G-7 ministers meet on world economy in NY

WASHINGTON, June 18: Deputy Finance Ministers from the Group of Seven are expected to meet on Friday in New York to discuss the weak world economy, gyrating currency rates and aid for Russia, International Monetary Fund sources said, reports Reuter.

The meeting is not likely to reach any firm decisions and is partly being held to prepare for the July 7-9 economic summit of G-7 leaders in Tokyo, they said. Deputy Foreign Ministers from the G-7 may join the talks at some stage.

US Treasury Under-Secretary Lawrence Summers Wednesday called for further action by Europe and Japan to boost growth.

"The major challenge facing the G7 is to restore growth in Europe as well as Japan," Summers told a banking group at the Inter-American Development Bank.

The United States has made no secret of its desire for further interest rate cuts by Germany and for fiscal action by Japan next year to boost its economy.

For their part, Japanese officials have voiced fears that the yen's recent rapid rise could undermine an expected economic recovery before it starts and have enlisted US support in trying to stop its advance. Both the Bank of Japan and the Federal Reserve have intervened to sell yen recently.

Several monetary sources through doubted that other G-7 members — Britain, Canada, France, Germany and Italy — would join in joint intervention to rein in the yen.

A German government source in Bonn said on Wednesday that he did not find the yen's recent rise against the mark worrying. "The mark-yen rate is not unsatisfactory," he said.

But he added that he would not object if Japan succeeded instabilizing the yen.

After hitting a record high against the dollar earlier this week, the yen has weakened slightly during the past two days on the back of a strong dollar rise against the mark.

The yen's rapid rise this year has been partly fuelled by tough US attacks on Japan's huge trade surplus.

Perhaps in recognition of the impact that such rhetoric can have on the currency markets, US officials have recently toned down their criticism of Japan.

Some US officials have also voiced concern that the yen's steep rise will discourage US corporate investment in Japan by making it too expensive. US investment in research laboratories, distribution centres and other facilities in Japan could help narrow the trade gap between the two nations in the long run by promoting American exports.

The G-7 officials are also likely to discuss a US proposal to establish a four US billion dollar fund to help privatise large-scale companies in Russia, monetary sources said.

France, Germany row over trade dispute with US

BRUSSELS, June 18: France and Germany appeared on a collision course Thursday over a trade dispute with the United States, which threatens to boil over at a European Community summit next week, reports AFP.

French Minister for European Affairs Alain Lamassoure said in Paris that European identity was threatened by Germany's refusal to apply EC decisions on discrimination and sanctions against US firms.

Lamassoure demanded that Germany explain its go-it-alone attitude ahead of the summit in Copenhagen on Monday and Tuesday, and suggested that Bonn would be cross-examined at the summit if no satisfactory response was forthcoming.

"There cannot be a European identity if decisions taken jointly are not applied jointly," he said at a press conference.

In Brussels, meanwhile, the EC's Executive Commission tried to defuse the row, which has been simmering since Germany said last week that it would not prevent US telecommunications suppliers from bidding on German contracts.

A Commission official said Germany had undertaken to consult more closely with its EC partners over similar trade quarrels which might involve Bonn having to choose between its US links and EC commitments.

Under an EC regulation in force since January 1, most Community members including Germany are supposed to give European companies a degree of preference over American companies bidding on telecom supply contracts.

The United States decided last month to retaliate against this discrimination by shutting EC firms out of US federal tenders worth about 20 million dollar.

The EC riposted on June 8 with similar sanctions worth about 15 million dollar which have not yet been implemented.

But US trade representative Mickey Kantor and German Economics Minister Guenther Rexrodt agreed last week that since Germany was not applying the EC discrimination, it would also have no part in the sanctions.

"We are determined that (the issue) will not spill over into GATT," the commission official said, speaking on condition of anonymity.

He was referring to the EC's common front in trade reform talks under the General Agreement on Tariffs and Trade.

Last week, the Commission reacted angrily to the German move, claiming that Germany was bound to stick by the earlier EC decisions and threatening to take the affair to the European Court of Justice.

But Germany maintained that, under a 1954 US-German friendship treaty, it could not be involved in any trade discrimination against the United States.

Bonn cited a clause in the EC's public procurement and sanctions decisions stating explicitly that the decisions "shall be without prejudice to the obligation (of member states) in respect of third countries."

Diplomats said Thursday that Germany had given no indication that it was going back on its refusal to shut US firms out of German telecommunications contracts, or to take part in the EC sanctions.

A Commission spokesman noted, however, that the German government, in an apparent peacemaking gesture, had agreed to consult with the EC Executive before pursuing the matter further with the United States.

