Pakistan will open up foreign investment in insurance sector

KARACHI, Aug 22: Caretaker Prime Minister Moeen Qureshi said on Saturday Pakistan would permit foreign investment in the country's insurance industry, reports Reuter.

"We will open up the insurance sector to private investment, including foreign investment," he told a news conference. Pakistan plans gradually to open insurance to the private sector. Insurance was nationalised in the early 1970s along with the banking and shipping sectors.

"We believe that there are important technologies in the insurance area, which have been developed in other countries and we would like to see them applied in Pakistan," Qureshi said.

He said poor people did not have access to any system of social security, unemployment insurance or health insurance.

"They need to be covered. That is one of their rights. And we would like the private sector instead of the government to take the initiative in this regard," he said.

Qureshi, a former vice president of the World Bank, said he had set up a commission to formulate a plan to extend social security, especially to urban workers. "We must give them protection," he said.

Reforms may cut budget deficit

AFP reports: Reforms aimed at revitalising Pakistan's ailing economy are likely to cut the gaping budget deficit but new taxes and price hikes will fuel inflation already running at nearly 10 per cent, analysts said.

Interim prime minister Moeen Qureshi launched an economic blitz against Pakistan's powerful landlords when he announced Thursday a series of measures including taxes on farm incomes, increased petrol prices, curbs on tax evasion and a devaluation of the rupee.

While the plan is expected to slash a budget deficit that soared to 3.7 billion dollar, or eight per cent of gross domestic product, in the fiscal year ended in June, analysts fear it will fuel inflation.

The deficit financing of former Prime Minister Nawaz Sharif's government had caused an estimated 18 per cent expansion in money supply, taking the inflation rate to 9.6 per cent last fiscal year, up from 7.8 per cent a year earlier.

While some business leaders welcomed the plan, it was harshly attacked for its expected effect on inflation and for following International Monetary Fund (IMF) and World Bank recommendations to cut the budget deficit.

"The battlefield surgery being performed by Qureshi with IMF/World Bank knives will reduce export earnings rather than increasing them and will accelerate inflation rather than slowing it down," said economist Akmal Hussain.

To combat the expected rise in inflation, the central bank raised the discount rate on Monday by two percentage points to 17 per cent.

Devaluing the rupee should help cut the trade deficit, which rose to 3.26 billion dollar last year from 2.5 billion a year earlier because of flood damage to cotton and rice crops and a global recession.

But Sultan Ahmed, economic columnist for English-language daily newspaper Dawn, warned that the devaluation was unlikely to boost exports because of a limited surplus of products to sell abroad and the higher cost of imported plant and raw materials.

Qureshi, a former World Bank official brought in to run the country ahead of elections in October, decided Sharif's economic legacy needed firm action and surprised the business community and feudal landowners with the package.

Reaction among the business community was mixed, but some industrialists such as Ejaz Shafi, chairman of the association of industry, welcomed the news that farmers would have to share part of the tax burden.

Qureshi, who became premier under a deal to end months of squabbling between Sharif and former president Ghulam Ishaq Khan, has already devalued the currency by about 10 per cent to boost exports, which had stagnated at 6.78 billion dollar, outstripped by 10.04 billion dollar worth of imports in the last fiscal year.

Debt-ridden candidates to disqualify for Pak polls

KARACHI, Aug 22: Caretaker Prime Minister Moeen Qureshi warned Saturday that hundreds of candidates in October elections could be disqualified if they don't repay outstanding bank loans, reports AP.

"They will face trial and their properties will be seize," he told reporters before leaving Karachi, the financial heart of Pakistan.

Elections for the 217-seat national assembly are scheduled for Oct 6, and provincial ballots in Sindh, Punjab, Baluchistan and Northwest Frontier will take place Oct. 9.

Qureshi said the election commission has a list of the debt-ridden candidates. They've been told "to repay their loans before their nomination papers will be accepted."

