Atlantic.

Motorola, meanwhile, will provide the microprocessor technology to allow services to be delivered through cable television networks.

"Motorola's world class manufacturing prowess and microprocessor technology leadership provide a high performance platform at very competitive system costs," said Mat Goldhaber, President and Chief Executive Officer of Kaleida.

"We're delighted and honoured to work with these companies to enable the delivery of digital entertainment and information services to the home. As a team, we are taking the biggest step ever toward making interactive and multimedia services a reality for America's cable households.

The announcement of the companies' alliance coincided with this week's meeting of the National Cable Television Association convention in San Francisco.

"Combining our strengths with those of Kaleida and Scientific-Atlanta will result in an unmatched capability in the interactive multimedia market," said Les Crudele, Vice President and General Manager of the RISC Microprocessor Division of Motorola.

"This is the latest example of the PowerPC microprocessor family setting the foundation for the convergence of communications, computing and lifestyle products."

Kaleida Labs, a privately held firm that is co-owned by Apple Computer and IBM Corp, is based in Mountain View.

Scientific-Atlantic, a world leader in cable television electronics, is located in Norcross, Ga, while Motorola, a leading provider of electronic equipment and semiconductors, has its headquarters in Schaumberg, Ill.

India hikes interest on US dollar deposits

BOMBAY, June 8: India's central bank Monday hiked by 0.25 per cent interest rates on US dollar deposits by non-resident Indians in Indian banks, reports AFP.

The Reserve Bank of India (RBI) said the increase was in keeping with "the present level of interest rates in the overseas markets, but added that there was no change on pound sterling, German mark or Japanese yen deposits.

A RBI statement said dollar deposits with a maturity period of longer than six months but less than one year would now attract 4.25 per cent interest annually, while deposits of longer than one year but less than two years would carry 4.50 per cent annual interest.

The statement said US dollar deposits of longer than two years but less than three years would earn 5.50 per cent interest.

Indonesia vulnerable to any Economic setbacks : WB

JAKARTA, June 8: Despite a reduction in its current account deficit, Indonesia's foreign debt is so large that the country remains highly vulnerable to any economic setbacks, the World Bank said Monday, reports AFP.

The bank's annual report on Indonesia a copy of which was obtained by AFP painted a lukewarm picture of the country's financial position.

It said total public and private foreign debt was 79.4 billion dollar at the end of 1991 — a sum equal to 58 per cent of gross national product. Of that total, the private sector owed 27.2 billion dollar.

Independent experts however told AFP the actual figure may even be higher — as much as 83 billion dollar — with a additional nine billion dollar in unutilised lines of credit.

According to the World Bank, the cost of servicing the foreign debt will increase 13.5 per cent over the coming years, to 8.4 billion dollar in fiscal 1993-94 eating up 30 per cent of the country's export revenues.

That "increase Indonesia's vulnerability to external shocks, such as an unexpected drop in oil prices or a slow down in major export markets," it said.

The more than 200-page long report was distributed to embassies representing members of the Consultative Group on Indonesia (CGI), which groups countries providing the bulk of development aid to Indonesia. The CGI meets June 27 and 28 in Paris to set the amount of their future aid.

The World Bank, backed by governments around the world and as chairman of the CGI, advised that Indonesia needs the aid, and that the overall amount should be kept at the same level as the 4.9 billion dollar provided last year.

But, the bank added, the only way to meet Indonesia's development needs and shrink its foreign debt is by increasing savings.

"Increasing national savings is the only way to reconcile the greater need for resources required to develop Indonesia's potential and maintain rapid gross domestic product growth," the report said.

Yet even if savings increase, the country is likely to need 10.5 billion dollar in foreign financing in 1993-94, it added.

The bank does give Indonesia some praise for bringing the figure down substantially since 1990, however, saying it reflected real progress in the current account deficit, which had forced Indonesia's private sector in particular to seek large foreign loans.

Between 1990 and 1992 the country's private sector, free of any foreign exchange controls, was borrowing at a rate that could not be sustained, the bank said.

Suharto's children's monopolies criticised

AFP adds: The World Bank in its annual report on Indonesia criticised two monopolies controlled by the children of president Suharto and slammed as hazy an economic strategy touted by a key minister.

In its annual report out Monday, the bank warned that because Indonesia's foreign debt is so large the country remains highly vulnerable to any economic setbacks.

