Major faces cabinet split over Maastricht Treaty

LONDON, July 18 : British Prime Minister John Major starts one of the most crucial weeks of his leadership, facing a split among his cabinet over the Maastricht Treaty on European Union, newspapers said on Sunday, reports Reuter.

Conservative Euro-rebels are willing to vote with the Labour opposition in a crucial vote on Thursday in a debate on the government's opt-out of the treaty's social chapter which governs welfare and labour organisations in the European Community.

"At least 12 hardline Tory (Conservative) Euro-sceptics say they will vote for a Labour amendment requiring the government to accept the treaty's social chapter," the Sunday Times said.

"The Tory rebels are opposed to the chapter but hope to force the government to drop the whole treaty rather than accept the Labour amendment," it said.

The observer said senior right-wing ministers are making it clear that they would no-accept the social chapter in the treaty after Thursday's vote. With a slim majority of 18 members in the 651-seat House of Commons, Major faces possible defeat.

Major, who has been trying to get the treaty ratified for 15 months, is expected to repeat his views in an interview with British Broadcasting Cooperation(BBC) television today. He will emphasise that the social chapter means a loss of thousands of jobs and transfer of power to Brussels.

Media reports said Major and government ministers spent much of the weekend trying to win the support of the Euro-rebels.

The Independent today reported that Secretary of State for Northern Ireland Sir Patrick Mayhew even raised the prospect of a general election to deter the nine unionists members of parliament from voting against the government.

"They now know what is in store if a Labour government is elected for Northern Ireland," he told BBC radio Ulster, referring to Labour proposals of a settlement in the British-ruled province over the heads of the Ulster parties.

The Observer said the conservative rebels were sure they could delay ratification of the treaty. "We are very confident that we can make it almost impossible for the government to ratify the treaty as it stand," it quoted one rebel as saying.

IMF team arrives in Cairo

CAIRO, July 18: An IMF delegation arrived in the Egyptian capital yesterday to seek agreement on the second phase of an economic reform plan, notably on privatising the public sector, officials said, reports AFP.

They said the delegation's talks with the government would focus on the signing of a letter of intention to implement the second of three agreements in the economic reform programme adopted by Egypt in May 1991.

The accord would be implemented after its adoption by the International Monetary Fund's administrative council at a meeting planned for September.

Egyptian officials said that under the accord the Paris Club of Western creditors would cancel a second portion of the debt, accumulated by Egypt since 1986.

Population boom pushes global food levels down

WASHINGTON, July 18: Record population growth and the slowdown in food production in recent decades has pushed world food levels down lower than four years ago, according to a report released Saturday, says AFP.

The annual report, published by the Worldwatch Institute, said if the world's fish, meat, and grain supplies were divided equally, there would be less for each person today than four years ago.

Worldwatch said the principal sources of food — farms, ranches and the ocean — seem to be or may have attained their maximum per-capita output.

"The thing that impressed us most was the realisation that all three of our major food systems in the world are running into difficulty as we attempt to expand supply," said Worldwatch President Letster Brown in releasing the report on a wide range of trends that concern human well-being.

While world grain production increased one percent last year, it has dropped eight percent since peaking in 1984, the report said, citing a lack of growth in croplands, water supplies and fertilizer use.

After four decades of growth, world meat production has begun to drop, falling to its lowest per-capita level in 30 years. The report said grazing lands have been "pushed to or beyond the limits of their capacity on every continent."

While 97 million tonnes of fish have been harvested annually from the world's oceans for the past three years, some experts say the record 100 million tonnes caught in 1989 may be a peak that will not be repeated.

Meanwhile, the world grew by 91 million people in 1992. If this current rate continues, the current world population of 5.5 billion will double by the year 2030.

China's economic output reaches $6.55b

HONG KONG, July 18 : Improved efficiency of state-run businesses helped China's capital post strong and stable economic growth in the first six months of 1993, the official new agency Xinhua reported Saturday, reports AFP.

Quoting a Municipal Statistics Bureau spokesman, Xinhua said Beijing's economic output reached 37.37 billion yuan (6.55 billion US dollar) in the six months to June 30, 12 per cent up on the previous first half.

The spokesman cited "improved efficiency by state-run business" for the result.

Profits of those businesses rose 43 per cent in the period, while the index of their composite economic efficiency was 132 per cent, 30 percentage points above the national average, the spokesman said.

