India plans to liberalise currency rules further

BOMBAY, Aug 18: India is planning further liberalisation of currency regulations after successfully floating the rupee early this year, bankers said, reports Reuter.

Measures being considered by the Reserve Bank of India (RBI) included permitting cross-currency options and allowing local banks to invest in short-term deposits with banks overseas, they said.

"Dismantling of the restrictions could be the first steps towards the full convertibility of the Indian rupee on current account and later on capital account," a banker said.

With higher export inflows and growing foreign exchange reserves, bankers said, the RBI was expected to permit banks to invest their surplus deposits abroad in short-term deposits.

Official sources said an RBI announcement about this could be issued by the end of the month.

"Interest rates on these deposits could guide the local interest rates in medium to long term, when other currency restrictions too are expected to go," a dealer said.

Interest rates in India have been lowered over the past few months, bringing them closer to international rates, analysts said. They said they expected further falls in the near future.

Bankers said they anticipated a gradual dismantling of the barriers that the central bank saw earlier as a crucial part of India's protected and highly regulated economy.

Now India is opening up its economy and dismantling four decades of socialist-style controls.

But Indian importers and exporters continue to be governed by a complex web of exchange rules and directives that even bankers say they cannot always understand.

"Changes in the coming months will be a lot smoother in the run-up to rupee's full convertibility on capital account," a banker said.

Finance Minister Manmohan Singh, architect of the reform programme, has said full convertibility — meaning removing controls on capital movement — could come in another two to three years. Indian banks are expected to achieve a capital adequacy of eight per cent by about that time.

India took the first step towards integrating its economy with that of the world in February 1992, when it made the rupee partially convertible. The rupee became fully convertible on trade account this March, bankers added.

These moves, bankers said, could be the first steps towards integrating the Indian rupee and local interest rates with currencies and rates in the rest of the world.

Bankers say the RBI is ready to move forward with further currency liberalisation because of the success of the full float.

Since a two-tier exchange rate system was abolished on March 2, the rupee has defied predictions of depreciation by remaining rock steady, supported by strong capital inflows.

EC under pressure to ban import of Asian goods

KUALA LUMPUR, Aug 18: The European Community is under pressure from activists to ban imports of Asian goods that do not meet Western environmental and labour standards, a World Health Organisation (WHO) consultant said today.

"Environmentalists, unionists and politicians are pushing for laws banning Asian imports produced cheaply because of less stringent green rules than Europe's," WHO's George Anderson told Reuters.

Anderson, who earlier spoke at a forum on environmental technology, said the EC was expected to come up with laws enforcing such a ban by the end of the decade. "It will also cover goods made by child and bonded labour," he added.

"Those backing the move feel it would ensure uniform environmental standards globally," said Anderson, who lectures at Britain's University of Newcastle Upon Tyne.

Rehabilitation of Kuwaiti oil industry boosts GDP of Arab producers

ABU DHABI, Aug 18: Rehabilitation of Kuwait's oil industry boosted the gross domestic product (GDP) of key Arab oil producers by more than four per cent in 1992, according to the Organisation of Arab Petroleum Exporting Countries (OPEC), reports AFP.

The rise took place in spite of a drop in the GDP of embargo-hit Iraq.

A sharp increase exports by the war-damaged Kuwaiti oil industry pushed up its real GDP to 32.2 billion dollar in 1992 from 23.9 billion dollar in 1991 while in Iraq GDP dropped to 26.2 billion dollar from 29.1 billion dollar the Cairo-based group said in its monthly report.

It said the real GDP of the organisation's 10 member plus Tunisia, which was suspended four years ago at its own request, stood at 397.5 billion dollar in 1992 compared with 379.7 billion dollar in 1991, a growth of 4.7 per cent.

The increases in other members ranged from small to moderate. In Saudi Arabia, the world's top oil exporter GDP rose to 95.4 billion dollar from 91.2 billion dollar while in the United Arab Emirates (UAE) it grew slightly to 32.7 billion dollar from 31.5 billion dollar, the report said.

