China wary of gold fever

BEIJING, Aug 23: A senior Chinese official has expressed concern over the gold fever sweeping the country, making it the world's biggest consumer of the precious metal, reports Reuter.

The People's Daily on Saturday quoted Xu Daquan, a Vice Minister of Metals as saying that 1992 sales of gold ornaments in China were 6.25 times higher than the 1990 level.

Before 1990, China had 62 factories officially designated as manufacturers of such ornaments, but now there were that number in one city alone, while the number of shops selling them in Beijing had jumped to over 400, he said.

"I did not approve of it, but it is a fact of life that the fever to buy gold ornaments is still going on," he said.

Xu did not say how the authorities could cool the fever, a factor in boosting world prices earlier this year.

Chinese have rushed to buy gold as a hedge against inflation, which exceeded 30 per cent in some cities in the first half of the year, because of the devaluation of the yuan against the dollar and out of traditional love of the metal.

Xu said the rush had led to higher prices, bringing the domestic price closer to the world price.

Asked if domestic production - a closely guarded secret - could keep pace with demand, Xu said that it rose 15 per cent a year in 1989, 1990 and 1991 but that the amount of gold bought by the state last year had fallen because the state purchasing price was too low. Producers prefer to sell outside the state system.

Japan's trade surplus risks destroying world economy

TOKYO Aug 23: Japan's new Trade Minister warned the country on Sunday that it must slash its huge trade surplus or risk destroying the world economy, reports Reuter.

"If Japan's trade surplus continues, it will be one factor leading to the destruction of the world economy, Hiroshi Kumagai, Minister for International Trade and Industry, said on television.

Tokyo's trade surplus with the world increased in July for the 31st straight month.

On a customs-cleared basis, it jumped to 11.82 billion dollar from 9.23 billion dollar in July last year, the finance ministry said. The politically explosive surplus with the United States climbed to 4.68 billion dollar from 3.81 billion dollar a year earlier.

The huge imbalance was a key factor in the recent surge of the yen against the dollar, according to market analysts.

US analysts said Washington deliberately let the dollar fall to press Japan to spur economic growth and boost imports. After Tokyo indicated it would bow to its demands, the US turned around and put its support behind the dollar.

"I think that the currency market is sending a warning that if Japan continues with the same behaviour, it will be in trouble," Kumagai said in a debate.

Economic Planning Agency (EPA) Minister Manae Kubota, also taking part in the debate, indicated that unless Japan took action to reduce its surplus the yen could rise again.

The yen has not broken through 100 yen to the dollar and its good thing that it has stabilised, Kubota said. But unless Japan changes its behaviour, the yen will rise again."

The yen hit a record global high of 100.40 yen to the dollar in Tokyo trading last Tuesday until US federal reserve intervention helped push the currency down to 106 yen by the close of trading in New York on Thursday. It ended the week's transactions in New York at 104.50

"We are concerned that the recent rapid rise in the value of the Japanese yen could retard growth in the Japanese and world economies, Treasury Under-Secretary Lawrence Summers said in a statement on Thursday.

A leading Japanese businessman, in an interview with the Daily Mainichi Shimbun published on Sunday, said a rate of 100 yen to the dollar would doom most of Japanese industry".

Takeshi Nagano, Chairman of the influential Japan Federation of Employers' Association said a high yen would damage not only export-oriented companies but even those firms that rely primarily on domestic demand.

Trade Minister Kumagai reaffirmed that the new coalition government under Morihiro Hosokawa planned to draft by late September a package of fiscal and monetary measures aimed at boosting domestic demand and reducing the huge trade surplus.

He said one of the monetary steps could be reduction in the official discount rate, already at a record low 2.5 per cent.

Speaking on behalf on those who borrow money, the lending rates of banks have not necessarily come down very much yet, he said. I think the discount rate could be lowered further.

The Trade Minister said he was in favour of an income tax cut for the next fiscal year, starting April 1994, as another measure to prop up an economy in one of its worst postwar downturns.

$ 28b missing from China's central bank

HONG KONG, Aug 23: Chinese banking officials have allegedly siphoned off a stunning 28 billion US dollar from state funds, according to Hong Kong's Sunday Morning Post, reports Reuter.

The newspaper quoted sources who saw an internal report of the People's Bank of China, the country's central bank, that made the allegations as part of China's current economic crackdown.

Yesterday, Chinese party chief Jiang Zemin formally launched the Communist Party's large scale anti-corruption drive.