It's believed that the list includes the names of 275 former federal and provincial legislators.

Several banking sources said Pakistan has lost about 25 billion rupees (833 million dollar) to bad loans.

Former Prime Minister Benazir Bhutto has issued a notice to her candidates to repay outstanding loans of 500,000 rupees (16,700 dollar) or more.

Qureshi said Pakistan's powerful landlords have defaulted on loans from the Agriculture Development Bank. The country's industrialists have millions of rupees in outstanding debts with government-owned and private banks, he said.

On Thursday, Qureshi, a former World Bank vice-president, introduced extensive economic reforms aimed at preventing the collapse of the country's economy.

He said Pakistan has been paying its bills by borrowing money, running up a deficit of seven per cent of the Gross National Product.

ROK's majority companies okay Kim's ban on use of aliases

SEOUL, Aug 22: The overwhelming majority of South Korea's small and medium-sized companies said in a survey they approved of President Kim Young-Sam's ban on the widespread use of aliases in financial transactions, the domestic Yonhap news agency said on Saturday, reports Reuter.

A survey conducted by the Korean federation of small business found that 91.7 per cent of its 100 members approved of the ban, Yonhap said.

It said only 8.3 per cent opposed the real-name system.

Economists had feared that the ban, designed to combat inflation and kill off the kerb (unofficial) money market, would hit small companies particularly hard.

To help bail out small companies, the finance ministry has said it will make 620 billion won (780 million dollar) in short-term loans available to cash-strapped small and medium-sized firms.

Beijing firm to beat inflation

BEIJING, Aug 22: China is confident it can beat its public enemy number one — inflation — without repeating the politically wrenching slowdown of four years ago, government economists say, reports Reuter.

In the first half of the year, China's national cost of living index rose 14 per cent over the same 1992 period and topped 30 per cent in some cities, helping to fuel a 21.6 per cent boom in retail sales as people loaded up on durable goods.

This threatens China's leaders with a repeat of 1988 when rising inflation fuelled a rash of panic buying that stopped only after Beijing rammed trough an across-the-board austerity programme lasting more than two years.

Economic instability during the late 1980s, which temporarily crushed hopes among China's consumers, was a key reason behind the Tiananmen Square pro-democracy protests of 1989 — the most serious public challenge to communist party rule in four decades.

Beijing last year changed gear and put the economy back on the high-growth track, leading some foreign economists to wonder if China was not steaming back on the rocks of inflation.

"The conditions today are different to 1988," said Mao Zurong, an economist with the official national information centre.

"Then the only way people had of dealing with inflation was panic buying, this time there are other channels for placing money, through bonds and securities and in banks, whose interest rates have been increased early enough," he said.

He said that in China, supply of 90 per cent of commodities was more than demand and that much of the inflation this year was due to speculation in goods and not to real shortages.

The planned lifting of price controls on grain and edible oils, a major component of Beijing's market reforms, has also boosted inflationary pressure, he said.

An economist with the Agricultural Bank of China said ordinary people had enjoyed substantial rises in income since 1988 and did not fear a shortage of goods, since the stores were full of them.

"The price rises this year have been higher for industrial raw materials than for goods ordinary people buy," he said. "The high purchases this year reflect higher incomes, not panic buying."

"People have confidence in the governments strategy to bring downinflation. This is still a communist system. Regions must obey the centre and banks have to cut loans to unapproved projects," he said.

Foreign economists say a loosening of the planned economy has weakened the central government's ability to control, the regions.

Recognising the dangers of super-fast growth, the government in July announced a 16-point programme to cut inflation and cool the overheated economy, including a rise in interest rates.

Figures revealed on Tuesday that industrial growth in July was a year-on-year 25.1 per cent, still too high but the first drop in the rate for 18 months, after 30.2 per cent in June.

Writing in the economic daily, Mi Jianguo, an economist with a thinktank of the state council (cabinet), said China must avoid the slowdown of 1988 and make a more gradual landing.

