

# China fails to recover illegal inter-bank lending by deadline

BEIJING, Aug 29: China has failed to recover all illegal inter-bank lending by the deadline given to provinces by the central bank, the Xinhua news agency reported Saturday, says AP.

As of August 15, the banks had recovered 72.7 billion yuan (9.2 billion dollar) in unauthorised loans, the agency said, but it did not say how much of that had been used by local banks for speculative purposes.

Total unauthorised lending was estimated by the Chinese press to be 100 billion yuan.

That the August 15 deadline managed to bring in only two thirds of the total sum highlighted the central government's inability to enforce its orders in the regions.

It was also considered a per-

sonal failure of deputy Prime Minister Zhu Rongji, who is responsible for calling the boiling economy.

Zhu was appointed central bank head in July.

The news agency reported that the 72.7 billion yuan recovered would be used to finance major projects short of funds and to help parts of the agricultural sector.

Most of the unauthorised lending had been used for investment in real estate and to buy shares and currency.

The spending frenzy was responsible for the overheated economy the government has been trying to check for two months.

Tightening credit and freezing investment in real estate

were two anti-inflationary measures implemented in July to curb growth, which jumped 13.5 per cent in the first half of the year.

But the fight has been difficult with inflation in major cities in July rising an average 23.3 per cent, with Guangzhou the highest with 35 per cent.

**Plan to open 2 new state banks**

AP report adds: China plans to open two new state banks next year to help fund basic construction and trade, an official newspaper reported Sunday.

The Long-Term Development and Credit Bank would provide loans for construction in critical industries such as energy and

transportation, the China daily Business Weekly said. China's commercial banks have been reluctant to provide the long-term, low-interests loans such projects require, it said.

The Import and Export Bank would offer trade credits, export credit insurance and project financing, the report added.

Lou Jiwei, an official with the State Commission for Restructuring the Economic System, was quoted as saying funding for the banks would come partly from domestic bond issues.

China already has four specialised banks: The Industrial and Commercial Bank of China, the Bank of China, the Construction Bank of China and the Agricultural Bank of China.

# Industrial output down by 2.1pc in UK

LONDON, Aug 29: British industrial output excluding energy was down by 2.1 per cent in June compared with May, and unemployment unexpectedly rose by 200 people in July, according to figures released here, reports AFP.

The central statistics office said the industrial production figure was on the basis of provisional, seasonally adjusted figures.

Excluding the energy sector, the drop was only 0.5 per cent, as that sector was up in June by 3.9 per cent by comparison with May.

However, British industrial production was up by 3.3 per cent in June from the same month last year, including energy, and by 2.1 per cent excluding it.

# Delors proposes setting up economic security council

LORIENT, France, Aug 29: European Commission President Jacques Delors has proposed setting up an economic security council to watch over the world economy and ensure harmonious growth, reports Reuters.

"I will propose to set up an economic security council gathering all major countries and all major regional economic organisations", he said in an interview published on Saturday by the regional daily Quest-France.

Delors cited as examples of organisations to be included the International Monetary Fund (IMF), the World Bank, the International Labour Organisation and the world trade body GATT.

"This council will perfect over all parameters of the evolution of world economy: currencies, finance, trade as well

as environmental and social affairs," he said.

Thus the number of dinners at the great world banquet can increase in an orderly way, he added.

Delors said he would spell out his proposal in an address to be delivered at a seminar in the western port of Lorient. The gathering is organised by club Temois, a political think-tank he founded with members of the former socialist-led government.

Turning to the recent European currency crisis Delors blamed it on the delay harmonising the economies of the 12 European community members in the first phase of the economic and monetary union launched in 1990.

"If our economies had converged, there would have been monetary tremors... but they

would not have destroyed the exchange mechanism that is the basis of the European monetary system, he said.

He said the only way to limit the risk that speculators could attack European currencies was to forge ahead towards the EC single currency.

Addressing the Lorient seminar on Saturday, IMF Director General Michel Camdessus said an early conclusion of GATT world trade talks was essential to revive world economic growth.

"We are not paying the price for the delay in GATT talks. Any great plan for world economic growth depends on GATT, he said.

"Failure (to reach an agreement) would be fraught with retaliation and trade wars," he said.