In Libya, another major oil producer real GDP increased slightly to 23.9 billion dollar from 23.2 billion dollar and in Algeria it grew to 57.5 billion dollar from 55.8 billion dollar.

The study also reported slight growth in the remaining members — Egypt, Syria, Qatar, Bahrain.

Annual growth between 1988 and 1992 was sharply lower, standing at 1.4 per cent, according to the report.

Ramos urges Congress to approve tax measures

MANILA, Aug 18 : President Fidel Ramos urged the Philippine Congress on Tuesday to approve tax measures to eliminate a revenue gap that has cooled prospects of an early economic recovery, reports Reuter.

The presidential palace said Ramos wanted Congressmen meeting on Thursday to agree to approve the tax measures quickly.

The measures include refinements of the value added tax, a land conversion tax, a stock transfer tax, increases in the documentary stamp tax, road users' tax, liquor taxes and income tax reform measures.

Ramos also wants approval of anti-trust legislation and a law allowing the entry of foreign banks and liberalising ownership of the shipping industry.

A revenue shortfall of 14 billion peso (US dollar 502 million) shortfall is jeopardising government plans to stimulate the economy and is forcing officials to limit public spending.

Many Members of Congress have balked at raising fresh taxes. "People are not convinced that the taxes they pay are spent wisely," Senator Bernesto Maceda said last week.

Argentina bans imports of holy water from Mexico

BUENOS AIRES, Aug 18: Argentina banned imports of Mexican holy water on Tuesday, saying it could cause cholera, the state news agency Telam reported, says Reuter.

It quoted Health Undersecretary Julio Calcagno as saying the government had decided to clamp down on the trade in jugs of supposedly curative holy water from the Mexican town of Queretaro.

He said Mexico has a high incidence of cholera, a potentially deadly disease caused by bacteria that thrive in untreated water.

Russia can buy US maize at attractive terms

WASHINGTON, Aug 18: Cash-strapped Russia gained permission to buy US maize at attractive terms on Tuesday opening the door for Moscow's first purchase of goods offered by President Clinton at the Vancouver summit four months ago, reports Reuter.

