Senate okays Clinton's deficit budget

WASHINGTON, Aug 6: The US House of Representatives passed President Bill Clinton's crucial budget deficit plan by a two-vote margin on Thursday, handing him victory after a full-scale political battle whose outcome was uncertain until the last votes were cast, reports Reuter.

Clinton celebrated the cliffhangery victory with a statement in the White House rose garden, calling the vote "an important first step in changing America."

By a 218-216 vote the budget bill was sent to the senate, which is to vote on Friday. One undecided Senate vote — that of democrat Bob Kerrey of Nebraska — separated democrats from the majority needed for final passage there.

"This will not by itself accomplish what we need to do but it is a critical beginning," said House Speaker democrat Thomas Roley in pleading for support, moments before the vote started.

"We must continue the process of deficit reduction and we will," said Foley.

Before the vote, administration officials warned defeat would deal a crippling blow to the Clinton presidency. Approval opened the way to the remainder of Clinton's agenda, most importantly health-care reform.

At the end of the 15 minutes allotted for voting, the tally board showed a vote of 216-214 with four democrats yet to vote. When two of the four finally voted "yes" at the end of several agonising minutes, a cheer went up from democrats.

"This economic plan represents an important first step in changing America. For the first time in a very long time, we are making a meaningful down-payment on the federal deficit," said Clinton in his Rose Garden appearance amid cheering White House staff members.

"The margin was close but the mandate is clear", he said. In the end, 41 Democrats joined all 175 Republicans in opposing the measure. By comparison, the original version of the bill had a more comfortable six-vote margin.

"The American people should know that a large number of congressmen who voted ... in favour of change for our country did so believing in their hearts that they were going to greatly increase the chances of not being re-elected," said Vice-President Al Gore, appearing on Cable News Network.

PRESIDENT CLINTON

During debate Republicans said passage of the bill would endanger the economy.

"We oppose this because it's a giant tax on the American dream," declared representative Dick Army of Texas, Chairman of the Republican Conference. "You Democrats may give your President a political victory today, but it's a defeat for our economy and the well-being of the American people."

The plan cuts growth in the national debt from about 1.5 trillion dollar to one trillion dollar over five years. The debt, the accumulation of annual deficits, is now more than four trillion dollar. The bill was tough to pass because legislators are under constant pressure to oppose new taxes or spending cuts, yet this bill required 255 billion dollar in painful spending cuts and 241 billion dollar in new taxes.

Democrats said most of the taxes will be paid by the richest one to two per cent of Americans, and some by the elderly. The only new tax most Americans will notice is a rise in the 14.1 cent per-gallon petrol tax to 18.4 cent.

But republicans argued there were new taxes hidden as higher user fees on national parks, recreational areas and other services.

The plan also provides the biggest new social programmes for the poor in 20 years.

The plan increases tax credits for the working poor with children, and for the first time gives childless poor couples small tax credits. It also increases funds for immunizing poor children and provides tax breaks for urban investments.

Under the bill, corporations will see their tax rates rise to 35 per cent from 34 per cent on taxable income above 10 million dollar.

Throughout the day, democratic leaders and Clinton lobbied intensely for votes. Clinton made dozens of telephone calls to members of Congress.

As the clock ticked toward a final vote, house democratic leaders negotiated to win the votes of party moderates and conservatives. Poley offered them the promise of votes later this year on bills to limit mandatory spending, to require the White House to submit a spending reduction bill and on a so-called balanced budget amendment to the constitution.

Food prices soar as truck strike paralyses India

NEW DELHI, Aug 6: A nationwide truck strike has raised the price of fruit and vegetables in urban areas of India and forced them to import produce on tractors and horse-drawn carts, reports AP.

When the strike entered its sixth day Friday, the All India Motor Transport Congress, the biggest truckers' union, agreed to negotiate with the government again, raising hope of an early end to the strike demanding the abolishment of truck tolls and taxes.

