

China runs \$ 3.54b trade deficit

BEIJING, July 27: China ran a 3.54 billion dollar trade deficit in the first half of 1993 as imports surged to 23 per cent more than the government plan while exports grew only sluggishly, the trade ministry said Tuesday, reports AP.

Ministry officials Miao Fuchun, who released the figures at a news conference, said the government would try to balance trade in the second half by promoting exports more effectively, not by cutting imports. But even Miao indicated that success was not likely.

He said the government is not cutting its annual import target as part of the current efforts to get domestic inflation and indebtedness under control. But the government has already acknowledged that certain imports will be hurt.

Last week, it froze purchases of cars and mobile telephones by government departments

and state-owned enterprises that owe money to the government. It also improved strict controls on other big purchases.

Imports totalled 40.69 billion dollar in the first half of 1993, up 23.2 per cent from the same period of 1992, while exports totalled 37.15 billion dollar, up 4.4 per cent. The government goal had been a 12 per cent increase in each over the entire year.

In order to meet that goal and end the year with a trade balance, the government would have to sharply reduce imports during the year's second half while boosting exports more than 20 per cent, Miao acknowledged — an unlikely scenario.

China thus seems headed for its first annual trade deficit in four years. It also may have to reimpose some controls on imports, possibly through tighter foreign exchange controls.

Tokyo supports proposed EAEC

SINGAPORE, July 27: Japan threw its support Monday behind a proposal for a new grouping of East Asia's fastest growing economies formally endorsed by foreign ministers of the Association of South East Asian Nations (ASEAN) here last week, reports AFP.

Japanese Foreign Minister Kabun Muto, speaking at talks here between foreign ministers of ASEAN and the six-member group's major allies, also pledged to continue channelling aid to the region to fund economic expansion.

The new grouping, Malaysian initiative called the East Asia Economic Caucus (EAEC), was formally adopted as an ASEAN proposal after differences between Malaysia and Indonesia on setting up the caucus were ironed out at the annual ASEAN foreign ministers meeting.

Japan will discuss with the ASEAN the concrete way to proceed with regard to EAEC, Muto said.

But South Korean Foreign Minister Han Sung-Joo said Seoul needed time to think about joining EAEC.

ASEAN foreign ministers decided last week that EAEC would serve as an extension of the ASEAN economic ministers meeting but operate as a caucus within the much larger 15-member Asia-Pacific Economic Cooperation (APEC) forum.

ASEAN groups Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

According to ASEAN officials, EAEC members would include most of those in APEC but excluding the United States, Canada, Australia and New Zealand.

ASEAN officials said Japan's support would provide the impetus for the EAEC's quick take-off, stalled largely by Tokyo's reservations on the plan, which was criticised by the administration of former US President George Bush.

The Bush administration had accused Malaysia of seeking to forge an east Asian alliance that could involve into a

trade block at a time of global concern over rising protectionism.

But the administration of Bill Clinton has toned down criticism of the proposal, saying it would withhold comment until after ASEAN reached agreement on the plan.

US Secretary of State Warren Christopher, participating in the so-called post ministerial conferences with ASEAN allies, warned Asian countries Monday to keep their markets open if they want continued US engagement in the region.

"Asian nations have asked the US to keep its market open and we are determined to do so," Christopher assured.

"But for the American people to appreciate the benefits of such engagement, Asia's markets must be open to American goods and services," he said.

Apart from the United States, ASEAN's major allies and dialogue partners are the European Community, Japan, Canada, Australia, New Zealand and South Korea.

Christopher said Washington was pushing ahead with its plan to host an informal conference of APEC leaders in Seattle in November this year, an issue on which the ASEAN ministers failed to achieve consensus.

Malaysia has said it will not attend, but a senior ASEAN official said all the other ASEAN members would go to Seattle.

Muto said Japan's official development assistance charter recognised east Asia, including ASEAN, as an important region for world economic growth.