The Commission was still studying the affair Thursday.

$4.8m hexamine factory in Indonesia

JAKARTA, June 18: An Indonesian private company, Pt. Intan Wijaya Chemical Industry, will construct a 4.8 million dollar hexamine factory in south Kalimantan, the company's Director Resconlye Sitorus said Friday, reports AFP.

Sitorus said the plant in Banjarmasin, the first in South East Asia, will have an annual production capacity of 6,000 tons of hexamine, a raw material for the production of explosives, glue and paint.

Sitorus said the domestic annual demand for hexamine reaches 2,500 tons and is expected to increase to 3,500 tons when the plant starts up its production in 1995.

C'wealth Bank of Australia opens office in Jakarta

SYDNEY, June 18: The Commonwealth Bank of Australia opened Friday a representative office in Jakarta as part of its continued spread into Asia, reports AFP.

"The opening of this office in Indonesia marks another step in the Commonwealth Bank's steady expansion into Asia," said Managing Director David Murray in a statement.

"Our bank's presence in the region will grow alongside Australia's increasing trade and investment links", he said.

Murray said the Jakarta operation would complement the Commonwealth's presence in Hong Kong, Singapore and Tokyo.

Japan records lowest inflation rate: OECD

PARIS, June 18: Japan recorded the lowest inflation rate in the industrial world in April when its consumer prices showed a 0.9 per cent year-on-year increase, the OECD said on Thursday, reports AFP.

This compared with 2.7 per cent average inflation in the Group of Seven (G7) countries and 2.9 per cent — unchanged from March — for the OECD area as a whole, excluding high-inflation in Turkey, the Organisation for Economic Cooperation and Development (OECD) said.

Among the G7 countries, Britain was in second position with a rate of 1.3 per cent, followed by Canada 1.8 per cent, France 2.1, the United States 3.2 per cent, Italy 4.1, and Germany 4.3 per cent.

The average monthly consumer price increase was 0.4 per cent in April against 0.3 per cent in March, according to the OECD's latest monthly survey.

Among the G7 countries, Canada recorded no change in its consumer price index, while France experienced an increase of 0.1 per cent against one of 0.5 per cent in March. In the US and Germany prices rose by 0.3 per cent, as in March.

In the other G7 countries, the April increases were about twice those of March — 0.4 per cent in Italy, 0.7 per cent in Japan and 0.9 per cent in Britain, the OECD said.

The organisation said year-on-year underlying inflation in the OECD area — excluding Turkey — was 3.1 per cent in April, down by 0.8 percentage point from the year — earlier level. The OECD calculates the underlying inflation rate on the basis of the price index excluding food and energy prices.

In Turkey, which recorded a 70.1 per cent inflation rate last year, consumer prices were up by 4.4 per cent in April over March, while the year-on-year rate was down to 59 per cent.

GNP increases

Another report says:Japan's Gross National Product (GNP) in the three months of March grew 0.6 per cent from the December quarter, marking an annualised rate of 2.3 per cent, the Economic Planning Agency said Friday.

The rebound in economic activity largely reflected strong expansion in public investment during the period and followed zero growth in the December quarter, revised down from provisional figures showing 0.1 per cent growth.

The agency said GNP growth for the fiscal year which ended in March was 0.8 per cent, falling short of the government's revised projection of 1.6 per cent and compared with an expansion of 3.4 per cent the previous year. The government had initially forecast a GNP growth rate of 3.6 per cent.

Ramos sticks to his economic programme

MANILA, June 18: Philippine President Fidel Ramos, stung by criticism of his economic programme, has insisted he has laid the ground for an economic revival and bitten the bullet on the national power crisis, says Reuter.

Ramos told Adineer Forum on Thursday night he was sticking to his vision of turning the Philippines into an economic tiger by the year 2000 — despite power cuts lasting an average of eight hours a day and poor infrastructure.

"What we did in the past year was to lay the ground work for the attainment of that goal, to move the economy forward through persistent reforms and innovations..." he said.

Government officials responded angrily on Thursday to comments from a senior International Monetary Fund (IMF) official urging Ramos to take urgent action to deal with a ballooning revenue shortfall or face an economic crunch.

Ramos's Press Secretary called IMF representative Chris Browne's comments open interference. The President was more cautious.

"The reason for the extra care that we must give this is that while the statement was, in my view, uncalled for, what it needs is a measured response from the government so that we also do not jeopardise our other activities," Ramos said.

Speaking a few hours after a government agency reported that the number of workers laid off in Manila because of power cuts had jumped by 51,000 to 122,000 in May, Ramos said a comprehensive power plan had been put in place.