The more than 200-page long report said while Indonesia can be proud of the success of its first long-term plan which ensured robust growth over the past 25 years, it could no longer rely on great leaps forward to sustain development.

The government would be better placed eradicating barriers to free competition, it said, outlining how two monopolies controlled by Suharto's children have harmed the interests of both producers and consumers.

The bank was not convinced by the arguments of Science and Technology Minister Bacharuddin Jusuf Habibie that Indonesia should rely on "high technology" to boost its standard of living.

The future, according to the minister who exercises considerable influence on government decisions, lies with value added products and not just on relying on a cheap workforce producing basic goods.

The report said this strategy, which also relies on using public funds and tariffs to block out foreign competition, would be "costly and inefficient."

For the authors, "with the labour supply remaining relatively abundant," labour-intensive industry was where Indonesia has a comparative advantage.

"Indonesia needs to sustain growth of six to seven per cent in non-oil gross domestic product to the growing labour force (annual increase of about 2.3 million), at rising levels of productivity and to improve the general living standards."

In the name of efficiency and a more just distribution of growth, the bank attacked Indonesia's monopolies as economic monsters.

"Efforts by provincial and local authorities to restrict or tax domestic trade are setting back regional growth, undermining efficiency and burdening the poor," the bank said.

Japan's supplementary budget set to become law

TOKYO, June 8: Japan's 2.19 trillion yen (20.4 billion US dollar) supplementary budget, designed to jump-start the stagnant economy, is set to become law on Tuesday.

The extra budget will take effect even if the opposition-controlled Upper House rejects it as expected, parliamentary officials said on Tuesday.

The Lower House, where Prime Minister Kiichi Miyazawa's ruling Liberal Democratic Party maintains a majority, approved the budget last month, which is enough for it to become law.

Miyazawa has urged early passage of the top-up budget which will boost the government's overall 1993/94 budget to 74.54 trillion yen (696 billion dollar).

The supplementary budgets is designed to fund Japan's latest and largest pump-priming package, unveiled in April, totalling 13.2 trillion yen (123 billion US dollar).

The rise of China's economy — a leap forward

The unprecedented high growth and great transformation in China is bound, by the end of the century, to change the whole configuration of world politics. Frederic Clairmont elucidates the scale and magnitude of this change and sketches the contours of the emergent Chinese economy by the end of 2020. (First article in a three-part series).

The disparities between the former USSR and China are that while both present certain methodological similarities in their national accounts, in the former these have practically disintegrated. In contrast, China's national accounts coverage has vastly improved over the last two decades.

Even before 1997, the accounts will have been reshaped to bring them into line with United Nations procedures. Similarly, in all private and public sector firms cash flows, balance sheet and income statements will conform to uniform international accounting standards. In itself, a far-reaching administrative revolution.

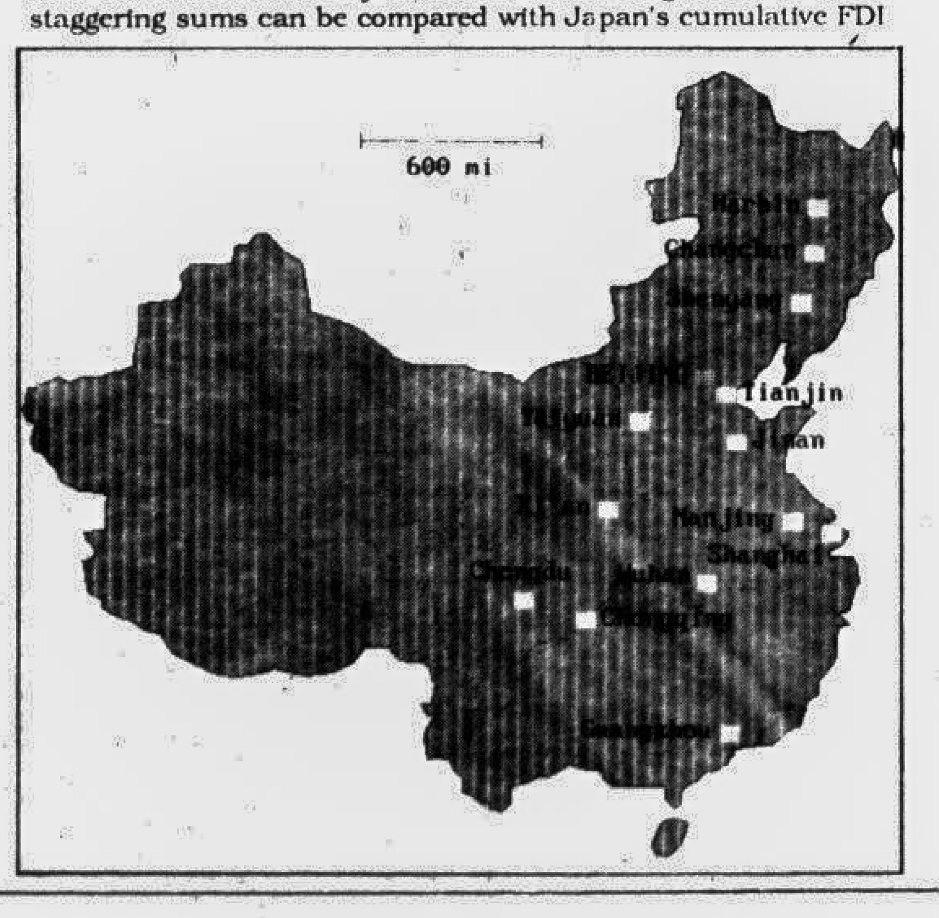
China's gross domestic product (GDP) grew by around eight per cent during 1970-80, by nine per cent over the decade 1981-91, and 12.8 per cent in real terms in 1992, outstripping the planned target by six per cent. In 1992, industrial output climbed by 20 per cent, and bank lending doubled.