Xinhua reported that 1,875 foreign-funded businesses had been approved by municipal authorities in the first six months, involving foreign investment of 3.09 billion US dollar, nine times that of the previous first half.

Service-oriented businesses accounted for 70 per cent of total foreign investment.

The spokesman said the city's investment structure was "rational," with 72 per cent of the 8.67 billion yuan worth of projects approved by the city involving major construction and upgrading technology.

But a shortage of funds and a serious shortage of electricity was impeding economic growth, the spokesman said.

New rules to make Indian banks viable

BOMBAY, July 18: About half of India's banks will show huge losses this fiscal year because of new central bank requirements that they set aside more funds to cover potentially bad loans, banking officials said, reports AFP.

"The impact of provisioning is enormous," Dr Mehta, Deputy Governor of the Reserve Bank of India, told the 45th Annual General Meeting (AGM) of the Indian Banks Association here.

"One bank which showed a profit last year would have done so this year too but it ended up with a loss of 2.2 billion rupees (73 million dollars)," he said.

Mehta said the new requirements were aimed at making Indian banks, most of which are state-run, viable and competitive at a time when private banks are on the horizon in line with India's economic liberalisation.

"Provisions for exposure are essential. Otherwise, the present banks will not be able to face competition," he said.

Bad debts by some banks were as high as 30 per cent, he said, adding that debt recovery tribunals would be set up soon.

JV Shetty, Chairman of the Indian Banks Association said banks in India, like banks around the world, were passing through troubled times.

Manila seeks WB loan to upgrade navigational aids system

MANILA, July 18 : The Philippines has applied for a World Bank loan to finance the upgrading and rehabilitation of the archipelago's navigational aids system, the official Philippine News Agency (PNA) said Sunday, reports AFP.

The five-year, 130 million dollar project aims to modernise the maritime sector and is expected to be discussed next year by he World Bank board, it said, quoting Transportation Secretary Jesus Garcia.

Garcia said a World Bank technical mission inspected the Philippines' navigational aids system last year and found it to be "in an advanced state of disrepair, caused by years of neglect and under-funding of maintenance and improvement needs.

The mission also recommended the purchase of a three million dollar boat which would serve as a floating maintenance facility, PNA added.

Garcia said Britain and Japan have pledged funds to take care of 150 other lighthouses.

Greek underground economy shares 37 per cent of GDP

It is the newest thing in Panos Psiliakos's small Athens grocery store and eatery: The cash register.

When customers come up to buy his mother's home-made spanakopita or milopita, the 30-year-old merchant makes sure to give them a cash register receipt. If he doesn't, and a government tax inspector happens to be nearby, Psiliakos and his client can be fined as much as 100,000 drachmas. The inspectors can even close down the store and arrest the owner if he persists in not issuing receipts.

"Fifteen days ago, they got the souvlaki guy on the corner," Psiliakos said, as he handed a customer a fresh receipt from his tax-deductible 300,000 dollar worth machine. "He got fined and so did the customer. I've only been in business for three months and I'm not taking any chances."

The crackdown against business and fiscal fraud and shoddy record keeping is the latest effort by Greece's government to control the country's parallel economy. More than one third of Greece's actual economy doesn't appear in official statistics: the country's real gross domestic product is underestimated by at least 37.4 per cent, according to the state-run Centre of Planning and Economic Research.