The paper said the report indicated 28 billion dollar had gone missing in the past 18 months, 10 billion dollar of which had been taken out of the country.

China had no immediate official comment on the newspaper report.

A spokeswoman at the People's Bank of China said she had no information on the subject.

"We have not heard anything about this," the spokeswoman said by telephone. "We have no information."

The paper said at least 80 senior banking officials had left the country by the end of July and another 10 had followed so far this month.

China's state foreign exchange reserves stood at only 19.81 billion dollar at the end of May.

However, the paper said three independent sources confirmed the amount of loss and the number of officials who had fled abroad.

The Post said that before the introduction of Vice Premier Zhu Rongji's economic reforms, banks were allowed to set up their own enterprises and lend them money.

The paper said Beijing estimated the missing funds account for seven per cent of China's total bank lendings.

Major US Democrats oppose NAFTA

WASHINGTON, Aug 23: Most of the members of President Bill Clinton's own party in the US House of Representatives oppose the North American Free Trade Agreement (NAFTA), House Speaker Thomas Foley said on Sunday, reports Reuter.

"There's no question that the Democratic Party is divided on the North American Free Trade Agreement with I would say, a significant majority of House Democrats probably against it or at least tending against it," Foley said on NBC television's "Met the press."

Foley, who leads the Democrats in the House, said he expected a vote on NAFTA to take place before the end of the year. While he personally was "tending to support it." The Washington state Democrat would not predict the outcome of a vote.

US trade unions strongly oppose the agreement to bring Mexico into a duty-free trade zone with Canada and the United States, fearing a loss of jobs to Mexico.

US environmental groups also had lined up against it, concerned reputedly lax regulation of pollution laws in Mexico would result in an increase in pollution, and are challenging the measure in court.

Foley denied House Democrats were bowing under trade union's objections of NAFTA but acknowledged that its active opponents included majority Whip Richard Gephardt, the second most powerful Democrat in the House.

"The Democratic leadership and the Democratic membership is badly divided on NAFTA," Foley said.

Dollar opens lower against yen, stocks slip

TOKYO, Aug 23: The US dollar opened sharply lower against the Japanese yen Monday, while share prices fell in early morning trading, reports AP.

The US dollar opened at 103.93 yen on the Tokyo foreign exchange market, down 0.52 yen from Friday's close and also lower than its level in late New York trading Friday.

Junko Hamada, a trader at Citibank, said the dollar was losing value in Tokyo in early trading following overseas trends.

She said Japanese exporters began selling dollars for yen late Friday after expected support for the dollar from the US Federal Reserve bank failed to materialize.

Dealers said exporters are waiting to unload their dollar holdings above 105 yen, with some above 104.50 yen.

On the Tokyo Stock Exchange, the Nikkei Stock Average fell 114.51 points, or 0.56 per cent, to 20,492.75 after the first half-hour of trading. On Friday, the Nikkei fell 80.21 points, or 0.39 per cent, closing at 20,607.26.

The Tokyo Stock Price Index of all issues listed on the first section fell 11.48 points, or 0.69 per cent, to 1,647.71. On Friday, the topix lost 5.57 points, or 0.33 per cent, to 1,659.19.

Dealers said selling pressure pushed prices down in line with a decline in Nikkei futures prices overnight Friday in Chicago. They said a lack of market-moving news was keeping many investors on the sidelines.

These three pearls, shown to the press Saturday and estimated to be worth 50,000 US dollar, were found Friday by chance on the bottom of the Persian Gulf during a recent touristic diving expedition. The purpose of the dive was to maintain Kuwaiti tradition as pearl diving was one of the main sources of revenue before the discovery of oil in the region. — AFP photo

WB okays strategy of 'Miracle' East Asian economies

WASHINGTON, Aug 23: The World Bank, prodded by Japan, endorses the export-driven development strategies of the "Miracle" East Asian economies and grudgingly admits in a new study that government action played a part in their success, reports Reuter.

But the study, two years in the making and partly financed by Japan, warns other developing nations that many of the tactics used by East Asia's high-fliers may not work today.

The report, due to be released next month but obtained by Reuters, is likely to fuel rather than settle the debate between Japan and the United States over the best strategy to promote development in the world's poorer nations.

That debate revolves around how big a role government should play — Japan says more, the United States less— and its outcome will go a long way in determining how the World Bank hands out tens of billions of dollar to developing countries each year.

The 389-page study focuses on eight economies — Japan, Hong Kong, Singapore, South Korea, Taiwan, Indonesia, Malaysia and Thailand — and tries to determine the reasons for their success.