Although some of the hundreds of thousands of truckers in India's 25 states have gone back to work, transport of industrial goods remained paralysed, hurting factories that suffered huge losses during the Hindu- Muslim riots that swept the country in January and February. More than 2,000 people were killed.

About 1.8 million trucks carry 90 per cent of India's freight.

The truckers want states to stop charging them tolls when they enter and taxing the goods they are carrying. But the states, which generate a lot of revenue this way, refuse to do that.

Companies in New Delhi that export industrial goods out of India say they have lost 100 million rupee (3.2 million dollar) worth of orders. Before the strike, 500 trucks were carrying their goods to ports such as Bombay each day. The industry has lost more than 3.5 billion rupee (112 million dollar) in the last six days, said S P Singh, a spokesman for the Transport Congress.

The union suffered a setback when truckers in the western state of Maharashtra, where India's financial and business capital of Bombay is located, went back to work. "If we adopt a hard line, we will get nothing," said Yashwant Kale, general-secretary of the state's truck union.

Although no widespread shortages of food have been reported yet, fruit and vegetable prices have soared in many Indian cities, where hundreds of trucks normally arrive every day with produce.

For example, in Bangalore, one of India's five biggest cities, the price of tomatoes has tripled. In Bhopal, the capital of Madhya Pradesh state, the price of potatoes had gone up from 2.50 rupee (eight cents) to five rupee (10 cent).

In the northern state of Uttar Pradesh, farmers were using trailers drawn by horses and bullocks to transport grain and vegetables to the markets in cities such as Lucknow.

In the southern metropolis of Madras, vans and even taxis were brining in milk, vegetables and fruits.

New Delhi, the federal capital, seemed to be suffering less than other cities because many stores and markets anticipated the strike and had trucks bring them large shipments beforehand.

Yeltsin huddles with cabinet to debate faltering economy

MOSCOW, Aug 6: Boris Yeltsin huddled with his Cabinet in the Kremlin Friday to debate the faltering economy while the president's legislative enemies gathered in a special session provoked by Russia's currency crisis, reports AP.

On the agenda for the Supreme Soviet, Russia's standing legislators, were two explosive issues: dismantling the nation's bulky state sector and the Central's Bank recall of banknotes printed before 1993.

The recall — which began last month and was accompanied by a tight time limit and a ceiling on the amount of money that could be exchanged provoked an uproar and a flurry of finger-pointing.

In an article published Friday in the newspaper Izvestia, Finance Minister Boris Fyodorov called the step a "crude provocation aimed at undermining people's trust in the president." He said its perpetrators deserved "unconditional punishment."

He went on to accuse the Central Bank of shipping roubles to former Soviet republics in a shady operation that looked like "classic money-laundering." Insiders, he said, made fortunes on the ruble recall while ordinary citizens suffered.

Fyodorov, one of the leading free-market reformers in Yeltsin's Cabinet, called for an immediate repeal.

In a speech Wednesday, Yeltsin criticised the Central Bank's decision as "poorly thought out" but did not make clear whether he initially approved it.

Meanwhile, a draft resolution endorsing the move was circulating at the Supreme Soviet.

Nany legislators, including parliament speaker Ruslan Khasbulatov, had soundly condemned the measure at the outset and tried to blame Yeltsin for the debacle.

But the initial public panic has subsided and Yeltsin's foes now appeared ready to back Central Bank chairman Viktor Gerashchenko, who answers to the legislators and whom they consider a possible ally in their on-going war on Yeltsin and his reforms.

Lawmakers, were also expected to make yet another attempt to stall the privatisation of state enterprises. Yeltsin and legislative hard-liners have been engaged in a long-running battle of conflicting decrees and resolutions on privatisation.

Inflation, which hit 2,500 last year, was still a punishing 19 per cent in July, according to the latest government statistics. The decline in industrial production, which peaked at 27 per cent in April, was also still worrisome: down 17 per cent in June, according to the latest figures.