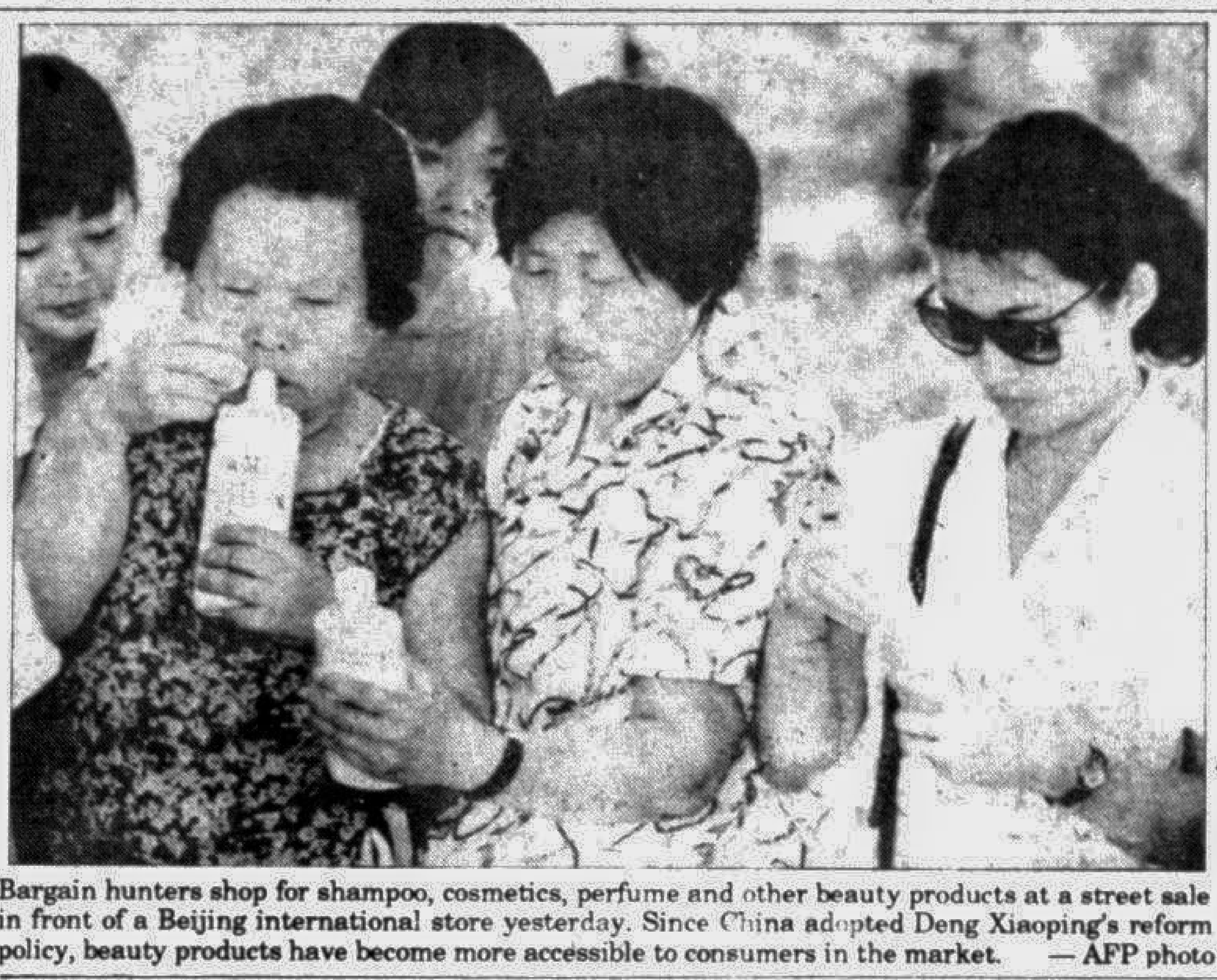
Implementation of the 700 million US dollar aid package was delayed by Russian concerns over wheat prices and high freight costs and by drawn-out negotiations. US law requires 75 per cent of humanitarian aid to be shipped on US vessels.

Clinton administration officials had said the package will help preserve a key market for US farmers at the same time it eases Russia's transition to a free market.

The US Agriculture Department issued the authorisation for Russia to buy 227.5 million US dollar worth of maize after a final round of talks with Russian officials.

Up to 2.4 million metric tonnes, or 94.4 million bushels, of maize could be sold to Russia under the purchase authorisation.

The aid package included soya meal, butter, wheat, soya oil, peanuts, poultry, rice and sugar. Some 66.5 million US dollar of the wheat and butter were donated. Freight will cost about 200 million US dollar.



Bargain hunters shop for shampoo, cosmetics, perfume and other beauty products at a street sale in front of a Beijing international store yesterday. Since China adopted Deng Xiaoping's reform policy, beauty products have become more accessible to consumers in the market. — AFP photo

US official urges West Europe to stress economic growth

WASHINGTON, Aug 18: West Europe should concentrate on sharply increasing economic growth by making its markets more flexible and decreasing government budget deficits, according to Lawrence Summers, under secretary of the Treasury for international affairs.

But when asked whether the relatively high European interest rates need to be lowered to achieve growth, Summers replied during a television interview late August 16: "I would not want to say how much of an interest rate cut is necessary now."

Following the taped interview, which is to be aired by the German N-TV Television Network August 23, Summers was asked by reporters but declined to comment on the impact of the recent rise in the value of the Japanese yen against other major currencies.

Germany increased its interest rates to prevent inflation after the western and eastern parts of the country were unified but that also dampened economic growth in other European nations whose currencies were closely linked to the deutschemark. The Clinton administration and other governments have called on Germany to lower its interest rates to help stimulate the world economy.

Summers noted that the Clinton administration's efforts to trim the budget deficit have resulted in lower US interest rates.

"I think our experience has a very important lesson for others, particularly in Europe," he said.

Japan needs to do more to open its markets to imports, Summers said in reply to another question.

The Treasury under secretary denied that the United States is trying to "manage" trade by insisting that Japan's markets be opened.