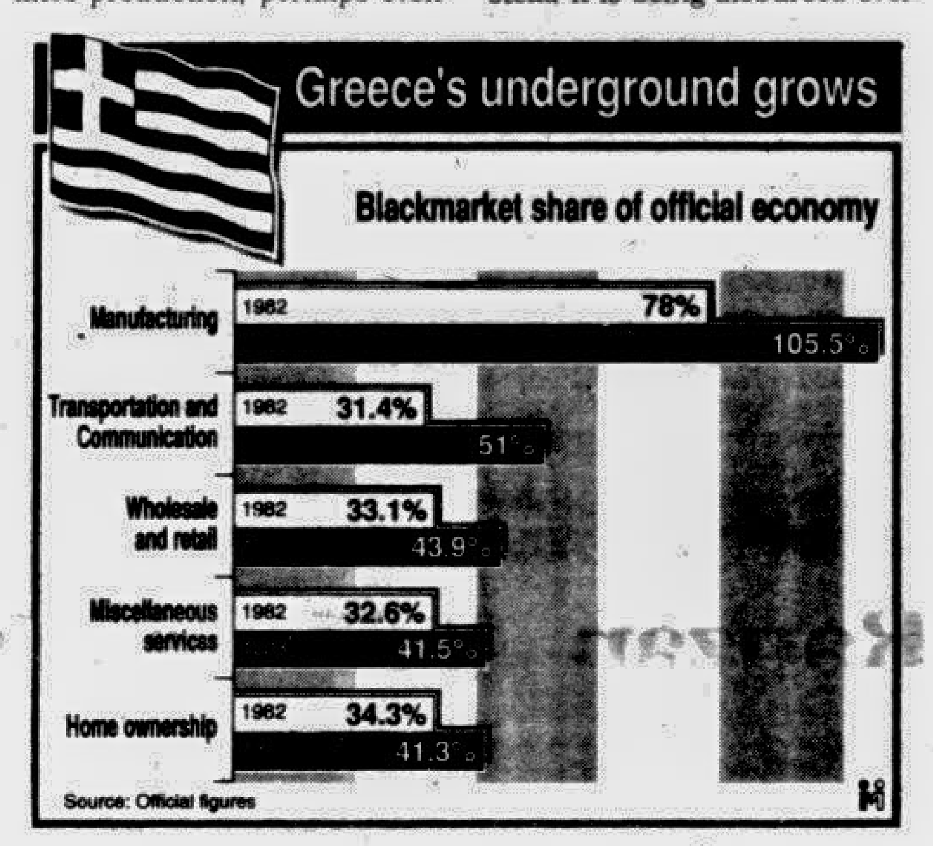
Since it joined the European Community in 1981, Greece has always been the poor cousin of the family and the current recession will do little to change that. One hedge against falling through the poverty floor altogether has been the parallel economy which keeps people employed unofficially.

The illegal activity goes on in an underground world, where receipts are not given: in taxi cabs, family-run tourist pensions, lawyers' and doctors' offices. It is compounded by the common Greek practice of moonlighting: half the public employees hold a second job on the side-undeclared. (Estimates of the underground economy do not include outright criminal activity, especially drug dealing, prostitution, gold smuggling and bribery of public officials.)

Greek's underground economy grew hugely in the 1980s, especially in the manufacturing sector, where underground activity exceeds the officially reported output. Among the reasons for the growth: Taxes were hiked, encouraging evasion, while official work hours were reduced for many to 40 hours per week, leaving more time for moonlighting. Also, unlike the rest of Europe, consumption increased faster than official production. In effect the underground economy was the natural market reaction to these factors.

Although the government condemns it the parallel economy is not all bad, at least on the surface, said Constantine Kanellopoulos, senior economist at the Centre of Planning.

"The underground economy, after all, has some advantages," Kanellopoulos said. "It reduces unemployment while it stimulates production, perhaps even



inflation too because prices are kept low. But the problem is that it also ereates an imbalance: businesses that pay taxes have to compete with those that don't."

Said Kanellopoulos: "The problem now is not to eliminate these activities, but to try to incorporate them into the official economy. And it's difficult to encourage businesses to follow the legal system and pay their social insurance contributions if the immediate benefits aren't there for them.

Greece is the most heavily subsidised country in the EC. This year it will receive a total of 20 billion ECU and this largesse can be seen in concrete form all over Greece: from the scaffolding erected in Delphi to restore the falling rocks that have closed the famous Castalian Springs, to the miles of black rubber irrigation hose that snake through the olive groves of Crete, to the highway modernisation work outside Athens that backs up traffic through the hills of central Attica.

But the country's paraieconomia throws into question its real need for handouts from the EC, the International Monetary Fund and the Organisation for Economic Cooperation and Development, because its citizens do not live as poorly as statistics would show. That's why in January, 1991, when the EC agreed to substantial new loans for Greece, it decided not to give the money in a lump sum; instead it is being disbursed over three years and is tied to Greece getting its economic house in order.

"If we could integrate the parallel economy into the GDP, it would go up — no question," said Georges Yannoussis, who overseas Greek aid programmes for the EC.

Greece is not alone. Other Mediterranean countries with the same double-digit inflation, public debt in excess of GDP and persistent foreign deficits, also have large parallel economies. Estimates of this underground activity range from 20 per cent in Italy to 22 per cent in Portugal to as high as 25 per cent in Spain. More developed European countries, where companies tend to be larger and more formally integrated into the national economy, have about half as much underground economic activity: 13 per cent of GDP is Sweden, for example.