Number of overseas ROK workers falls

SEOUL, Aug 6: The number of South Koreans working overseas has plummeted as working conditions in some countries deteriorate and rising wages lure workers to stay home the government said Friday, reports AP.

The Labour Affairs Ministry said about 8,000 Koreans worked overseas at the end of 1992, compared to 150,000 in 1983.

The dwindling availability of Korean workers has forced overseas Korean contractors to hire workers from third nations such as the Philippines, Thailand, India, Bangladesh and Indonesia.

It said only 11,000 people had applied for jobs overseas at the end of 1992, compared to 450,000 nine years earlier.

Current instability in oil market

Oman starts privatisation

ABU DHABI, Aug 6: Oman has started privatisation of its public institutions in a bid to absorb high liquidity and boost its economy that was hurt by declining oil prices, Omani officials said on Thursday, reports AFP.

The government has invited local subscribers to buy its shares in the national insurance company and is planning to sell its stake in other services and industrial companies as well as local hotels.

"Privatisation plans have been under study for several years," an official from the state-run development council told AFP by telephone from Muscat.

"We found it is time to start now to absorb rising liquidity and attract national savings to activate the domestic economy."

The United Arab Emirates (UAE) semi-official Daily Al-Ittihad said the Omani government also planned to float shares to the public to raise the capital of its national cement company to 36 million Omani riyal (93.6 million dollar) from 21 million riyal (54.6 million dollar).

Oman is the first Gulf Cooperation Council (GCC) state to embark on large-scale privatisation and the move coincides with Muscat's decision to slash spending because of the current instability in the oil market.

Officials said they also might be forced to revise the 1991-1995 development plan if prices decline below 15.5 dollar. The plan, which has a growth target of 10 per cent, was based on a gradual increase in public and private investment and an oil price starting from 18 dollar.

Like other GCC states, Oman depends heavily on oil, of which it produces around 750,000 barrels per day and has nearly 4.5 billion barrels in proven reserves. Given the weak role of its private sector, government spending has remained the main factor in economic activity.

"The sale of public institutions will give the private sector an opportunity to assume its role in development," the Omani official said.

Despite weak oil prices, the government had kept development expenditure relatively high to maintain growth. This has created a persistent budget deficit, which was projected at 1.14 billion dollar in 1993.

Economists said they expected a successful privatisation in Oman

Clintons place investment in US blind trust

WASHINGTON, Aug 6: President Clinton and his family have turned over control of their stocks, bonds and other investments to two Boston investment companies to avoid any potential conflicts of interest, reports AP.

According to a trust agreement released Thursday by the Office of Government Ethics, the Clintons last month put assets valued at between 295,000 dollar and 1.26 million dollar into three blind trusts.

The trusts were set up for the president, first lady Hillary Rodham Clinton and their 13-year-old daughter, Chelsea, to "avoid the appearance of any conflict of interest," the agreement states.

Essex Investment Management Co of Boston is the investment manager for the trusts and Boston Harbor Trust Co of Boston is the independent trustee.

Among the holdings placed in Mrs Clinton's trust was her stake in a growth fund, Valuepartners I, that has invested more than one million dollar health care company stocks.

Honour aid pledges to Africans, UNCTAD tells donors

By Amma Ogan

DONORS must give greater and more consistent support to Africa's poorest countries if they are to break out of the current spiral of economic decline.

Presenting "a general picture of economic malaise and stagnation," the UN Conference on Trade and Development (UNCTAD) calls for donors to honour their aid pledges made at the 1990 UN Conference on Least-Developed Countries (LDCs), increase debt relief and access to markets and ensure that the economic reforms now being required from aid recipients are compatible with development goals and with democratization.

UNCTAD's 1992 Least Developed Countries report warns that per capita incomes will again fall in 1993 in many of Africa's poorest countries, despite a modest rise in growth rates.

After annual negative growth of gross domestic product (GDP) in 1991 and 1992, African LDCs are expected to grow by only 1.6 per cent in 1993, well below population growth rates of some three per cent. Thirty two out of the 46 countries of sub-Saharan Africa are included in the list of 47 LDCs.