"It's un-managing trade. That consistently is our objective," he said.

The relatively closed Japanese market costs exporting countries one to two million jobs, Summers said, while open markets benefit not only developed countries but also developing countries.

"It's time we started thinking of the developing world as an opportunity, not as a challenge," Summers said.

Forecasts by the World Bank and many private economists indicate that the rate of economic growth will be higher in developing than industrialized countries in the coming years, he said.

Developing countries and the newly emerging democracies in Eastern Europe and the former Soviet Union should look to trade as a stimulus of economic growth, Summers said.

— USIS release

Japan should open markets wider: Traders

TOKYO, Aug 18: Japan's business practices and regulations are curbing the price benefits Japanese consumers should have gained from the yen's sharp rise, a major business group said Wednesday, reports AP.

Japan should open its markets wider, promote competitiveness, ban such unfair practices as price fixing, and allow consumers greater access to corporate information, said a report issued by the Japan Employers' Association.

Theoretically, a dlrs 10 foreign product that cost 1,250 yen in Japan in February should cost 1,010 yen now because of the yen's surge. This would be expected to help foreign companies boost sales here.

The report said, however, that such gains require proper functioning of the market mechanism.

"But in our country, that is not the case," it added.

Importers often do not pass the savings on to consumers. In addition, prices are inflexible for farm and non-manufacturing services and products because of government regulations to protect Japanese sellers against foreign competition.

The association said prices of such items as rice, beef, utilities, imported cars, international phone calls and taxi rides especially need to be cut.

Canada chances to gain from NAFTA

OTTAWA, Aug 18: Canada stands to make overall gains from the North American Free Trade Agreement (NAFTA), according to economists, much as its economy benefited from an earlier pact that liberalised trade with the United States, reports Reuter.

Public option polls still show free trade is unpopular in Canada because of rising joblessness and widespread business restructuring but economists say the 1989 trade pact with the United States had helped growth and trade.

"Canada benefits from a more integrated market," said Bank of Montreal chief economic Lloyd Atkinson.

Mexico, the United States and Canada reached agreement late last week on side deals to the broader deal.

NAFTA is to take effect on January 1, 1994 but must still be approved by the US Congress and in Mexico. Deals to improve protection for the environment and labour standards were considered key to gaining Washington's support.

For Canadian companies that rely heavily on trade lowering trade barriers helps boost exports.

"Companies in Canada are having to export. They are specialising in what they are producing. That is what has driven free trade and exports in the 1980s and it is as strong an argument today," said Canadian manufacturer's association economist Jayson Myers.

Canada trades only a small amount with Mexico but joined the NAFTA negotiations to protect its access to US markets.

Like NAFTA the 1989 free trade pact was meant to expand conditions for cross-border investment and trade. A system of special panels to judge trade disputes that was created for that pact was included in the expanded deal.

"It has been tough to isolate but on balance I would say the deal has been a benefit to Canada," said Canadian Federation of Independent Business economist Catherine Swift.

Economists said having access to the US market, and now to the whole North American market, can heavily influence investment and production decisions in Canada. In turn the greater access can lead to increased production.

"Our manufacturing sector has been able to penetrate the US market and increase our share of that market," said Daniel Schwanen at the C D Howe Institute, a private economic research foundation.

Manufacturers say a greater percentage of their goods now make up the exports that go from Canada to the United States.

That two-way trading relationship is one of the world's largest and was valued at 287 billion Canadian dollars 218 billion US dollar in 1992. Exports from the United States to Canada are up 18 per cent since 1988.

Mexico is Canada's most important trading partner in Latin America but the dollar amount traded is small.

A trader at the Sydney Futures Exchange signals a fall yesterday in the Australian dollar which dropped to 67.2 US cents as overseas financial markets decisively rejected the new federal budget. The budget was also condemned by welfare groups, unions, farmers, students, motoring organisations and the media. — AFP photo

Dollar opens slightly lower against yen

TOKYO, Aug 18: The US dollar opened slightly lower against the Japanese yen Wednesday in Tokyo, while prices on the Tokyo Stock Exchange rose moderately, reports AP.