"We are in a special historical period, with severe conflicts between the new and the old systems," he said, adding that interest rates should have been raised in the latter half of last year, which could have prevented this year's bubble economy.

Keith Martin (L) President of Coca-Cola Indochina PTE Ltd gives the thumbs-up on Saturday after signing a 20 million dollar joint venture contract with Vietnam National Foodstuffs Import and Export Corporation to build a soft drink factory in Hanoi's neighbouring province of Ha Tay. Right is Vietnamese Minister of Agriculture Nguyen Cong Tan. — AFP photo

US pledges $10m aid to Cambodia in five years

PHNOM PENH, Aug 22: The United States has agreed to provide 10 million dollar in aid over five years to help Cambodia in its transition to democracy, reports AP.

Cambodian leader Prince Norodom Ranariddh and James Bruno, the US charge d'affaires, signed the pact Saturday for the first two million dollar in technical aid.

The assistance will include advisers to ministries and other support for the government elected in UN organized balloting in May the latest aid comes in top of one million dollar already provided.

Cambodia is in dire need of such foreign assistance after more than two decades of civil war.

Its four warring factions signed a peace accord in 1991 to end the fighting with the May poll but one of them, the Khamer Rouge, boycotted the election and has continued to skirmish with government soldiers in the countryside.

China blames US for trade imbalance

BEIJING, Aug 22: A top Chinese trade official says the US-China trade imbalance is largely the fault of the United States, an official newspaper reported Sunday, reports AP.

Last week, two visiting US Congressmen called on China to remove trade barriers to reduce the imbalance, which Washington says was 9.49 billion dollar in the first half of this year. They said China should codify its tariffs and remove quotas.

But Sun Zhenyu, incharge of US trade in the Ministry of Foreign Trade and Economic Cooperation, suggested the obstacles to increased trade were put up by the United States.

Sun told the China Daily's Business Weekly that the United States should relax control over technology exports to China.

"If not, we cannot overestimate the potential losses for US business who want to export to China," he said.

Sun also said US import and export banks should ease restrictions on preferential loans to China in order to give US exporters more competitiveness in the Chinese market.

He said the United States should grant China permanent most-favoured nation trade status, under which it receives the lowest possible tariffs. "Otherwise businesses from both countries will be hurt," he said.

President Clinton in May signed an executive order extending China's most-favoured status for a year but made further renewals conditional on improvements in China's human rights record, arms sales and market access.

The Business Weekly article said China exported 6.6 billion dollar worth of goods to the United States in the first half of 1993 and imported 4.1 billion dollar. Unlike US figures, China does not count Chinese exports via Hong Kong.

Sony sets up first jt venture in China

BEIJING, Aug 22: Sony Corp. of Japan has set up its first joint venture in China to manufacture camcorders, the official Xinhua news agency reported late Saturday, says AP.

The joint venture with the Shanghai Guanodian Co. Ltd. is to go into production in November and is expected to have an annual production capacity of 150,000 8-mm camcorders. Forty per cent of the camcorders are to be sold outside China.

Sony holds 70 per cent of the company's registered capital. About 12.5 million dollar are to be invested in the first phase of the operation.

Its Chinese partner last year reported the biggest sales income in the electronics industry. It produces three popular brands of television sets.

Because the strong yen makes manufacturing in Japan expensive, many major Japanese exporters such as Sony are stepping up production overseas.

Asian stocks zoom to record high

HONG KONG, Aug 22: Stock markets across Asia are soaring to all-time highs owing to improved corporate earnings, economic optimism, and in some cases, the clearing of murky political question marks, reports AFP.

Hong Kong's blue-chip Hang Seng Index has surged 40 per cent since the beginning of the year to a record high of 7,605.26 points on Thursday, its fourth straight all-time high finish.