While acknowledging public scepticism about the government's estimated timetable for a return to full power supply, he said: "we have bitten the bullet in providing the necessary remedies and relief should be on the way".

The government, banking on remittances from Filipinos working abroad, is sticking to a 3.5 per cent growth target for gross national product this year.

A private think-tank forecast this week that growth would not go beyond 1.8 per cent and other economists are even more pessimistic.

Prince Norodom Sihanouk (C) Addresses the opening of the second day of a meeting of donor nations and Cambodian leaders in Phnom Penh yesterday. Local UN Chief Yasushi Akashi (L) and French Special Representative for Asian Affairs Jean David Levitte (R) sit alongside.
—AFP/UNB photo

WB will lend Moscow $610m for oil project

WASHINGTON, June 18: The World Bank said Thursday it would lend Russia 610 million dollar for investment in its western Siberian oil fields, reports AFP.

The loan is intended to help oil producers in the region to boost oil production, which has been falling off since 1987.

The loan, the biggest ever made by the World Bank for a single project, is in addition to an expected 250-million-dollar loan from the European Bank for Reconstruction and Development and a six million dollar from the Netherlands.

The three oil producers working in western Siberia are expected to put up 169 million dollar toward the one billion dollar project, which aims to boost production by three per cent, increasing Russia's oil revenues by 1.5 billion dollar.

The loan is to help pay for repairing 1,300 oil wells, drilling of 84 new wells, construction of a refinery and replacement of more than 1,000 kilometres of pipelines.

Russian oil production fell off from 570 million tonnes in 1987 to 396 million tonnes in 1992.

The World Bank loan is for 17 years, with a five-year grace period.

The World Bank is also considering a 400-million dollar loan to help improve Russian housing and a separate loan for agricultural development.

US, Israel meeting on loan guarantee

JERUSALEM, June 18 Israeli and US officials met Tuesday to work out how much should be deducted from American loan guarantees to the Hebrew state because of spending in the occupied territories, diplomats said, reports AFP.

Tom Miller, head of the State Department's Israel Desk held talks with senior foreign and finance ministry officials amid what western diplomats describe as an unprecedented building boom centred on the West Bank.

The Americans want details of government subsidies to settlers.

Dollar continues to advance in Tokyo

TOKYO, June 18: The dollar continued to advance on the Tokyo foreign exchange market Friday, closing at 107.40 yen, up 0.40 yen from the previous day's finish of 107.00 yen, reports AFP.

The closing rate here was higher than 107.30 yen quoted in New York late Thursday.

After opening at 107.50 yen, the Greenback moved between 107.10 yen and 107.73 yen here Friday.

Spot turnover decreased from Thursday's 10.944 billion dollar to 8.559 billion dollar.

Market participants sold yen for dollar amid the political confusion in Japan, dealers said.

Politicians said that Prime Minister Kiichi Miyazawa was expected to dissolve the powerful lower house of parliament soon for general elections next month.

The Prime Minister has failed to break the deadlock in negotiations within the ruling Liberal Democratic Party (LDP) over political reform, sources said.

An LDP faction led by former Finance Minister Tsutomu Hata has threatened to join opposition parties in voting on a noconfidence motion against the Miyazawa cabinet.

The motion presented by the opposition camp is most likely to pass through the House of Representatives, the lower chamber of parliament, if the dissident Hata group joins hands with non-government forces.

Lower house approval of the motion will force Miyazawa to resign or dissolve the chamber for general elections, possibly July 18 or 25, political sources said.

Hata criticised Miyazawa, saying that he has failed to carry out political reforms he pledged earlier.

Sudden gold price increase looks set to surge on

By Ken Laidlaw

Unstable financial markets worldwide have caused a sudden rise in the price of gold. Investors have also moved in to the market because European currencies are fluctuating, inflation has bottomed out and the turmoil in Russia and the former Yugoslavia continues to cause anxieties. The largest gold consumer in recent month has been China, where people are spending their bonuses on jewellery.

The shine is back on gold — good news for the growing number of African producers. Having fallen to a seven-year low of 326 dollar a troy ounce in March, prices in May surged above 380 dollar an ounce.

Market analysts are now forecasting that the precious metal will break through the 400 dollar barrier in the near future. American brokers Prudential Bache Securities predict 390 to 420 dollar an ounce by August.

Several factors lie behind the surge. The initial boost came in late April when high profile investor George Soros and Sir James Goldsmith moved into gold in a big way.

Soros, who manages the six billion dollar Quantam Fund in the United States, is the man who is said to have made one billion dollar from currency speculation when sterling collapsed last year. His purchase of 400 million dollar worth of shares in Newmont mining, one of the biggest North American gold producers, in April, was a major factor in igniting the gold market.