Prompted by pressure from Brussels, Greece has sought to control the problem with a battery of measures. Led by Prime Minister Constantine Mitsotakis and his Harvard-educated Minister of Finance and National Economy, Staphanos Manos, the economically liberal New Democracy government hopes to convince the rest of Europe that it is serious about controlling illegal money making under its nose.

The bulk of the measures were imposed on Greeks in March, 1992, when the government unveiled a new tax system it hoped would root out cheaters and encourage honesty in accounting. Computers were finally brought in to keep track of tax record, credit card spending was scrutinised (the entertainment industry was found to declare purchases the least), jail sentences were reimposed for persistent tax evaders and the single most effective and visible weapon — cash register, were made mandatory starting this year in every retail business except sidewalk vendors and fish markets.

This year, out 14,000 public servants working for the state tax office, 1,500 patrol the streets as tax inspectors. They work three at a time, pouncing on businesses and carrying out surprise audits. A client found without a receipt gets fined the equivalent of his purchase; the merchant gets fined a minimum of 5,000 dollar. For the second offence, the retailer's fine rises to 20,000 dollar and after that 100,000 dollar and the inspectors can close the store for a month.

Every Wednesday in Athens, 10 merchants lose their businesses for keeping improper accounts, after a hearing of a special finance ministry committee presided over by a state judge. Average sentences for tax evaders range from four to 10 months in jail.

For the government, elected for a four-year mandate in 1990 after nearly a decade of socialist government led by fiery Prime Minister Andreas Papandreou, control of the black market is the first step to economic health.

"The underground economy is a market imperfection we cannot permit," said Deputy Finance Minister Michael Galenianos. "The government had to intervene.— Gemini News

China expects bumper summer harvest

BEIJING, July 18: China now expects a bumper summer harvest, with yields of the season's crops, mainly wheat, reaching or surpassing last year's levels of more than 100 million tonnes, The China Daily business weekly said on Sunday, reports Reuter.

The new optimism comes as key wheat-growing provinces of Shandong, Henan, Anhui and Shaanxi will each see wheat production rise about 10 per cent over last year, the newspaper quoted agricultural department official Zhan Hanjie as saying.

As late as last month, Agriculture Minister Liu Jiang predicted that the summer harvest might be slightly below 1992 levels.

Zhao declined to give specific data on this year's harvest, saying the numbers would be released next month.

Demand to beef up meet industry

Another report says: China's newly-wealthy consumers are changing their diets, forcing the country to beef up its meat industry, The China Daily business weekly said Sunday.

In poorer times, Chinese ate mostly vegetables, rice and noodles, with meat reserved for special occasions and memorable feasts.

Now, higher incomes have made many meat mad.

Meat production is expected to hit 37 million tonnes in 1995 and 42 million tonnes in 2000, up from about 28.5 million tonnes in 1990, the newspaper said.

The Ministry of Agriculture is pumping more than 3 billion dollar in investment into the meat industry between 1991 and 2000 to meet the new demand for meat.

Even the kind of meat Chinese eat is changing.

Where once Chinese turned to pork when they wanted meat, the new plans call for a cut in pork production and increases in beef, mutton and poultry.

Number of tourists increasing

AFP adds: More than 882,600 overseas tourists visited Beijing in the first six months of 1992, a record number and 13 per cent more than the same period last year, The China Daily said Saturday.

Tourism dropped substantially in China after the violent suppression of pro-democracy demonstrators in Tiananmen Square in June 1989, leaving the capital's many hotels deserted.

Occupation rates of some 200 hotels in Beijing reached 72 per cent in the off-season period from January to June, the newspaper said.

Among visitors registered during the first half of the year, Japan was in first place with 167,000 tourists, followed by the United States with 61,000, Germany with 59,700 and France with 37,100.

Asian visitors grew by 20 per cent representing almost 45 percent of all foreign tourists, although arrivals from Taiwan fell by 58 per cent in the same period.

UAE to slash spending on new projects in '94

ABU DHABI, July 18 : The United Arab Emirates (UAE) will curb federal government spending on new projects in 1994 to battle a persistent budget deficit, reports Reuter.

Finance Minister Sheikh Hamdan Bin Rashid Al-Maktoum said in a July 10 circular to federal ministries preparing their 1994 budgets that no rise in revenues was to be expected next year.