"In large measure, the (eight) achieved high growth by getting the basic right", the study said.

The "basics" include sound budgetary policies, high savings rates, investment in education and openness to foreign technology — policies the bank said it could recommend to other nations and with which neither the United States nor Tokyo would disagree.

But it is in the area of more active government intervention in the economy where the controversy lies, and where the report is more circumspect.

"Our judgement is that in a few economies, mainly in northeast Asia, in some instances, government interventions resulted in higher and more equal growth," it said.

But it cautioned other developing countries against trying to follow many of those policies because they might not work in today's economic environment or in different political settings.

The study found heavy-handed government intervention in the economy through industrial policy— trying to pick winners and losers by promoting specific industries — was not the reason for East Asia's success and generally did not work.

But other types of government action did, Japan, South Korea and Taiwan acted to hold down interest rates deliberately and directed credit to deserving companies, especially exporters.

Although other countries have tried that strategy with disastrous results, those three succeeded because they did not push rates down below inflation and because they had a competent and honest civil service to carry out the policy.

The study was more flattering in its praise of another government policy followed by all the East Asian nations— their emphasis on, and support of manufactured goods' exports.

"The export push strategy...was both their most successful selective intervention and the one with the most applicability to other developing nations," the report said.

But that strategy had to be adapted to today's items, it said. developing countries can no longer help to shelter their infant industries from imports while subsidising exports without inviting possible retaliation from the industrial world.

That means they will have to find other ways to spur exports, such as export credits or special trade privileges for exporters.

In the end, though, the study all but acknowledges that it raises more questions than it answers about economic development.

"The success of the (East Asian Nations) does broaden our understanding of the range of policies that are consistent with rapid development", it said.

"But it also raises new and difficult challenges — by illustrating that development policy is no simple matter".

Tokyo to set up massive oil, gas pipeline

TOKYO, Aug 23: Japan's Trade Ministry is drawing up plans for the construction of a mammoth oil and gas pipeline stretching from the former Soviet republics in Central Asia through China to the Pacific, a leading newspaper said yesterday, reports Reuter.

Japan will propose that China and the Central Asian countries of Kazakhstan, Uzbekistan and Turkmenistan join it in an international project to build the 6,000 km (3,700 mile) pipeline by the turn of the century, the Daily Mainichi Shimbun said, quoting ministry sources.

The pipeline project is aimed at tapping the vast energy resources of Central Asia and supplying Japan, South Korea and other countries in the region with oil and natural gas, the report said.

The trade ministry plans to conduct a feasibility study in the near future before forming a promotional body along with Japan National Oil Corp and leading trading houses, it said.

Israeli construction hampers for want of Arab workers

JERUSALEM, Aug 23: In Israel, the myth of a land of Jewish builders raising a state out of the desert has come up against a very different reality, reports Reuter.

"for the last 26 years, only Arabs worked in construction," said Avi Prussak, a senior manager with Israel's largest private construction firm. "In Israel, there are no builders."

As a vice president of Ashtrom Engineering Company, Prussak oversees commercial and residential building in Jerusalem. But like other Israeli firms, Ashtrom has been forced to look for Jews — and even Romanians or Thais — to replace the low-paid Palestinians who were the mainstay of the industry.

In April, following a wave of attacks on Israelis, Prime Minister Yitzhak Rabin sealed off the occupied territories and limited that number of permits issued to Palestinians to work in Israel.

Israel, which captured the West Bank and the Gaza Strip in a 1967 war, slashed the number of permits for Palestinians to work in Israel by more than 60,000. Now fewer than 50,000 work inside Israel, according to Israeli government figures.

The number of Palestinian attacks decreased sharply after the sweeping ban on entering Israel — but so did the amount of work done by Israel's construction industry.

Palestinians, who formed 45 per cent of the 160,000-strong construction force before the closure orders, now provide only about 26,000 workers, according to Tzvi Friedman, a spokesman for the Israeli Building Contractor's Association.

The construction industry is operations at only 70 per cent cent of its previous capacity — with a loss of 250 million US dollar in the last three months, Friedman said.

With Rabin signalling a clear intent to continue limiting work permits for Palestinians, Israel's building industry is trying to replace its lost workers and plan for a stable future.

It hasn't been easy.

The government wants the construction industry to hire Jews, particularly the thousands of recent Russian immigrants who have swelled the unemployment rate to 11 per cent.

But in interviews with construction managers, government officials, and company and industry officials, a common theme about Jewish labour emerges.