# Moscow will offer political insurance to foreign investors

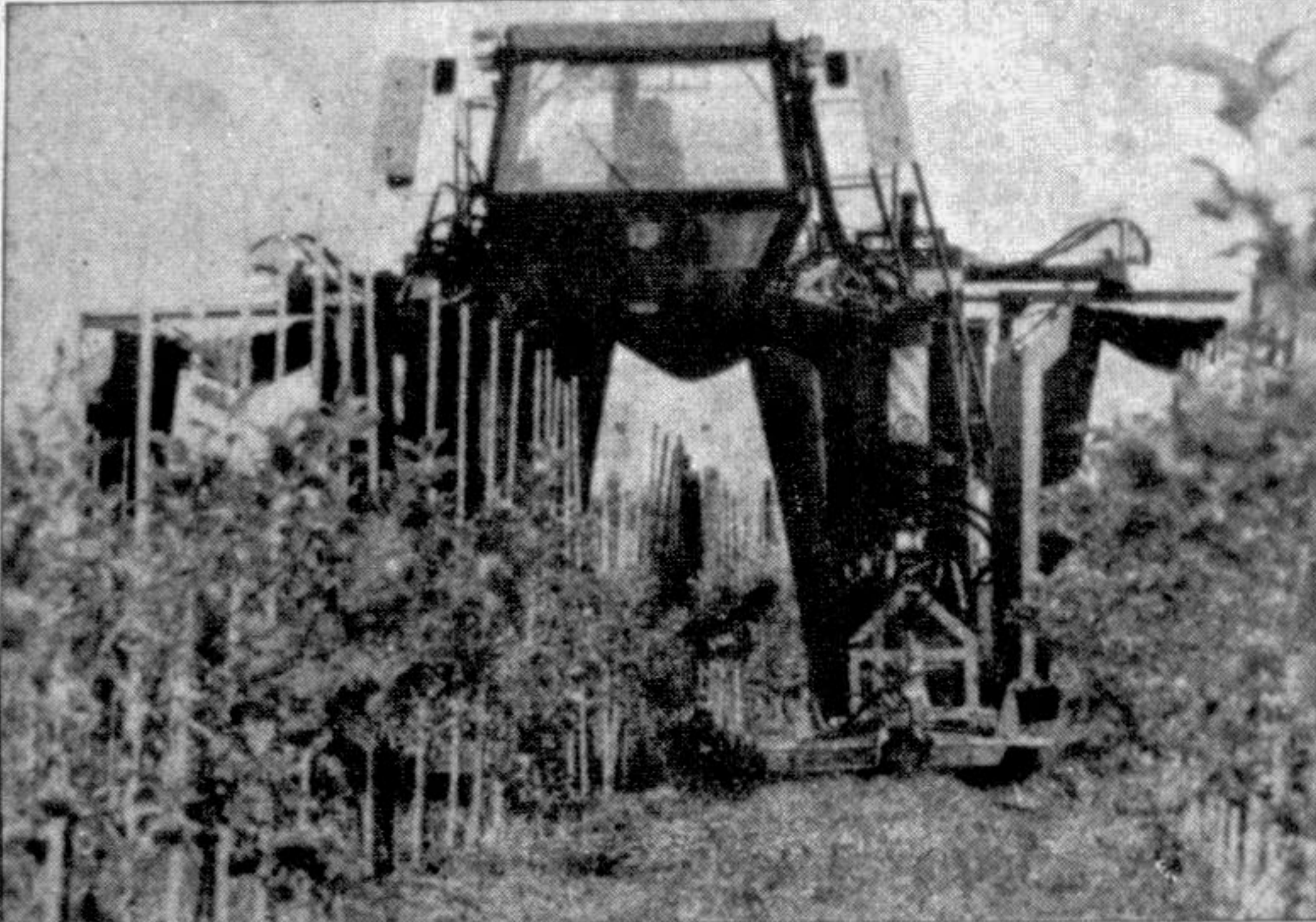
MOSCOW, Aug 29: President Boris Yeltsin's former chief of staff said Saturday he will set up a state company to insure foreign investors against government takeovers of companies and sudden changes in Russian laws, reports AP.

Yuri Petrov said the Russian Investment Insurance Company would open in late September and probably would be registered in Ireland in addition to Russia.

Its policies would be backed by cash, precious metals, and securities deposited in foreign banks, he said.

"We will insure only against political risks. Other companies will handle ordinary insurance," Petrov said in Moscow on the eve of a visit to the United States with Prime Minister Viktor Chernomyrdin.