"Any improvement (in revenues) will be applied to outstanding financial obligations and restoring balance to the budget so that it will not be published with a deficit on the revenue side," he said in the circular.

The circular did not provide a forecast of the 1994 budget but urged the 22 ministries and federal department to cut spending to reduce the deficit.

The 1993 budget shows a deficit of 1.7 billion dirhams.

Revenues of 15.9 billion dirhams which came mainly from the 2.1 million barrels of oil produced daily was outstripped by spending of 17.64 billion dirhams.

In addition there was a 900 million dirham deficit rolled over from 1992.

Brent crude price falls to lowest since '90 while precious metals hold steady

LONDON, July 18: The price of North Sea oil continued to fall this week, down to its lowest point since July 1990 on fears of a partial resumption of Iraqi Oil sales, reports AFP.

The unexpected break in Iraqi negotiations with the United Nations at the end of the week, following six days of talks in New York, increasing the market's nervousness with dealers uncertain on how to react.

Precious metals prices meanwhile were generally steady after the rise in prices in previous weeks.

Prices were depressed by the fall in inflation in the United States and Europe but supported by jewellery demand and continuing investor interest.

Among the soft goods, coffee rose briefly to 1,000 dollar a tonne, its highest level since the start of the year, boosted by the threat of frosts in the Brazilian coffee producing regions.

The forecasts of a contraction in supply from South and Central America following a recent agreement to cut exports by 20 per cent also added to support for prices which have risen by 10 per cent since the start of the month.

Cocoa prices also rose, reaching their highest level since December 1991, on fears of a fall in production in West Africa.

Cotton, grains and soyaoil prices were all steady as dealers waited for official estimates of the extent of damage caused by flooding in the producing regions of midwest United States.

On the London metal Exchange (LME), Nickel fluctuated around its lowest level for five years and tin was close to a 20 year low.

Gold: Uneven. The price of gold traded unevenly over the week, affected by speculative sales following the publication of statistics which showed the continuing weakness of inflation in the United States.

Gold, used as a safe investment when inflation is rising has recently risen in price, boosted by signs of inflation in the United States and in Europe.

However, the losses were limited by nervousness on the market linked to the pressure on the French franc and Danish krone and doubts over the ratification by Britain of the EC's Maastricht Treaty.

Platinum: Steady. The price of platinum remained steady, just off their highest level since January 1991, after their rise in line with gold in recent months.

New gloomy statistics on the car industry, the principal outlet for platinum, limited the potential for the price to rise.

According to the European Automobile Manufacturers Association (ACEA), all the car maker groups have been hit by recession with the largest downturn coming in Germany where first half sales were down 17.5 per cent compares with the same period last year.

Silver: Uneven. After a firm start, silver fell below five dollar an ounce, depressed by profit-taking, uncertainty over the industrial recovery and the high level of stocks.

According to the Silver Institute, world production rose 11 per cent in April from March to 21.33 million ounces and stocks rose 6.8 per cent to 8.41 million ounces.

Copper: Lower but recovering copper price fell sharply at the start of the week, hit by heavy profit-taking after its rise the week before but then climbed back in a technical recovery toward the end of the week, dealers said.

Copper price fell on Monday on profit-taking, technical factors and speculation, said Wiktor Bielski, analyst at the Deutsche Bank's Bain and Company Metals Group.

Lead: Lower but recovering. The price of lead fell at the start of the week and then recovered some of the ground it had lost at the end, travelling in the wake of copper prices, dealers said.

Lead prices are still at a low level, depressed by high stocks and low industrial demand, they added.

On the LME, lead stocks rose 2,550 tonnes to a record high of 263,925 tonnes.

Zinc: Lower. Zinc price fell steadily over the week, despite mildly encouraging data on western world zinc production in the first five months of the year.

The prices slipped despite data showing that western world production of the metal was down 0.7 per cent in the January to May period from a year earlier.

Western world production fell to 2.261 million tonnes in the five months from 2.278 million tonnes in the same period in 1992, the international lead and zinc study group said.

Consumption in the same period slipped 0.4 per cent to 2.227 million tonnes.

Aluminium: Lower but recovering. Aluminium price fell sharply at the start of the week after the International Primary Aluminium Institute reported a rise in western world aluminium stocks, up 1.45 per cent in May from April.

Aluminium stocks have risen sharply around the world since the start of the year as demand has remained weak and output has risen, particularly in the ex-Soviet Union.