This tenaciously sustained tempo is being nourished by two major financial currents; domestic savings and foreign direct investment (FDI). With savings at 38 per cent of GDP China ranks second only to Singapore among the World's top savers. Household saving embrace 70 per cent of savings.

The significance of such a savings structure is that reliance on household savings to meet the economy's rising capital requirement is one that is very different from a system in which taxation is the prime source of nearly all capital accumulation. Illustrative of this mighty current is that household bank deposits soared more than 17 times in real terms between 1978 (the debut of the socialist market reforms) and 1992.

Although there is always a danger of overheating in such a tempestuous growth ambiance, China's overall inflation rate in 1992 was about six per cent. Nothing could be more glaring than the contrast with Russia with prices exploding at 50 per cent monthly. In this constellation, money as a measure of value and medium of exchange vanishes. In Russia's case the stage is set for a Weimarian hyper-inflation, the demolition of the national currency with other sinister corollaries moving hand-in-hand.

China's huge savings are supplemented by FDI, nine-tenths of which are of Diaspora provenance. According to the State Statistical Bureau (SSB), this rose to 58 billion dollar in 1992, supplemented by foreign loans of 8 billion dollar. According to one estimate of the People's Bank of China (PBC) — the central bank — the anticipated cumulative total is expected to scale 350-400 billion dollar by 2000. The sheer magnitude of these staggering sums can be compared with Japan's cumulative FDI in the USA of 150 billion dollar during 1951-92.



China's development is thus being telescoped at a stunning velocity. It is becoming one of the world's major FDI recipients, in a way not surprisingly due to the persistent flatness of the US, EC and Japanese capital and equity markets. But of more strategic significance is not Japan's redirection of its bulging economic surplus to China, and away from the US, but that the Diaspora itself has the financial leverage of meeting nine-tenths of China's FDI investment requirement. China's public sector has already also become a sizeable capital exporter eg. Peru.

Consider once again the cruel juxtaposition with Russia's predicament. Its prime minister at the Davos World Economic Forum moaned that his country received less than 200 million dollar in FDI. What counts is not this piddling volume; disastrously this is short-term speculative capital with only a fraction going into productive investment. The comparison with China simply doesn't stop there: billions of dollar are pouring out of Russia through legal and illegal conduits.

Growth in FDI is structurally related to that of GDP, as well as changes in the external sector. China is becoming an increasingly open economy with exports rising to 18 per cent of GDP. Liberalisation of a rigorous species there has been, but Beijing does not intend to relinquish control of either the banking sector or the external sector. Its annual trade surplus, now running at 17 billion dollar has lifted its foreign exchange earnings to around 50 billion dollar (as against 30 billion dollar in 1990); a number not far removed from its foreign debt of 53 billion dollar.

No economy in the world, it would appear, is so favourably poised to meet the competitive challenges of the 21st century as China today.

Third World Network Features

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The second article will appear tomorrow.