The dollar started trading at 101.50 yen, down 0.05 yen from Tuesday's 101.55 yen finish, and up from its finish at 101.15 yen in New York overnight, its lowest close there since modern exchange rates were set up in the late 1940s.

Dealers said the dollar was slightly lower from the open. US institutional investors have been closing their short, or oversold, dollar positions at a profit to lift the dollar from around 101.10 yen.

They said the dollar will remain in the 101-102 yen range as the market continues to await reaction from the US government to the yen's recent surge. Many market participants interpret the US silence as tacit approval of the yen's rise as a tool to cut Japan's trade surplus.

In New York, the dollar initially rose above 102 yen before plunging back to just above the 101-yen level following a report by Market News Service, a small financial service, quoting unidentified sources in Washington as saying the US Treasury approved of the rising yen.

On the stock market, the 225-issue Nikkei Stock Average rose 51.11 points, or 0.25 per cent, to 20,893.09 after the first hour of morning trading. The Nikkei shed 59.51 points, or 0.28 per cent, closing at 20,841.98, on Tuesday.

The Tokyo Stock Price Index of all issues listed on the first section was up 1.74 points, or 0.10 per cent, to 1,683.49. The TOPIX fell 6.29 points, or 0.37 per cent, to 1,681.75, the day before.

Human rights key to renewing MFN status

BEIJING, Aug 18: A group of US congressmen asked Chinese President Jiang Zemin on Wednesday to consider releasing 10 political prisoners, including activists in the 1989 Tiananmen Square democracy movement, reports AP.

The delegation from the House of Representatives Ways and Means Committee's trade subcommittee said they reminded Jiang that next spring will bring yet another debate in Washington over renewing Chin's Most-Favoured Nation (MFN) trade status, and that human right will be a key factor.

"If a vote were to be held today on MFN, he probably wouldn't have the votes" for renewal, Rep. Michael McNulty, a New York Democrat, told a news conference, nodding toward sub-committee Chairman Sam Gibbons, a key figure in the annual MFN debate of the past four years.

MFN status, which the United Sates gives most of its trade partners, reduces US import tariffs on Chinese products. US President Clinton renewed China's MFN in June for the next 12 months but said further renewal would depend on Chinese progress in human rights, trade and other issues.

McNulty said the list of 10 political prisoners - a fraction of the thousands of Chinese imprisoned for their political or religious beliefs - was drawn up by the State Department at the delegation's request.

The names included five people arrested for involvement in the 1989 pro-democracy protests: Wang Juntao, Chen Ziming, Ren Wanding, Liu Geng and Bao Tong; as well as two Tibetans and Chin's most famous political prisoner, Wei Jingsheng.

Three ex-Soviet states get ADB membership

MANILA, Aug 18: The Asian Development Bank(ADB) said today it had admitted the three Central Asian former Soviet states of Kazakhstan, Kyrgyzstan and Uzbekistan, as members, bringing its total membership to 56, reports Reuter.

The three will subscribe to a total of 31,476 shares with a par value of 10,000, dollar raising the Manila-based bank's authorised capital stock to 24.1 billion dollar, the ADB said in a statement.

It said membership would become effective once they completed payment of their capital subscription and other formalities.

China reports success in cooling off economy

BEIJING, Aug 18: Government efforts to cool off China's overheated economy without triggering a recession have had initial success, an official newspaper said Wednesday, reports AP.

The pace of new construction and purchases of raw materials slowed in July, while banks recovered 17.6 billion yuan (dlrs 3 billion) worth of bad loans, the Guangming Daily quoted Zhang Zhongji of the State Statistical Bureau as saying.

The government began trying to cool off the economy in early July to ease inflation, reduce the trade deficit, stabilize the currency and restore order to a banking system that was perilously short of funds.

GATT report puts a price tag on protectionism

By Wendy Lubetkin

Virtually all forms of trade protection lead to higher prices for the consumer, according to a report released by the General Agreement on Tariffs and Trade (GATT).