Analysis attribute the market's stellar performance to strong half-year corporate profits and anticipation of Sino-British agreement on financing for the British colony's new airport.

However analysts warn that the Hang Seng cannot climb forever.

"The market needs a correction, John Gate, analyst at Cresvale Far East Ltd. said adding a pullback was not imminent as US institutions continued to pour money into the colony's bourse.

Philippine stocks, which have posted the biggest percentage gains in Asia so far this year, shot to record highs earlier this month.

On August 3, the composite index at the larger Manila stocks exchange hit 1,783.30 points and the Makati stock exchange 1,829.13 points, a rise of 42 per cent on each of the exchanges since the start of the year.

"If the timing is right, you can make 10 to 20 per cent in a week in this market, Edgardo Guevarra, head of intra-invest securities, said, adding the bull run was surprising since the Philippine economy has been sluggish.

Brokers say stocks have climbed largely on the back of a rush of foreign buying, falling interest rates and rising gold prices.

In India, a no-confidence motion against Prime Minister P V Narasimha Rao was defeated in late July, spurring a stocks recovery also aided by signs of an economic turnaround.

The 30-share Bombay Stock Exchange (BSE) index has climbed 38.6 per cent from a low so far this year of 1980.06 points on April 27.

The BSE crashed from an all-time high of 4,546.58 points on April 2, 1992 after investigators closed in on a 1.3 billion dollar securities scam in which some bankers and brokers colluded to siphon off public funds to play stocks.

The recent recovery follows a promising agricultural output, a dramatic 27 per cent surge in first quarter exports and increased foreign investment in stocks. Inflation is under control at six per cent.

Good times have returned to the BSE, said underwriter Ajit Ambani.

In Tokyo, the Nikkei Stock Average index of 225 shares closed Friday at 20,607.26 points, a healthy gain of 22 per cent since the end of last year.

The Nikkei remains well below its record high of 38,915.87 hit in late 1989. Analysts say the slide, which bottomed just over a year ago at about 16,000 points, stemmed from a long series of financial scandals and a flagging economy.

"The Nikkei is expected to reach 22,500 points next month and, after corrective periods, may rise as high as 25,000 points by the end of the year, said Hiroshi Maeki, an analyst at Dai-Ichi Securities Company Ltd.

Malaysia's key stocks gauge has soared 27 per cent since the start of 1993. On Friday, stronger-than-expected corporate earnings propelled the Kuala Lumpur stock exchange composite index of 85 stocks to a record high finish of 805.51.

"In the next two months, the composite index could test the 850 mark, said Tan Teng Boo, chief executive of stocks consultancy capital dynamics.

Singapore's key Straits Times industrials index has jumped 29 per cent since the start of the year to a record high of 1,972.27 points on Friday, its fourth all-time high in five trading days.

Number of regd foreigners rises sharply in Japan

TOKYO, Aug 22: The number of registered foreigners in Japan hit record high of 1,281,644 in December last year, up 5.1 per cent from a year earlier, the Immigration Bureau said today, reports AFP.

The office said in a report the number accounted for 1.03 per cent of Japan's population of some 123.95 million.

The number of foreigners registered in Japan has risen markedly in the past five years with the total at the end of December 1992 representing a rise of 45 per cent from 1987, the Bureau said.

In 1992 alone, 267,287 foreigners registered in Japan, it said.

People from Asia topped the list, accounting for 78.1 per cent of the total in December, followed by South America with 14.6 per cent, North America with 3.9 per cent and Europe with 2.3 per cent.

Coffee prices leap as producers reach accord to withhold exports

LONDON, Aug 22: Coffee prices leapt in London this week as dealers welcomed the agreement reached in Kampala, Uganda, between the main coffee producing countries to withhold exports and boost prices, reports AFP.

The decision of the African countries to agree to the proposals put forward by the Latin-American producers, withholding 20 per cent of their exports from October 1 sent prices up eight per cent, up by a third since July.