Under its fifth mid-term overseas development aid target, Japan is to disburse 70 to 75 billion US dollar to sustain global economic growth over the next five years.

Malaysian Foreign Minister Abdullah Badawi said Kuala Lumpur was keen to get EAEC off the ground quickly to fight rising protectionism and a recent tendency in the west to tie aid to observance of human rights.

"Only if we can effectively caucus among ourselves can we counter such discrimination," Abdullah said.



Ratan Tata (L), the head of India's giant Tata group waits for his car outside the Bombay high court on Monday during a lunch break in the Srikrishna Commission enquiry into the Hindu-Muslim riots in December and January. Tata told the judicial panel that the communal clashes were fuelled by a militant Hindu party and the underworld. —AFP photo

Delhi kicks off talks with IMF

NEW DELHI, July 27: India kicked off talks with the International Monetary Fund (IMF) here Monday for a crucial loan of up to nine billion dollar to bridge possible financial difficulties in the next three years, reports AFP.

under the enhanced structural adjustment facility (ESAF) which runs out in November by which time it hopes to wind up negotiations and reach an agreement.

ESAF carries a softer interest rate and can be repaid over a longer period of time.

India wants the loan as a cushion against balance of payments difficulties and to meet debt repayments as it pursues its march to a free market, begun in 1991 at a time when its economy was in deep crisis.

Opposition parties and trade unions charge that Prime Minister PV Narasimha Rao's government tailored the market-opening reforms to the dictates of the IMF and compromised national sovereignty.

The reforms, which turned India's back on decades of semi-socialist insulation, have included the removal of a range of state controls over trade and industry, incentives to foreign investors and a gradual lowering of tariff walls.

The IMF is expected to stress banking sector reforms, removal of unproductive farm subsidies, easing of restrictions on the import of consumer goods and a flexible "hire and fire" labour policy as conditions for the new loan.

Canada wins round in softwood lumber dispute with US

WASHINGTON, July 27: Canada won a round Monday in the softwood lumber dispute when an international panel disagreed with a US finding that cheaper Canadian boards injure the American lumber industry, reports AP.

The panel of three Americans and two Canadians sent number-crunchers at the US International Trade Commission back to their calculators, ordering them to reconsider the ruling they issued more than a year ago.

The US decision in June 1992 slapped a 6.51 per cent duty on Canadian fir, pine, spruce and other softwood imported by the United States.

"The panel concludes that the commission's determination of material injury by reason of subsidized Canadian imports is not supported by substantial evidence on the record," it said.

"Accordingly, the panel remands the commission's final determination for reconsideration," it said.

The duty on Canadian boards will remain until the case is settled.

The panel, set up under the US-Canadian free trade agreement, is not allowed to reverse a commission decision. It can only uphold a ruling or send it back.

"This is a very positive ruling for the Canadian softwood lumber industry," Canadian Trade

Minister Tom Hockin said in a statement. "We are confident that the US duty will be overturned."

But Sen Max Baucus, chairman of the Senate Finance Committee's subcommittee on international trade, said Monday he was disappointed.

"Panels formed under the CFTA (Canadian Free Trade Agreement) dispute settlement process must apply the same standard as would a US court," Baucus. "I have concerns that this is not happening."

The panel ruling is "almost a complete vindication of the Canadian position," Jean Anderson of Weil, Gotshal and Manges, who argued the Canadian case, said in an interview.

One building block of the commission's case—comparing softwood lumber to other building products—was dismissed. The panel called it "methodologically unsound, and therefore, not in accordance with law."

The commission has 90 days to recalculate.

Panelists were especially critical of the commission's reasons for lumping Quebec in with Ontario, British Columbia, Alberta, Manitoba and Saskatchewan instead of awarding it a separate and lower duty rate.

In May 1992, the Commerce Department ruled Canadian boards were subsidized. The department acknowledged that Quebec's alleged subsidies were much lower than the other provinces. But it still applied an average, countrywide duty.