Fear of political upheaval, expropriation or drastic changes in business conditions is a major obstacle to large-scale foreign investment in Russia.



Whether by means of new plant-protection machines or genetic engineering, agriculture is faced with new challenges worldwide. The plant-protection and cultivation machine shown in the photo, can catch the pesticides used in the apple plantation and prevent them penetrating the soil. Its use is being tested in the Free State of Saxony of Federal Germany. —IN Feature

# Clinton's environment policy splits difference with industry

WASHINGTON, Aug 29: Tempered by economic and political realities, the environmentalists who joined the Clinton administration with boasts of making Washington "green" find themselves instead resolving disputes by splitting the difference with industry, reports AP.

The result is a shift toward stricter environmental protection wedded with economic compromises that have confounded the administration's conservation friends and netted some unsuspecting business allies.

The approach is evident almost everywhere.

In the Northwest forests, the administration proposed to greatly reduce logging to protect the threatened spotted owl but stopped short of prohibiting all logging in sensitive old-growth forests. It further tempered the blow to industry by offering an economic aid package.

Florida sugar growers will be forced to restore the environmentally sensitive Everglades but at a lower cost and on a smaller scale than environmentalists wanted.

Mostly recently, the White House initiative to protect more wetlands from commercial development also included some flexibility and appeal avenues for landowners and an exemption for farmers fearful of losing their croplands.

The approach reflects Clinton's zeal to break deadlock by giving everyone something.

"We can take a hard line on some of these complicated issues. (But) that is a guarantee that nothing will happen," said Will Stelle, associate director in the White House Office on Environmental Policy.

While acknowledging Clinton has done far more for them than Republican predecessors, environmentalists complain the movement falls far short of what

they expected.

"Conservationists are disappointed," says David Simon, natural resource manager for the National Parks and Conservation Association.

Still some administration officials privately voice surprise that criticism hasn't been harsher. They believe the selection of Al Gore, a champion of the environment in the Senate, as vice president unrealistically raised expectations.

Conservationists' expectations only increased after the administration named environmental groups for key policy appointments.

Interior Secretary Bruce Babbitt was president of the League of Conservation Voters, and Assistant Secretary George Frampton headed the Wilderness Society. The World Wildlife Fund sent its T.J. Glauthier to the White House Office of Management and Budget, and many other policymakers honed

their expertise at similar groups.

But in formulating of environmental policy, the administration also weighs heavily the effect on industries still grouping with a sluggish economy.

The White House's economic preoccupation often is evident in its environmental announcements, which tend to include arguments on how the policy will help the economy.

"It's an effort at consensus-based policy," said Doug Wheeler, the state resources secretary for California who has dealt with the Clinton team on the coastal state's wetlands, timber, water and endangered species issues.

He credited Clinton for bringing long-polarized sides to the table, reflecting "the reality of dealing with these issues in today's climate."

"The political momentum is often at the extremes, but the solutions lie in the middle."

# Britain will urge JAL to buy Rolls-Royce engine

TOKYO, Aug 29: British business leaders accompanying Prime Minister John Major on his trip to Tokyo September 19 to 21 will urge Japan Airlines (JAL) to buy Rolls-Royce engines, Kyodo news agency said Saturday, reports AFP.

Major will be accompanied by a high-powered, 12-member mission representing top British corporations including Rolls-Royce PLC, foods giant Unilever PLC and beverage group Guinness PLC, Kyodo quoted Japanese government sources as saying.

The mission's major objective will be to slash Britain's trade deficit with Japan which totalled 3.58 billion dollar in the first half of this year, the sources said.

It will press JAL to select Rolls-Royce's 800 engine for the medium-range boeing 777s to be acquired by the Japanese flag carrier starting in 1995, the sources said.

# Trade rigging Top Malaysian businessman fined \$ 2 lakh

KUALA LUMPUR, Aug 29: A prominent Malaysian businessman was Saturday fined 200,000 US dollar by a local court after he admitted to having rigged trading in a listed stock on the local bourse, reports AFP.

Ibrahim Mohamed (51), a key figure in the local corporate scene, paid the fine to the court in Shah Alam, north of here, Bernama News agency reported.

He was charged with short-selling 825,000 shares worth 8.32 million ringgit (3.3 million US) of union paper holdings Bhd.

A toilet paper, joss and wrapping paper firm listed on the second board of the Kuala Lumpur Stock Exchange (KLSE).