Cocoa followed coffee's example and rose to its highest level for a year and a half on fears of a fall in African harvests and signs of a third consecutive annual deficit in supply on the world market.

After the losses seen in the last two weeks, the precious metals steadied, though dealers reacted nervously to reports that financier George Soros has sold between two and three million ounces of the gold he bought in March.

Tensions in Iraq and increasing US purchasing, linked to the dollar's weakness, gave some support.

Brent North Sea crude oil prices fluctuated around 17 dollar a barrel with dealers awaiting development from OPEC before deciding which way to send prices.

On the London Metal Exchange (LME), aluminium continued to fall back, uneasy over the EC decision to limit imports from the Commonwealth of Independent States. Tin touche a new 20-year low before recovering, and nickel and zinc hit fresh six-year lows.

Gold: Stable. After falling for the two previous weeks, the price of gold stabilised this week just below 370 dollar an ounce.

The tension in Iraq, where a US plane bombed an Iraqi anti-air battery in the air exclusion zone, north of the 36th Parallel, and US investment fund buying combined to offset the effects of weaker dollar.

However, dealers remained cautious following a report in the British Sunday Times newspaper which said financier George Soros had sold between two and three million ounces of gold in recent weeks at between 385 and 395 dollar an ounce.

Platinum: Slightly higher. The price of platinum rose slightly, boosted by a slight rise in interest after prices fell earlier in the month.

The rise of the yen against the dollar in the first part of the week also boosted platinum with Japan figures as the metal's major market, accounting to 49 per cent of total world purchases of platinum.

Silver: Slightly higher. After a firm start, the price of silver fell back slightly, affected by the absence of news and the low level of industrial buying.

Copper: Steady. Copper prices were almost unchanged over the week, fluctuating within a narrow band in London Metal Exchange(LME) trading as the spot price continued to show a premium over the three-month forward.

Copper "should show little movement" until the premium of spot over forward prices has been eased, Angus Macmilan of brokers Billion-Ethoven said.

The LME board last week repeated its warnings to the dealers that it would not tolerate the manipulation of the market which some analysts said was behind the premium of the spot prices over the forward market.

Lead: Steady. Lead price followed copper, staying largely unmoved over the week with little news emerging to affect prices in one direction or the others.

In Tokyo, Japan's Toho zinc company re-opened its Chigirishuma lead refinery in Hiroshima prefecture after one month's maintenance works. The refinery, with an annual production capacity of 84,000 tonnes, closed July 15 for the overhaul.

LME stocks of lead rose 2,850 tonnes to a record high of 279,575 tonnes.

Zinc: Slightly higher after poor start. Zinc price rose at the end of the week, closing higher than it had done the previous Friday, a speculators were encouraged to buy following the six-year lows reached at the start of the week.

Zinc price fell sharply Monday and Tuesday, taking the metal to fresh six-year-lows, depressed by the steady rise in stocks and the low level of demand.

But dealers reported concerted trade buying Thursday and said speculators had taken advantage of the new lower prices to move into the weakened market.

Aluminium: Lower. The aluminium price slipped steadily despite the previous week's decision by the European community to limit aluminium imports from the Commonwealth of Independent States (CIS).

Dealers said it was unlikely to limit the amount of aluminium the CIS would export, diverting some to the United States and Japan possibly, and doing nothing to stimulate demand.

According to the Financial Times the CIS has offered to cut its present annual exports to about 300,000 tonnes, against the 80,000 tonnes demanded by EC aluminium producers and 150,000 proposed by the commission.

Nickel: Lower. Nickel price fell again over the week, dropping to fresh six-year lows, depressed by rumours that 26,000 tonnes of the metal was en route to western Europe and the United States from Siberia.

"There was a [illegible] close on Friday and the market is worried about further shipments," William Adams, analyst with metal brokers Rudolf Wolff said.

"We broke through 4,800 dollar which triggered stop-loss selling and moved to new lows," Adams added.