The panel also questioned the US administration's allegation that imports of Canadian lumber push down prices in the United States.

Panel members found no evidence "factually demonstrating that imports of Canadian softwood lumber significantly suppressed US softwood lumber prices during the period of investigation."

Dollar continues to rise in NY

NEW YORK, July 27: The dollar continued to march higher Monday as investors fled from European currencies in advance of a German central bank meeting that could decide the future of the continent's exchange-rate system, reports AP.

Gold prices rose. The gold contract for August delivery closed at 393.00 dollar a troy ounce on the Commodity Exchange in New York, up 3.20 dollar from Friday. At 4 pm (2000 GMT), Republic National Bank quoted gold at 392.80 dollar up 2.70 dollar.

The dollar rose half a penny against the German mark and edged upward against weaker European currencies that are under attack by speculators.

Other dollar rates as of 4 pm EDT (2000 GMT) in New York compared to late Friday's prices: 1.7250 German mark, up from 1.7200; 1.5200 Swiss franc, up from 1.5030; 5.8875 French franc, up from 5.8785; 1.606 Italian lire, up from 1.603 and 1.2807 Canadian dollar, down from 1.2808.

Other late dollar rates in Europe, compared with late Friday: 1.7240 German mark, up from 1.7185; 1.5210 Swiss franc, up from 1.5185; 5.8998 French franc, up from 5.8730; 1.9395 Dutch guilder, down from 1.9325; 1.603 Italian lire, down from 1.604; and 1.2812 Canadian dollar, up from 1.2798.

Russia unlikely to flood global diamond market

MOSCOW, July 27: Russia is unlikely to flood the world diamond market and undercut prices with its vast resources despite the need for cash to bale out its struggling economy, a senior official from South African firm De Beers says, reports Reuter.

The diamond industry, contrary to market speculation, has been more stable over the last three years than other Russian commodity markets, Gary Ralfe, De Beers Director in charge of relations with Russia, told Reuters in an interview on Thursday.

"Polished Russian diamonds, which are not being sold through the CBO, are not undercutting prices in Antwerp and Israel," Ralfe said. "It shows competent and rational marketing."

Russia has a five-year deal to market 95 per cent of its rough gem exports through De Beers' Central Selling Organisation (CSO). The five billion dollar deal expires in 1995. De Beers controls 80 per cent of the world market.

The year the Kristall Polishing Plant in Smolensk, southwest of Moscow, opened trading offices abroad and started selling polished gems directly, by-passing the state export firm, Almaz-Uvelir Export.

But Ralfe, who said Russia sell about 500 million dollar of polished gems a year, doubted it would undercut world prices as heavy sales of other Russian commodities have done since the collapse of the Soviet Union in 1991.

"The forced sale in Russia ... of platinum, nickel and gold, has had a depressing effect on those markets particularly during the recession," he said.

"The gem diamond market is the best example of the kind of stable market producers like to have to ensure a consistent and hopefully rising value for their production," he said.

Ralfe dismissed market speculation, which has raged over the last 18 months, that Russia is a trouble-maker and threatens the stability of the De Beers' "one-channel market system."

World diamond sales fell by 30 per cent last year. But De Beers countered recession-hit demand by buying 25 per cent less from producers and cutting the supply of rough gems.

The industry recovered this year, according to the CBO. De Beers' selling arm. Sales for the first half of 1993 were 42 per cent higher than the same period last year and 56 per cent higher than the second half of 1992.

A Russian Parliamentary lobby, led by influential Deputies, has persistently demanded renegotiation of the five-year deal with the South African firm, saying Russia got a raw deal.

Egypt signs oil, gas pact with Australian firm

NICOSIA, July 27: Egypt has signed an oil and gas exploration and production-sharing agreement with the Australian firm Complex Resources, the Middle East Economic Survey (MEES) said on Monday, reports Reuter.