Ibrahim, who is chief executive officer of listed Uniphonix Corp Bhd, and Kesang Corp Bhd and former Chairman of Promet Bhd, was arrested on Friday.

Under Malaysia's securities industry Act, shorting the market - selling shares one does not own at the time of the sale - is illegal.

The case came two days after the securities commission, the stock market watchdog, sought permission of the Attorney-General and the public prosecutor to act against defaulters in the union paper fiasco.

Zaki Azmi, lawyer for Ibrahim, told Judge Wan Adnan Mohamad that his client had a heart problem and pleaded for leniency.

The punishment came as the Registrar of Companies (ROC) Zainun Ali confirmed Saturday that 11 others, including a Singaporean, were still under investigation for having manipulated trading in union paper shares.

The KLSE, which had identified 12 defaulters in the union paper fiasco, suspended trading in the company's shares on June 29 after its share price wildly fluctuated from 1.73 ringgit (19 cents) to a high of 23 ringgit (9.20 dollar) in just six months.

The exchange had announced late Friday that union paper shares would be allowed to be traded on September 6.

ROC officials said the ROC had sought assistance of the commercial affairs department of Singapore since the authorities launched investigations into the case on July 5.

But they declined to say when the 11 would be brought to court.

Meanwhile, finance minister Anwar Ibrahim reiterated the government's firmness in punishing market predators to preserve the integrity of the Malaysian bourse.

"I have given an assurance that investigations will be made and it is up to the discretion of the relevant agencies to act appropriately."

# Farmers demand introduction of crop insurance

BARGUNA, Aug 29: Farmers of the six southern districts have demanded introduction of Crop Insurance in the agriculture sector, reports UNB.

Some leaders of the farmers of Barguna, Patuakhali, Bhola, Pirojpur, Jhalakathi and Barisal in a joint statement here on Thursday said natural disasters like drought, cyclone, flood, nor'wester damage standing crops worth about crores of taka causing set back in agri-output every year.

The farmer's said if crop insurance system is introduced, the poor farmers can compensate their losses. They also alleged that due to various complexities and long term process to get loans from Krishi and other commercial banks most of them cannot avail the opportunity of bank loans.

According to agri experts 35 per cent crops are being damaged annually by natural calamities in these districts. If the crop insurance system is introduced the farmers would be relieved of their frustrations.

They said the system has proved effective in many developed countries of the world.

# British Aerospace finalises jet deal with Taiwan

LONDON, Aug 29: British Aerospace and Taiwan Aerospace Corp agreed Friday on terms for financing a joint venture to build regional jets, overcoming concerns by bankers who sought property as collateral for loans, reports AP.

British Aerospace announced a deal was struck Friday in Taipei by Taiwan Aerospace Chairman Earle Ho, Chiaotung Bank Chairman K S Liang and British Aerospace Chairman John Cahill.

News reports in Taiwan said the Taiwanese government will dip into its foreign reserves to get money for the 400 million dollar loan that will be provided to the joint venture by a banking group led by the Chiaotung Bank.

A British Aerospace spokesman did not immediately return a telephone inquiry seeking details.

Taiwan's United Daily News, in Friday's editions, said the government's intervention will

reduce the banker's potential risks in giving money to the joint venture, called Avro.

The banks had earlier demanded that property or other securities be put up as collateral for loans. British Aerospace balked at the suggestion, according to officials in the Taiwanese government, leading to several days of negotiations in Taipei.

The companies did not specify when they will close the deal to produce four-engine passenger jets in Woodford, England, and Taichung, Taiwan.

British Aerospace unions were angered by the deal, which led the company to halt production of the jets in Hatfield, England.

About 3,000 jobs were eliminated, but the company said thousands of jobs in the Manchester area were preserved by the deal that saves part of the regional jet business, which had been losing money.

# Change in EC support may threaten success of GATT talks

WASHINGTON, Aug 29: A change in EC support for a US-EC agriculture accord would threaten the success of the Uruguay Round of world trade talks, the US government said Friday, reports AFP.

The warning came after German Chancellor Helmut Kohl said at a press conference with French Prime Minister Edouard Balladur that the Blair House Agreement contained problems, particularly for the French, and that a compromise would have to be reached.

The Blair house accord was reached between Washington and the European Community in November.

US trade representative Mickey Kantor's office said it was unclear whether the statements signalled a change in the agreement, "but obviously this would cause grave concerns."