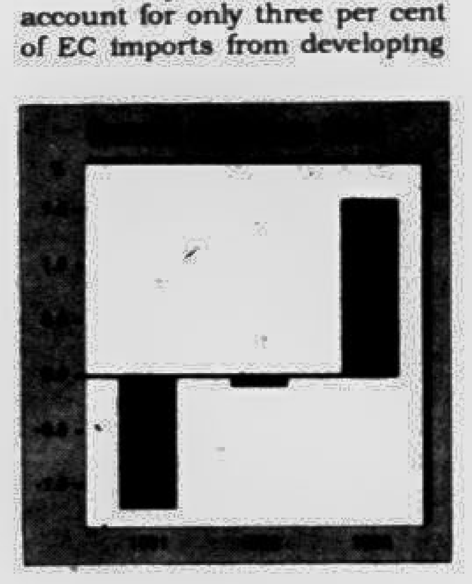
While a small group has recently shown faster growth, largely as a result of strong and stable government commitment to economic reforms, "there are many LDCs where the development process has come to a virtual standstill," says UNCTAD Secretary-General Kenneth Dadzie.

On the positive side, exports from Malawi, Mauritania and Uganda have risen by some five per cent, while Gambia has diversified trade by producing basic consumer and intermediate goods. Botswana and Lesotho, despite being affected by food emergencies like 12 other African LDCs, have had faster growth due to strong export performance in diamonds and manufacturing respectively.

In contrast, Ethiopia, Liberia, Mozambique and Somalia, all plagued by civil strife, have had stagnant or severely declining per capita GDP. There is little chance for normal growth in these countries, says UNCTAD, "unless the problems of governance ... are overcome."

Most LDCs also remain dependent on "problem" primary commodities such as cocoa, coffee, tea and tobacco, where most prices have continued to fall. With demand hit by protracted recession in industrial countries, export earnings of LDCs as a group have been virtually stagnant since 1989, and rising import costs have brought a steady fall in their terms of trade.

The special needs of LDCs must be recognised in the world's trading system and particularly in the stalled Uruguay Round of trade talks, UNCTAD argues, placing especial responsibility on the European Community (EC). While LDCs account for only three per cent of EC imports from developing



countries, the EC market "accounts for 50 per cent or more of total exports for many LDCs."

The report also calls for faster action on aid, which provided almost 90 per cent of net annual resource flows to LDCs in 1990. Aid to LDCs in 1991 fell as a share of the gross national product (GNP) of donor countries, despite pledges at the 1990 LDC Conference to increase it. Against a generally accepted goal of 0.20 per cent of GNP UNCTAD calculates that official aid to LDCs fell in 1991 to 0.08 per cent from 0.09 in the previous two years.

Multilateral soft-loan facilities should be strengthened, given "the limited debt servicing capacity of the LDCs," the report says.

LDC debts servicing in 1991 totalled 47 billion dollar and while the 22 per cent ratio of debt service to exports was the lowest in seven years, 20 LDCs still could not meet payments in full, hampering their access to new finance. Average debt service ratios for LDCs in 1993 are expected to rise to some 25 per cent (excluding obligations to the IMF).

By the end of 1992, 10 African LDCs had received the "enhanced-Toronto" terms for debt relief. But achieving a more manageable 20 per cent debt service ratio for LDCs requires more substantial measures, says UNCTAD, also urging relief for the growing burden of LDC debt to multilateral agencies.

UNCTAD notes the tendency of donors to adopt a "quick fix" approach to LDC needs undermining long-term efforts at establishing institutions and democratic practices. LDCs increasingly resort to cuts in recurrent and capital expenditure in order to meet conditions for adjustment programmes and debt rescheduling.