The agreement provides for exploration, including the drilling of three wells, over a period of seven years in the 1,583-sq km (611 sq mile) West Ish al-Mallaha tract on the mainland west of the Gulf of Suez in the eastern desert, MEES said.

Delhi kicks off talks with IMF

NEW DELHI, July 27: India kicked off talks with the International Monetary Fund (IMF) here Monday for a crucial loan of up to nine billion dollar to bridge possible financial difficulties in the next three years, reports AP.

American Express earnings up by 34 pc

NEW YORK, July 27: American Express Co, showing signs that its much-touted recovery plan was working, reported second-quarter earnings of 416 million dollar up 34 per cent from a poor performance last year, reports AP.

The gains were driven by strong results at the American Express investment advisory unit and lower losses in its credit card business, the company reported Monday.

The diversified financial services company's earnings for the April-June period, which came to 83 cents per share, compared with profits of 310 million, dollar or 63 cents per share, during the 1992 second quarter.

Per-share earnings were 36 per cent higher than analyst estimates of 61 cents a share, according to a survey by Zacks Investment Research Inc.

The numbers were real good," said John Keefe, and independent brokerage industry analyst. He said the gains were not surprising in light of poor performance at the company's charge card operation in the 1992 period.

Keefe said cost cutting and efficiency programme put in place by American Express new chairman, Harvey Golub, seem to be taking hold.

Those changes were evident in American Express' flagship charge card unit, Travel Related Services, where net income rose 89 per cent to 234 million dollar.

The card unit's net revenues were down 2 per cent to 2.36 billion dollar while the total number of cards outstanding fell 4.5 per cent to 34 million. The declines reflect American Express efforts to clean up its portfolio, particularly the Optima credit card business.

"We're trying to get better card members, fewer but better card members," said company spokeswoman Susan Miller. Average spending per card member rose 11 per cent worldwide from year-ago levels, she said.



A disappointed old woman leaves a bank in Moscow on Monday after trying unsuccessfully to exchange her rouble notes for new ones. —AFP photo

Thai textile industry facing crisis

BANGKOK, July 27: Thailand's textile industry is in crisis as falling world demand and undercutting by competitors could soon force many manufacturers out of business, a leading textile producer said, according to the Bangkok Post on Monday, reports AFP.

The problems assailing the Thai textile industry were external ones so there was nothing Thai manufacturers could do to prevent bankruptcy, Dej Boon-Long, president of TTL Industries and the Thai Textile Company said.

"While demand decreases, supply increase," said Dej, referring to the world recession and increasing competition from cheaper producers in the region.

"For example, the minimum wage in Indonesia is only about one US dollar, or 25 baht (a day), but it is 125 baht in Thailand," he said.

While the outlook for producers of fashion fabric and garments was much brighter about 90 per cent of Thai textile production fell into the basic textile category which was being hardest hit, Dej said.

All basic textile manufacturers in Thailand were currently running at a loss, he added.

Boeing shelve aircraft project with Japan

TOKYO, July 27: US Aircraft maker Boeing has postponed indefinitely its project with Japanese companies to develop a 150-seat passenger plane, a Japanese daily reported Yesterday, says Reuter.

Asahi Shimbun said Boeing, in a written reply to questions it submitted, it was shelving the plan because there was insufficient demand for such a plane. Japanese officials were not available to comment.

The US company agreed in 1984 with three Japanese aircraft builders — Mitsubishi Heavy Industries Ltd, Kawasaki Heavy Industries Ltd and Fuji Heavy Industries Ltd — to develop the plane, called the B-7J7.

The Japanese makers were to share 25 per cent of the development work as risk-revenue

sharing partners.

But development of the new airliner, intended to replace the Boeing 737, failed to start several years ago as planned amid concern the plane would not be profitable.

The B-7J7 would have used less fuel than the B-737 and carried advanced avionics.