"Nickel is heading into uncharted territory," a dealer added.

LME nickel stocks rose 1,338 tonnes to a record high of 105,030 tonnes.

Tin: Steady. Tin price fell at the start of the week to a fresh 20-year low but then rose later in the week and ended almost unchanged on the week before.

LME tin stocks fell by 35 tonnes to 21,335 tonnes.

Coffee: Sharply higher. Coffee prices leapt eight per cent over the week, bringing their rise since July to 33 per cent, boosted by an agreement among all the main producer countries to create an organisation to control production and support prices.

The African and Latin-American producers, together accounting for 80 per cent of world supplies, agree Tuesday in Kampala to create the association of coffee producing countries and withhold 20 per cent of their exports from October 1.

The coffee market welcomed the African countries decision to join the Latin American initiative on controlling production, only Indonesia, with eight per cent of the world market, has so far refused to join the organisation.

Cocoa: Higher. After a hesitant start, the price of cocoa rose to its highest level since December 1991, supported by brokers' pessimism over the west African harvest.

The market would remain nervous ahead of information on the harvest which is likely to show a 100,000 fall by comparison with 1991/92, analysts said.

Brokers are expecting a deficit of supply for the third year running, following drought in western Africa and the decision of the Ivory Coast to withhold its mid-term crop.

Sugar: Slightly higher. After a weak start, the price of sugar rose, boosted by Asian buying, offsetting the effect of a resolution in a row over the importation of a "hybrid," Brazilian crystalised sugar, to the United States.

Vegetable oils: Uneven. The price of palm oil rose despite statistics from the Palm Oil Registration and Licensing Authority (PORLA) which showed an increase in production and stocks in July in Malaysia, already the world's leading palm oil producer.

The authority said production rose by 7.6 per cent in July from the previous month to 677,413 tonnes, up 13.6 per cent from 596,405 tonnes a year earlier. The stocks rose three per cent in July to 677,433 tonnes, compared with 464,452 tonnes the year earlier.

Soyabeans traded narrowly, affected by fears that the yields would be lower than those predicted by the US Department of Agriculture (USDA).

Crude oil: Tight. The price of Brent North Sea crude oil fluctuated in a narrow band, trading at around 17 dollar a barrel, with dealers uneasy because of world overproduction and tensions within OPEC.

The market rose briefly on rears on an increase in tension in the Middle East after the US attack on an Iraqi anti-air battery. Prices fell back after Baghdad failed to react.

Rubber: Slightly lower. The price of natural rubber, which rose last week to its highest level for four months, fell back because of a rise in the value of the pound sterling and a lack of industrial demand in Europe.

Grain: Uneven. The price of wheat and barley rose and fell, finishing slightly down on the previous week on fears of the "mediocre" quality expected of US and European harvests this year.

The London market was unaffected by the strength of the market in Chicago which was higher on fears of a new outbreak of parasites affecting the US crops.

Tea: Steady. The price of tea, steady since April, was largely unchanged with dealers cautious ahead of estimates of the world tea harvest.

At the weekly London tea auctions, average prices rose to 160 from 155 pence-kilo for higher grade tea, rose to 108, from 107 pence-kilo for middle grade tea and stood unchanged at 90 pence-kilo for lower grade tea.

Cotton: Slightly higher. The price of cotton rose slightly in Liverpool in a generally gloomy atmosphere with the market depressed by the traditional seasonal downturn in sales.

The gains were limited by the expectation on the market that Indian production will rise to at least equal the record output of 13.7 million bales (170 kilogrammes each) seen the previous year.

Wool: Slightly lowers. The price of wool top fell slightly on the Bradford market, uninterested in the announcement of a 10 per cent fall in the South African harvest in 1992/93.

According to the South Africa Wool Board, the country's wool production will fall to its lowest level since 1920, down to 69.6 million kilos, because of drought and a fall in prices which discouraged production.