"They didn't work in these fields, and were not used to the hard work," said Friedman.

He said building contractors have found only 15,000 Jews capable, of willing, to fill the 40,000 empty posits in the construction industry.

"In the long period we hope to educate 35,000 to 50,000 workers, and they will take the place of the Arabs," Friedman said.

In the meantime companies that previously only had to look as far as the occupied territories for cheap labour are now forced to search overseas.

The government has issued 6,000 permits to let companies — including Ashtrom— import low-paid workers from as far a field at Thailand, China, Philippines and Romania.

But Ashtrom has discovered its sudden 70 per cent dependence on Romanian workers has not solved all problems created by the limits on Palestinian workers.

'VW-GM row to be pursued in civil court in Germany'

BERLIN, Aug 23: German Economics Minister Guenter Rexrodt expressed hope Friday that the VW-GM industrial espionage row would be pursued in civil rather than criminal courts, reports AFP.

Rexrodt said he was optimistic after an hour's meeting here with the President of the Volkswagen (VW) monitoring council, Klaus Liesen, and the Chairman of the VW Board, Ferdinand Piech.

Spanish-born Jose Ignacio Lopez, the VW car manufacturer's Director of purchasing and production, is accused by Adam Opel AG, the German affiliate of General Motors (GM) of taking industrial secrets with him when he left GM to join VW last March.

Lopez himself did not participate in Friday's meeting.

Rexrodt said the was encouraged by how talks had gone and intended to pursue his efforts at defusing the conflict.

The minister said he would now meet Opel directors, following initial talks last Tuesday in Bonn with the chairman of the Opel Board David Herman.

Recession drives S Africa back to 22 years

JOHANNESBURG, Aug 23: South Africa's four year recession had thrown the country back 22 years economically, leaving 46 per cent of the economically active population unable to find work last year, the Reserve (Central) Bank said Yesterday, reports AFP.

But although the world recession had an impact on South Africa, the downturn in the country's economy was not a purely cyclical phenomenon, it said in its annual report.

"Uncertainties arising from the process of constitutional negotiations, intermittent civil unrest and violence, a generally weak international economy and the widespread drought of 1991/1992, prolonged the downturn in economic activity and increased its severity," it said.

From the start of the recession in March 1989 to the end of 1992, some 1.8 million people were unable to find jobs in the formal non-agricultural sector.

The bank estimates that 46 per cent of the country's economically active population last year were unable to find work in the formal sector.

Added to this, the average material well-being of South Africans had fallen rapidly and the tax burden had more than doubled since the 1960s, leaving citizens no better off than they were 22 years ago, it said.

On the brighter side, however, the bank noted that the downturn had levelled off.

But it warned: "this does not signify an upward movement in the economy. The leading and coincident business cycle indicators of the Reserve Bank are not yet showing any clear sings of an imminent upturn in economic activity."

Yet the bank believes a gradual recovery in some of the world's major industrialised economies and the normalisation of South Africa's global economic relations would improve economic conditions in the rest of 1993 and into next year.

South Africa's foreign debt position had also improved markedly since the mid-1980s.

Australia's budget crisis deepens

CANBERRA, Aug 23: Australia's budget crisis deepened Monday with the opposition threatening a court challenge to new taxes and the release of a poll showing wide support for efforts to block the budget in parliament, reports Reuter.

Treasurer John Dawkins warned of chaos if the Senate, the upper house of parliament, failed to pass the tax-laden budget he announced last Tuesday.

"The inescapable result of what they are talking about is endless deficits, higher personal taxation and parliamentary chaos," Dawkins said in a speech in Perth.

The Liberal-national party opposition said it might be unconstitutional to pass the central budget bill which would raise indirect taxes but cut income taxes as part of the government's four-year deficit-reduction plan.

"It may well be that the question will be resolved in the courts," said Robert Hill, liberal-national leader in the Senate, on television yesterday.

He said today he would refer the matter to a Senate committee, which could delay the bill by months.

Opposition leader John Hewson said last week he would try to block the budget, arguing that the labor government — which won a surprise election victory in March — had no mandate to lift taxes.

The conservative coalition and various minor parties have the numbers to block the budget in the Senate.

Although the Senate usually passes the budget — and most other bills passed by the government-dominated house of representatives — without question, the non-labour parties also said last week they would block the new taxes unless changes were made.

Delhi to drop controlled coffee marketing system

BANGALORE, India, Aug 23: The Indian Coffee Board has decided to drop a 50-year-old controlled marketing system and allow growers to sell half their produce on their own, officials said in this southern city, reports AFP.