With the democratisation process in Africa making the implementation of stringent conditionalities more complex, UNCTAD says "there is no shortcut to creating durable institutions and favourable policy environments." Reliance on price signals in the absence of stable markets is also "unlikely to bring about a sustainable increase in domestic resources," it says.

— *Africa recovery*

A Somali woman begs for food. —Paul Mitchell

HK govt drops remaining fraud charges against Malay banker

HONG KONG, Aug 6: The government Friday dropped the remaining 15 fraud and corruption charges against a former Malaysian banker, who is serving a one year sentence for his role in one of Hong Kong's biggest corruption scandals, reports AP.

Zinance Ltd. was sentenced to one year in jail by the High Court in June after he pleaded guilty to one count of conspiracy to defraud.

He was brought back to Hong Kong last year from London following a seven-year extradition battle that made him the longest-serving unconvicted prisoner in Britain.

Osman was accused of approving millions of dollars in unsecured loans between 1979 and 1983 to the Carrian Group of companies, high-flying property and shipping conglomerate that collapsed in 1983, leaving debts of US 1.2 billion dollar.

Prosecutors said the largest loan totaled US 292 million dollar.

Carrian's chairman, George Tan, is out on bail of 50 million Hong Kong dollars (US six million dollar) awaiting trial. With good behavior and time already spent in prison, Osman could be released later this month.

IDA okays $ 110m credit for China

WASHINGTON, Aug 6: The World Bank's International Development Association (IDA) said on Wednesday it approved a 110 million dollar credit for a programme to improve health-care among the rural poor in six Chinese provinces, reports Reuter.

This is the World Bank's fifth health-care project since 1980 in China. Its health-care lending there now totals 120 million dollar per year, about five per cent of total bank lending to China.

The rural health workers development project is designed to improve the quality and coverage of care for 159 million poor Chinese farmers and their families, it said.

Their health-care had deteriorated since 1978 when China began decentralising its medical services. About 20 per cent of farmers cannot afford the doctors' fee-for-service system, contributing to poverty, the bank said.

The project will retain current health-care workers as well as train new ones for rural areas, and it will explore alternatives to financing local health-care services.

Provinces targeted under the 186 million dollar programme are Anhui, Fujian, Guizhou, Hebei, Henan and Shanxi.

Delhi pursues integration with global economy

Financial companies linking with foreign firms

BOMBAY, Aug 6: An increasing number of financial companies here are linking with foreign firms to offer a range of specialised services as India pursues integration with the global economy, reports AFP.

The low cost of foreign equity and high interest rates in India, which range from 16 to 24 per cent against eight to 10 per cent overseas, are spurring financial service joint ventures.

Experts say the domestic financial services sector stands to benefit from an infusion of modern technology and enhanced professionalism by linking with foreign companies.

"The alliance with foreign institutions will help the domestic market, especially in services such as securitisation, bridge loans and venture capital funds," said Mahesh Thakkar, spokesman for the association of leasing and financial services companies.

The most recent example is a consumer credit venture between India's Housing and Development Finance Corp. and US-based G.E. capital.

Among others, the Industrial Credit and Investment Corp. of India joined with J P Morgan, the Unit Trust of India with alliance capital and the Industrial Development Bank of India with Asian capital.

"It is a boom time. Many more such tie-ups are in the pipeline," said a representative of the foreign stockbroking firm W I Carr.

Financial experts say massive profits reported by several foreign banks here attracted the attention of ambitious Indian entrepreneurs.

"When Citibank's Indian operations reported a profit of 1.39 billion rupee (46 million dollar) in 1992, it was felt the bank's aggressive marketing had paid off," a spokesman for mutual fund giant Unit Trust of India said.

"But the real reason was the diversion of funds to take advantage of the difference in interest rates as well as the range of specialised services it offered."

Market sources said Citibank had been lending funds here in the booming consumer finance market at interest rates of 23 to 24 per cent.

"Although the rupee has depreciated in the long run against the dollar, the bank could make up this loss due to the high interest rates here," the spokesman said. As the Indian economy globalises under the government's two-old economic reform programme, domestic financial companies have found that ventures with foreign firms are the only way to survive increased competition.