"Reopening this issue poses the serious risk of unraveling the Uruguay Round" of the General Agreement of Tariffs and Trade talks, Kantor's office said.

# Commodity market : Prices of coffee, cocoa rise, precious metals fall

LONDON, Aug 29: The price of coffee continued to rise this week, with producer countries confirming their support for a stock-withholding scheme, setting a strong example to other commodity markets, reports AFP.

Coffee prices rose by seven per cent over the previous week, bringing their rise since the start of July to 40 per cent, boosted by the formation of the stock-withholding scheme and a producer cartel.

Cocoa prices also rose climbing to its highest level since October 1991, on fears of poor harvests in the main producer countries Ivory Coast, Ghana and Malaysia.

Precious metals continued to fall back, with dealers cautious and jewellery demand slowing up because of the recent rise in prices.

Gold price slid below 370 dollar an ounce and platinum fell to its lowest level for two months, while silver was just stable despite heavy buying from India.

After a firm start, lined to the growing political tension in Nigeria, Brent North Sea crude oil price fell below 17 dollar a barrel when dealers reassessed the impact of the tension on the world's oil market.

Grain prices fell, depressed by fears of a reduction in Chinese purchases of American wheat following US arms-related sanctions against China.

On the London Metal Exchange (LME), metals prices continued to fall as producers failed to cut output to cope with a steady rise in stocks.

**Gold:** Lower, after starting the week on a firm footing, gold prices slid below 370 dollar an ounce following speculative selling and a slowing up in jewellery demand.

Prices rose by a quarter between March and July but have fallen since the start of August on fears that the earlier demand had been exaggerated.

Analysts at gold fields mineral services said that worldwide industrial demand for gold, which rose by 11 per cent in 1992, would fall by five per cent this year to 2,948 tonnes, while mining production would continue to rise.

**Platinum:** Lower, the price of platinum fell to its lowest level for two months, depressed by poor demand from Japan, the biggest consumer for platinum, and by threats of a speeding up in Russian exports.

Platinum prices also fell in line with a fall in palladium, metal from the same group, used mainly in dentistry and electricals, which was depressed by heavy deliveries to Japan from Russia.

**Silver:** Slightly higher. After a firm start, the price of silver fell in line with the other precious metals but finished slightly

higher than the previous week.

The market rose initially on rumours, of the closure of several zinc mines, leading to a reduction in silver output. Silver is mined chiefly as a by-product of base metal.

Silver prices were also supported by a sharp increase in Indian imports since the start of the year thanks to the easing of regulations on legal imports of silver.

**Copper:** Higher but slipping back, copper price rose in trading on the London Metal Exchange (LME) over the week, jumping because of a technical squeeze but slipping back later in profit-taking.

Spot price remained higher than the three-month forward price all week showing that the technical squeeze on the metal remained in place, dealers said.

The copper market's fundamentals are still quite bleak, an analyst said, with production high and consumption levels still low.

**Lead:** Lower. Lead price fell, depressed by the continuing rise in stocks caused by the low level of industrial demand for the metal on the LME, lead stocks fell 1,575 tonnes to 278,000 tonnes.

**Zinc:** Lower zinc price fell steady trading, supported by hopes of pending production cuts in Europe but undermined by the continuing rise in stocks in the medium term.

**Aluminium:** Lower. Aluminium price fell to a two and half month low, depressed by reports of plans to maintain or increase output while stocks are already at recorded highs.

Financial analysts S G Warburg estimated that western world aluminium stocks are equivalent to 23.7 per cent of annual consumption and said that, like other metals, aluminium stocks would continue to climb for the rest of the year.

The International Primary Aluminium Institute said producers were planning to permanent cuts in output despite the lower prices and the increased level of exports from the Commonwealth of Independent States (CIS).

**Nickel:** Lower. Nickel price also fell, down to fresh six-year lows, depressed by the high level of stocks on the LME and the threat of more supplies coming in from Russia.

When the nickel market has fallen before, trade buying would emerge to take advantage of bargain prices, but sources in Asia said this was unlikely given the present stock levels.

"I think the market is going to crap out today," one dealer said Friday. "All we have seen is selling interest. No one is buying."

**Tin:** Lower. Tin also fell, hitting fresh 20-year lows on fears of a flood of stocks onto the market later this year, dealers said.