Members of the Indian Coffee Board announced the liberalised selling norms at a meeting here yesterday, following demands by producers that the tightly-controlled system be revamped.

A former official of a local planters body, Anil Bahandari, said the flexibility under the free sale quota system was necessary as the board had failed to provide relief to growers in times of crisis.

"The board paid the minimum release price or the assured price at auctions which fell short of the various inputs for the crop, Bahandari said.

"After the collapse of the international coffee agreement in July 1989 and the break up of the Soviet Union — India's largest coffee buyer accounting for 47 per cent of its exports — the board failed to find new markets, he added.

Vijayan Raje, Vice-Chairman of the Nodal Agency, said the new norms would boost coffee sales in India and abroad.

It will improve the access of growers to domestic and international markets, he said.

Most Asian units firm against US dollar over the week

HONG KONG, Aug 23: Most Asian currencies firmed modestly against the US dollar over the past week despite Federal Reserve efforts to bolster the sagging US currency against yen, reports AFP.

Meanwhile, the yen continued to rise on foreign-exchange markets across the region, falling back only against the dollar owing to hefty intervention by the central bank of Japan and Federal Reserve to stop the US unit from falling below the key 100-yen level.

Japan: The yen hit a record high of 100.40 to the US unit on Tuesday, sparking heavy dollar-buying by US and Japanese central banks. The yen ended Friday at 104.45 to the dollar, weaker than its 102.40 finish a week earlier.

The market began to buy back dollar Wednesday as Japan prepared to work out measures to defend its economy against the yen's appreciation. The Fed stepped into the market on Thursday, pressuring the yen to its intraday low on the 105.15 yen on Friday.

Australia: After falling against the Japanese yen in concert with the US dollar, the Australian dollar ended firmer in steady trade Friday, underpinned by the US currency which made substantial gains against the yen Thursday night.

The local unit fell to 67.83 US cent on Friday, then firmed to end at 67.94 US cent, up from 67.75 US cent a week earlier.

It was unceremoniously dumped after Prime Minister Paul Keating's budget address Tuesday, falling to 67.24 US cent from 68.07 on Monday.

However it began firming later in the day as markets reconsidered implications of a budget containing strong measures for reducing the deficit over four years.

Dealers said Friday the immediate outlook for the unit remained linked to movements in the US dollar. The Australian dollar ended higher against the yen at 71.03 yen from 69.15 the previous week, but below a peak late Thursday of 72.50.

The central reserve bank's trade weighted index, which measures the Australian dollar against a basket of major currencies, ended at 49.9 from 49.6 points last week, its lowest point since it hit 49.4 on May 31 this year.

Hong Kong: The Hong Kong dollar, pegged at 7.8 to a US dollar, firmed to 7.749-7.750 from 7.753-7.754 a week earlier.

Indonesia: Indonesia's rupiah closed at 2,098 on Friday from 2,096 a week earlier.

Malaysia: The Malaysia ringgit ended the week higher against the US dollar but weakened substantially against the rising yen. The local currency firmed Friday to 2.5518 against the dollar from 2.5525 last week while falling sharply to 2.4361 against the yen from 2.4915.

Analysts said the ringgit had firmed against major currencies except the yen.

New Zealand: The New Zealand dollar continued its steady rise, closing here Friday at 55.40 US cent, up from 55.16 cent a week earlier.

"The Kiwi seems to have found its level in that comfortable 55.20-70 cent range, one dealer said. But the Kiwi was fairly quiet, and definitely not the focus of attention that belonged to the yen."

Philippine peso: The Philippine currency slid slightly to 27.998 pesos to a dollar this Friday from 27.925 a week earlier.

South Korea: The South Korean won continued to weaken against the US dollar to close at 810.90 won, down from the previous week's close of 809.20 won. Dealers said the won has slipped 1.2 per cent against the dollar in the past two months.

Singapore: The US dollar ended firmer against the Singapore dollar at 1.6135 here Friday. Dealers said the Greenback which was hovering around the 1.59-1.60 level throughout the last 10 days, found good support Friday following its climb against the yen.

"There was more demand for the US dollar in the last two days here compared to the previous week, a dealer said.

Taiwan: The Taiwan dollar declined modestly to close Friday at 26.955 to the US dollar from the previous week's finish of 26.95.

Thailand: The Bank of Thailand's exchange equalisation fund fixed the official midrate Friday at 25.20 Thai baht to one US dollar up from last week close's of 25.19 baht to the dollar.