"Foreign investors are used to specialised services available in developed markets," he said.

If more foreign financial firms are to be attracted, existing laws, particularly those relating to recoveries, would have to be amended.

Computer analyst jailed for rigging results of lucky draw in Bangkok

SINGAPORE, Aug 6: A former computer analyst with the government-owned Post Office Savings Bank (POSB) has been sentenced to four years jail for rigging the results of a lucky draw conducted by the bank in February last year, court officials said Thursday, reports AFP.

Ng Peng Tat, also known as Danny Ng, 41, who left the bank soon after the incident, manipulated the lucky draw software and diverted the winning prizes totalling about 500,000 Singapore dollar (310,000 US) to three accounts he helped open with the bank.

He pleaded guilty to the three cheating charges. Four other charges were taken into consideration Ng was sentenced on Wednesday.

The eligibility for the lucky draw was based on the 1991 savings of the depositors, who had to have a minimum of 1,000 Singapore dollar throughout that year for the bonus draw or at least 1,000 Singapore dollar for any quarter of that year for the grand draw.

Asian stocks close mixed

HONG KONG, Aug 6: Asian stock markets closed generally mixed Friday, with share prices surging in Hong Kong for the second straight day, reports AP.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 89.23 points or 1.22 per cent, closing at 7,396.77.

Brokers attributed the rise to a continued buying spree of blue chip stocks following Thursday's 143-point gain in the Index.

In Tokyo, share prices eased in thin trading.

The 225-issues Mikkei Stock Average closed at 20,357.94, down 67.70 points, or 0.33 per cent, to 20,425.64.

The Tokyo Stock Price Index of all issues listed on the first section was down 7.23 points, or 0.44 per cent, to 1,654.59.

Volume on the first section was estimated at 200 million shares, down from Thursday's already sluggish 230 million shares.

Political bickering and a two-day delay in choosing Japan's next prime minister dampened market sentiment, dealers said.

Australian share prices also closed mostly lower with gold issues taking a big slide.

The Sydney's All-Ordinaries index of share prices fell 23.1 points to 1,842.2.

Wellington: New Zealand share prices finished mixed in heavy trading. The NZSE-40 Capital Index rose 2.12 points to 1,895.99, its highest closing level in slightly more than three years.

Manila: Share prices closed lower in moderately heavy trading on continued profit-taking. The Manila composite index of 30-selected issues fell 16.95 points to 1,743.97.

Taipei: Share prices closed lower on profit- taking. The market's weighted index fell 29.59 points to close at 4,025.93.

Seoul : Share prices closed lower in thin trading. The Korea Composite Stock Price Index fell 10.57 points to 721.48.

Kuala Lumpur : Malaysian share prices closed weaker in brisk trading as investors took profits on the market's recent advance. The Kuala Lumpur Stock Exchange Composite Index fell 6.83 points to 778.66.

Singapore : Share prices closed mostly higher after a bout late buying. The 30-blue chips Straits Times Industrial Index rose 5.87 points to 1,867.50.

Bangkok: Thai share prices closed higher in active trading. The Stock Exchange of Thailand index rose 10.58 points to 958.64.

Jakarta: The stock exchange's Composite Index rose 2.608 points, closing at 362.607.

Australian-Thai firm to mine $ 60m in gold

BANGKOK, Aug 6: An Australian-Thai company plans to mine at least 60 million dollar in gold it has discovered in northern Thailand, a company official said Friday, reports AP.

Tungkum Ltd. discovered 1.7 million tons of gold-bearing ore outside Loei city, 430 kilometers (267 miles) northeast of Bangkok, spokesman Garry Allan Prior said.

The company will use open-pit mining and chemical processing to extract the gold, which could be worth at least 60 million dollar at current prices, he said.

Prior said geologists have reported there may be another 400,000 tons of lower grade gold in the area.