Dealers were disappointed that leading aluminium producers had failed to follow Alcoa's decision two weeks ago to cut its output by 268,000 tonnes over a year, Angus MacMillan, analyst for Billion-Enthoven Metals said.

Nickel: Lower. Nickel price fell over the week, depressed early on after a gloomy report from a London broker, but rising slightly at the end of the week on cover-buying, dealers said.

At the start of the week, a report from London brokers Rudolf Wolff said nickel prices would continue to fall in the second half of this year.

Tin: Lower. Tin price continued to weaken throughout the week, depressed by the low level of industrial demand and the high level of stocks.

Tin is trading at around a 20-year low and there seems little imminent chance of a recovery in prices a dealer said.

On the LME, tin stocks rose 10 tonnes to 20,425 tonnes.

Coffee: Higher. Prices rose at the start of the week to their highest level since the start of the year, climbing about 1,000 dollar a tonne, on fears that severe frosts could hit the coffee producing regions in Brazil.

However, dealers engaged in some profit-taking after weather forecasters said the cold spell would not touch the southern regions, and pared back some of the commodity's gains.

Prices were still supported, however, by the announcement from the Brazilian government that it would suspend its coffee export registrations from October 1 in order to comply with the recent agreement of South and Central American coffee producing countries on coffee exports.

Sugar: Lower. The price of sugar, which jumped by more than 20 per cent between February and June on fears of a tightening of supplies continued to fall hack this week, dropping of its lowest level since February.

The market was suffering from a slowing up of demand, particularly from Russia, and signs of an imminent restart in Cuban sugar exports.

According to the Cuban state sugar company, Cubazucar, Cuba is likely to restart its exports after July 18 when its "Force Majeure" declaration runs out.

Vegetable oils: Steady. After a strong rise last week linked to the flooding in the midwest United States, the price of soya stabilised this week ahead of official estimates of the extent of the damage.

Palm oil price remained calm, indifferent to estimates from the palm oil registration and licensing authority which said the Malaysian palm oil stocks rose by 17 per cent to 665,330 tonnes in June. In June 1992, the stocks stood at 398,053 tonnes.

Oil: Weak. After falling to its lowest point since July 1990 on fears of a restarting of Iraqi oil sales, the price of oil recovered slightly at the end of the week after talks between Iraq and the UN were suspended.

Since the start of the month, Brent North Sea oil price has fallen by more than seven per cent on fears that the embargo placed on Iraqi oil sales after its 1990 invasion of Kuwait.

The negotiations going on between Iraq and the UN covered the terms under which the UN would allow Iraq to sell oil worth 1.6 billion dollar over a six month period.

Rubber: Steady. The price of natural rubber remained steady on the London market, with dealers cautious in the absence of industrial buying.

Uncertainty over the future of the International Natural Rubber Organisation (INRO) also made dealers cautious.

The Malaysian Primary Industries Minister Lim Keng Yaik, said Malaysia had little interest in continuing the current international accord, which expires at the end of December.

Malaysia favours the idea of an agreement among producers alone to control exports.

Grains: Lower. The price of wheat and barley, which rose the previous week following flooding in midwest America, fell following publication of the monthly report from the US Department of Agriculture (USDA) on world wheat production.

The USDA revised upwards its estimate of the world's 1993-94 wheat harvest to 556.5 million tonnes from its previous estimate of 546.6 million tonnes.

The estimate for the 1992-93 harvest stands at 558.4 million tonnes.

Tea: Uneven. The price of tea traded narrowly in London with dealers cautious ahead of the release of official figures on the world tea harvest in 1993.

The harvest is expected to be higher than the crop in 1992 which was badly affected by drought.

At the London tea auctions, average prices fell to 155 pence per kilo from 160 pence for higher grade tea, rose to 108 pence per kilo from 105 pence for average grades and rose to 83 pence per kilo from 82 pence for the lower grade tea.

Cotton: Slightly higher. The price of cotton continued to firm on the Liverpool market, boosted by industrial buying on fears of a reduction in US output following the heavy flooding in midwest United States.

The gains were limited by USDA estimates that the world cotton output would reach 33.6 million tonnes in the 1993-94 season, up seven per cent from 1992-93.

For its part, Oil World specialist review said world cotton production would rise five per cent to 34 million tonnes.

Wool: Steady. The price of wool remained steady on the Bradford, still low because of the weak level of industrial buying in Europe and the high level of stocks.