At the same time Goldsmith, who had sold his shares in Newmont to Soros, used the cash to buy more than 300 million dollar worth of gold options in the London and New York markets. In mid-May, Sir James sold a further 9.5 per cent of Newmont, leaving him with a personal holding of 19 per cent.

The move by two investors of such reputation provided the spur for the commodity which most analysts agreed was ready for an extended move upwards. Institutional investors began moving into gold.

As traders point out, the physical market for gold is so small that once it began to attract money from investment funds and other big investors, the price could go nowhere but up.

The major reason behind the renewed interest in gold buying continues to be instability in the global financial markets, according to Prudential Bache. One analyst says: "Where does one place investments in an unstable world is the issue and part of the answer has been gold."

With European currencies continuing to fluctuate, turmoil in Russia and the former Yugoslavia, and the view that inflation is likely to rise in the year ahead, investment in gold is expected to remain strong.

Demand is also high. The World Gold Council, which monitors some 75 per cent of world gold demand, says that during the first quarter of this year demand rose 24 per cent against a similar period in 1992.

Chinese demand has been particularly high and this has been a factor in the recent interest in gold by investors. In its latest annual gold survey, Gold Fields Minerals Services (GFMS) — owned by Gold Fields of South Africa, Newmont Mining and Renison Goldfields — noted that China emerged last year as the world's largest consumer.

Private purchases alone stood at 350 tonnes — more than was produced at all the US gold mines. Fears of inflation in late 1992 and early 1993 led Chinese workers to spend their year-end bonuses rather than save. This resulted in an upsurge in jewellery consumption.

The World Gold Council says demand for gold was particularly high throughout the developing world. In the first quarter of this year it rose by 22 per cent in Asia while in the Middle East and India it rose by 56 per cent.

In the developed market, US demand rose by only four per cent. In Europe demand fell by eight per cent and Japanese demand remained flat.

The GFMS survey shows that by far the most important component of demand was jewellery fabrication. This rose by 15 per cent last year to a record 2,461 tonnes and accounted for 86 per cent of all fabrication demand. Total fabrication demand rose by 11 per cent to 2,859 tonnes, exceeding the combined supply for western world mine production and old gold scrap by 583 tonnes.

The outlook for gold seems bright. The weight of fund buying combined with the rising demand for gold from the Far East, particularly China, has turned the market in a few months from a bearish to a bullish mood which has not yet seen an end to rising prices.

Market analysts agree that because the gold market is small compared to other financial markets, any further expansion of interest by investors could cause prices to soar. This is good news for Ghana, Zimbabwe and Zaire, which account for nearly 75 per cent of the current 84 tonnes of gold produced each year in sub-Saharan Africa.

The hope is that if current prices are not a short term phenomenon it will encourage investment not only in these three producing countries but elsewhere on the continent.

A recent survey by the World Bank estimated that gold production potential in sub-Saharan Africa could double to 165 tonnes a year with increased investment. The report concluded that "sub-Saharan Africa offers some of the greatest growth potential in gold mining.

With mineral exploration investment on the continent currently averaging only 100 million dollar a year— four per cent of world annual exploration investment — the region reflects an area of "major under-investment," says the World Bank.

Strong gold prices could be the incentive to encourage investors now to look to Africa.

-Gemini News

About the Author: Ken Laidlaw is a Canadian freelance economic journalist based in London.