"It is high time that governments make clear to consumers just how much they pay — in the shops and as taxpayers — for decisions to protect domestic industries from import competition," GATT Director General Peter Sutherland said in a statement issued with the report August 16.

The GATT finds that all forms of protectionism — including tariffs, subsidies, quotas, anti-dumping and countervailing duties and technical barriers — have the effect of punishing the consumer.

Nonetheless, the costs of some forms of protectionism are higher than others.

Agricultural subsidies are costing each US consumer $360 per year, according to an OECD estimate cited in the GATT report, but the consumers of European Community (EC) member states pay even more, $440 per person. Hardest hit are Norwegians and Finns, who pay respectively $ 970 and $ 910 a head per year in terms of higher prices and taxes for government support of agriculture.

One of the most oft-cited examples of protectionism and its impact on consumers is Japan's ban on rice imports: Rice selling for $45 to $50 per hundred weight (about 45 kilograms) in US shops sells for $177 to $ 250 in Tokyo.

The EC, Canada, Mexico, Finland and some other countries operate systems of supply management for dairy products with the inevitable result of higher prices, the report says. In 1990, consumers in Toronto, Canada paid $2.81 (Canadian) for a half-gallon (1.9 litres) of milk and $5.03 for a kilogram of chicken while Americans in nearby Buffalo, New York, paid only the Canadian equivalent of $1.23 and $2.55 for the same products, according to a Canadian business magazine cited in the report.

Quotas can also be costly. The report finds that "voluntary export restraints" — long used to protect US and European car markets against Japanese competition — are the most expensive form of quantitative restriction in terms of consumer interests.

In Britain, the cost of Japanese car can be up to 70 per cent more than in the Japanese market, according to a UK consumer group cited in the report. Domestic car producers in the United States, under the protection of a restraint agreement with Japan during the mid-1980s, chose to raise their prices by an average of $750 to $1,000.

Although GATT rules permit governments to impose duties or imports when products are shown to be dumped (sold below the normal price in the exporting country), the report notes that such duties, even when justified, "always serve to raise the price for consumers or to knock products completely out of the market."

The use of anti-dumping and countervailing duties "has grown disturbingly in recent years" despite their negative impact on consumer interests, the report says.

The heaviest burden of protectionism falls on the poorest sections of society, according to Sutherland.

"It is they who, because of low income, have to spend the highest proportion of their household budget on necessities like clothing, footwear and basic food products," he said. "And it is exactly in these areas that protection is most common and intense."

Clothing is an example of an area in which "protection acts as a regressive tax" loaded against the poor, according to the report. The Multifibre Arrangement (MFA), which permits bilateral quota restraints on exports from low-cost producers, acts in favour of higher-priced imports and reduces the supply of lower-priced clothing.

The average four-person US household pays $200 to $420 more per year because of clothing and textile industry protection, according to several studies cited in the report.

A successful conclusion of the Uruguay Round, the report asserts, would benefit consumers worldwide over several years by :

— reducing import duties on all household items substantially.

— removing voluntary export restraints.

— instituting new rules on anti-dumping duties and countervailing duties to avoid indiscriminate abuse.

— subjecting subsidies to tighter disciplines in the industrial area.

— winding down domestic support for farmers.

— gradually dismantling the MFA until the rules for textiles and apparel are the same as for all other sectors.

"I cannot help thinking if governments were to announce that they were deliberately keeping prices high, there would be a public outcry," Sutherland said. "But that, in effect, is what they are doing in failing to conclude the Uruguay Round".

(The writer is the USIA European Correspondent)

Unemployment rate rises to 10.6 pc in EC

BRUSSELS, Aug 18: The rate of unemployment in the European Community rose to 10.6 per cent on a seasonally-adjusted basis in June from 10.5 per cent in May and 9.4 per cent in June last year, the EC Eurostat Institute reported here, says AFP.

The number of people unemployed in the community had increased continuously for 18 months, it said.

Increases were noted in all members of the community between May and June apart from Ireland where the rate fell to 18.3 per cent in June from 18.6 per cent in May, Portugal where it eased to 5.2 per cent from 5.3 per cent and Italy where it was steady at 10.9 per cent.