With many big airlines struggling to recover from three years of record losses, Boeing announced plans in January to slash aircraft production by an average of one-third on all product lines until mid-1994.

It subsequently said it expected to pare 28,000 jobs.

On Friday, the Seattle-based company, which holds a 60 per cent share of the world commercial jet-liner market, said it had already cut more than 9,600 jobs.

US economists divided over after effect of Mississippi flood

NEW YORK, July 27: With damage estimates from the great Mississippi river flood of 1993 nowhere near cresting — the mighty river itself — economists are split between scenarios of gloom and predictions that it may spur a growth boom, reports Reuter.

Although far from in agreement, they are painting a gloomy short-term picture, saying that predictions that the US economy's gross domestic product will grow 3.3 per cent in the third quarter will now have to be revised downwards.

How far down is a matter of debate, with some estimates saying growth will be slowed a point or more and others saying the drop in the GDP will be less dramatic.

They are also split on the long-term effects of the disaster that has engulfed businesses and millions of acres of prime cropland in some of the country's most fertile states at a time when the sluggish US economy looked ready to rebound.

Economist Allen Sinai of the Boston Company says third quarter growth may be slowed by a percentage point or more as the floods continue wreaking unprecedented havoc in the Midwest and a drought severely affects the US south.

"We are estimating two percentage points plus for the third quarter and a growth rate of 3.5 to 4 per cent in the fourth quarter if we get a snap in the economy," he said.

But Sinai added, "It is not clear that we won't have long-lasting effects from this calamity. The map of the middle west may have to be redrawn by this flood and it is not over yet."

This is a once-in-a-century phenomenon and it is easy to dismiss it as temporary and transient, but I am not sure. The effects may last longer than a quarter of two.

Flood damage is now estimated at between 10 billion dollar and 12 billion dollar but some economists fear total losses may exceed those of hurricane Andrew in southern Florida last year of about 25 billion dollar. If so, it would make the great flood the most expensive natural disaster in US history.

"We have more than a disaster, we have a calamity," Agriculture Secretary Mike Espy said after touring the

midwest Sunday.

Flood damage was so extensive that the Clinton administration said it would ask congress for dollar 5 billion in aid — double the previous request — but Espy said that would still not be enough.

Sinai said economists just don't have the models necessary to forecast the effects of such a disaster on the economy. Other economists are far less gloomy, although all agree the floods are a major disaster.

Economist Paul Samuelson says he doesn't see the floods having the same damaging effect that hurricane Andrew had on the economy last year, saying for starters that as unbelievable as it seems, insurance losses will be a lot less.

Rain boosts Australian wheat harvest

SYDNEY, July 27: Welcome weekend rain has boosted eastern Australia's wheat crop this year but farmers' hopes of a golden harvest have been offset by average price forecasts, reports AFP.

Most areas along the central wheat belt from Southern Queensland to Northern Victoria received more than 30 milli-metre (1.2 inches) of rain on the weekend, adding to existing subsoil moisture and created perfect growing conditions.

The Australian Wheat Board (AWB) said in a statement Monday that wheat areas would need rain only in late August or September to meet this season's forecasts of near 15 million tonnes.

But the AWB said price return forecasts for Australian standard wheat was not expected to rise from its earlier prediction of 150 dollar (102 US) to 155 dollar (105 US) a tonne, nearly 40 dollar (27 US) a tonne less than last year.

AWB Managing Director John Lawrenson said prices were not as good as anticipated because of a big world wheat crop, with countries including Russia and China growing record crops.

Flood damage to the United States wheat harvest was less than expected, he said, with recent rain actually boosting US and Canadian spring wheat crops.

The AWB forecast that Australian hard wheat of 12 per cent protein delivered in 1993-94 will return between 160 dollar (108 US) and 165 dollar (112 US) a tonne and prime hard wheat of 13 per cent protein will return between 185 dollar (125 US) and 190 dollar (129 US) a tonne.