In Kuala Lumpur, the Malaysian smelting company said the tin industry desperately production to fall to force a reduction in LME stocks which were depressing prices.

**Coffee:** Sharply higher. Coffee prices jumped again this week, still rising following the previous week's news that African and South American coffee producers will withdraw 20 per cent of their exports from the market October 1 onwards.

In London, coffee prices gained seven per cent on the week, bringing their rise since the start of July to 40 per cent.

Price's rose following the weekend meeting between representatives of Brazil and Ivory Coast in Abidjan, agreeing to support the withholding scheme and the plans to control production.

**Cocoa:** Sharply higher. After jumping at the start of the week to its highest level since October 1991 because of worries over the Ivory Coast harvest, the price of cocoa fell back slightly on profit-taking.

Over the week however, prices still rose four per cent, dealers noted.

Ivory Coast commodities Minister Alain Gauze, said the country's 1993/94 cocoa harvest would be smaller than the previous year because of poor weather conditions. The 1992/93 harvest was under 700,000 tonnes, he said.

**Sugar:** Slightly higher. After an uncertain start, sugar price rose over the week, boosted by predictions of a shortfall in supply in 1992/93, the second deficit in the past two years, brokers said.

London brokerage house Czarnikow said the deficit would reach 1.81 million tone because of poor weather conditions in several countries including India, Thailand and Cuba.

However, the situation would be better than in 1992/93 when the deficit reached 2.84 million tonnes, the brokers added.

**Vegetable Oils:** Steady. Vegetable Oil prices traded in a narrow band. Unaffected by estimated from the specialist review oil world suggesting that demand for the five main oilseeds would outstrip supply in 1993/94 for the second year running.

The review said demand for soya, palm rapeseed, sunflower and cotton oil would rise by an average of 3.5 per cent next year to 53.2 million tonnes and production would rise by 3.6 per cent to 52.8 million tonnes.

Soya oil price fell slightly after fears of an early cold spell in the Midwest eased.

**Crude Oil:** Lower after firm start. The price of Brent North Sea crude oil started the week higher on fears linked to disruption in the Nigerian oil industry but fell back in the week as fears eased.

In Nigeria, the main oil industry union called for a general

strike to force the military government to allow Moshood Abiola, the unofficial winner of June 2 presidential elections, to take office.

The slide in prices was limited by the publication of statistics by the American petroleum institute showing that US stocks fell by 4.72 million barrels, added to a fall of 4.62 million barrels the previous week.

OPEC reduced its estimate of demand for OPEC oil in the third quarter to 23.71 million barrels a day from 23.78 million barrels estimated in June.

Crudeoil production in OPEC in July reached 24.62 million barrel a day in July, 220,000 barrels more than in June an one million more than its agreed level.

**Rubber:** Higher. The price of natural rubber rose slightly on rumours that Indonesia was ready to quit the International Natural Rubber Organisation because of its ineffectiveness in controlling prices.

Indonesia is the second largest rubber producer in the world after Malaysia with production totalling 1.3 million tonnes a year.

However, the price rise was limited by the absence of any confirmation of the rumours and the continuation of weak industrial and car sector demand.

**Grains:** Lower. The price of wheat and barley fell in London and Chicago, affected by the threat of a reduction in Chinese and Russian purchases of American wheat.

The United States decided to impose limited sanctions on China in an arms sales dispute, raising fears that Beijing would retaliate with a boycott of US grain sales.

Elsewhere, the International What Council (IWC) said Russian debts on its food purchase reached three billion dollars, upsetting hopes of further Russian wheat purchases.

**Tea:** Higher. Tea prices rose, boosted by increased purchases from the Commonwealth of Independent States and hopes of higher seasonal demand from the Northern Hemisphere.

Dealers said that though no official statistics were available, brokers had noted a marred rise in buying by Russian traders.

At the weekly London sales, average rose to 165 from 160 pence/ kilo, for high grade, to 109 from 108 pence/ kilo for medium grade and to 93 from 90 pence/kilo for lower grade tea.

**Cotton:** Slightly higher. The price of cotton rose slightly on the Liverpool market, boosted by fears of a fall in the US harvest after a drought in Texas. The gains were limited by the weak level of industrial activity, dealer said.

**Wool:** Weak. The price of wooltop weakened on the Bradford market, affected by the New Zealand wool board's sale of half of its stocks and fears of a similar move in Australia.