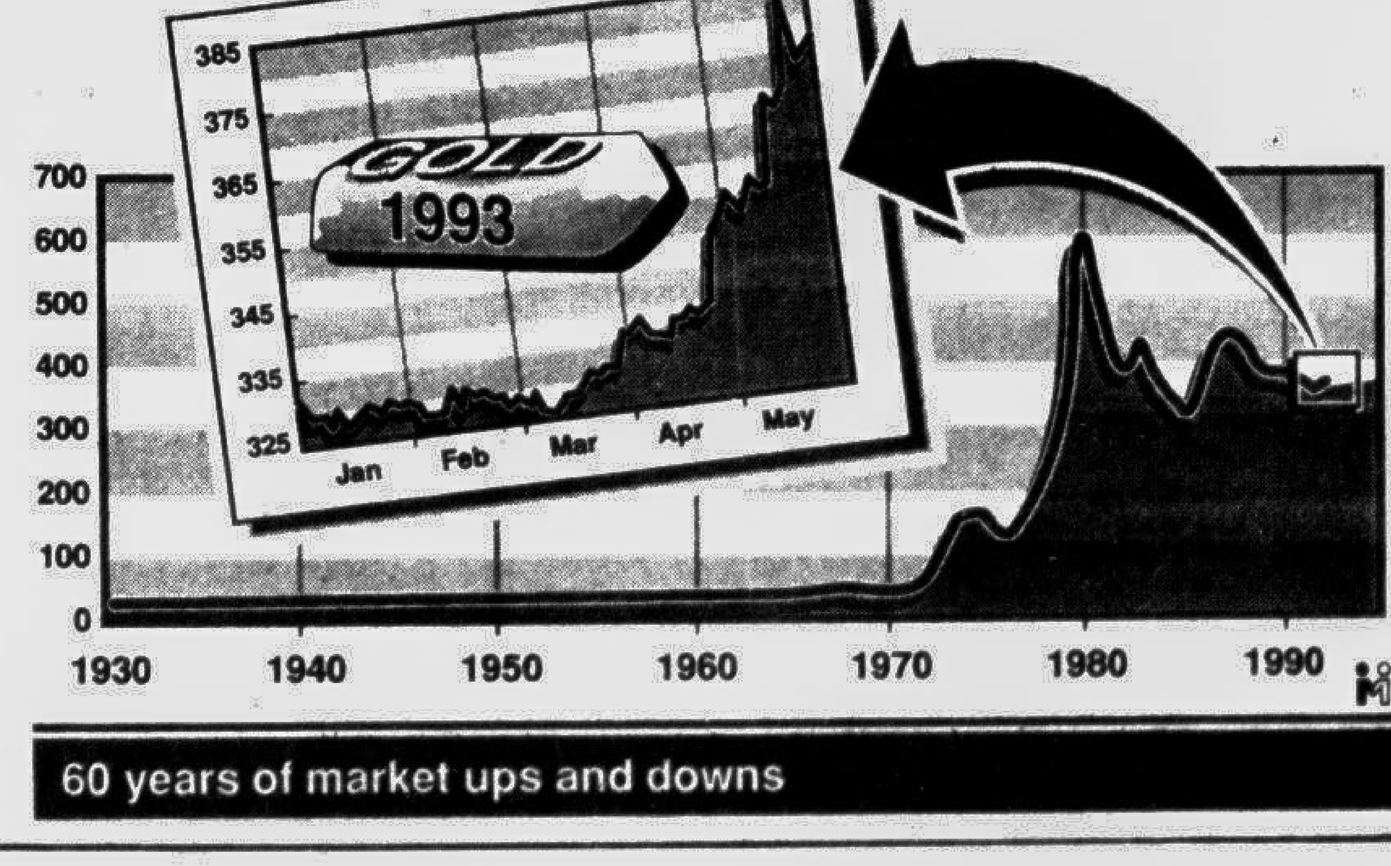
THE FASCINATION WITH GOLD 1

Of all the world's metals it is gold that has retained the greatest fascination down the ages. From time to time it goes out of financial fashion, but it always returns. Today gold has again suddenly become the commodity to hold.

Two Gemini reports tell contrasting stories about gold. The first one is printed today and the other will appear tomorrow.

The rise and fall and rise of gold

$ per troy ounce



60 years of market ups and downs

Share prices up in UAE

ABU DHABI, June 18: A surge in demand and a record performance by most banks and companies in the United Arab Emirates (UAE) have pushed share prices to their highest level and dealers expect further increases, reports AFP.

The surge in demand was accompanied by a sharp decline in supply as investors were tempted by the high return from stocks and other investment opportunities remain limited, the dealers said.

"At this time of the year, supply is usually higher than demand. But because of the excellent performance of most banks and firms, the investors want to keep their shares and they even expect prices to continue their rise," said Mohammad Abu Qalbain, a leading UAE stockbroker.

"They also are not convinced of selling shares at this time because other investment channels are limited and they do not need liquidity."

Prices of the shares of the main banks and companies trading on the unofficial market rose to their highest level this week since dealing began in the wealthy Gulf state nearly 12 years ago.

In telecommunication Etisalat, the biggest UAE joint-stock firm, pricessoared to 823 dirham (224.2 dollar) while they rose to 620 dirham (70.8 dollar) in the National Bank of Abu Dhabi (NBAD).

A record level was also registered in the share prices of the Abu Dhabi Commercial Bank, the Abu Dhabi Aviation Company, the Abu Dhabi national Insurance Company and other institutions.

The increases pushed the unofficial share index, set up by NBAD in 1989 with a base of 1,000 points, to its highest level ever, standing at 1,720.86 on Thursday compared to 1,632.52 at the start of this year.

The UAE has no formal stock exchange but it is planning to set up a floor.