Members of Hosokawa's party suggest

Land reform key to lift Japan from prolonged recession

HAKONE (Japan), Sept 4: Leading members of Prime Minister Morihiro Hosokawa's party suggested land reform as a key measure to lift Japan from its prolonged recession, reports Reuter.

"One of the most important issues is how to boost domestic demand by taking advantage of decreasing land prices," said Naoto Kan, a veteran member of the party.

"We want to make this the central point of the government's new economic stimulative measures."

Hosokawa was expected to announce a package of pump-priming measures by about September 20.

Kan was speaking on the opening day of a two-day joint seminar of the Japan new party and the harbinger new party in Hakone, west of Tokyo.

It was the first joint gathering of the two parties, which merged in Parliament last month for a total strength of 52 members in the powerful Lower House.

The group forms the core of Hosokawa's eight-party coalition government which last month ousted the Liberal Democratic Party from power for the first time in 38 years.

Hosokawa has said the two parties will formally join to become a single party later in the year.

A total of 45 members of Parliament took part in the seminar, including harbinger leader and chief cabinet secretary Masayoshi Takemura. Hosokawa himself was unable to come because of official business.

Kan proposed that the government set up a special public corporation that would buy up land from banks.

Following the bursting of Japan's "bubble" economy of the late 1980s, Japanese commercial banks and other financial institutions have suffered from bad loans and been stuck with huge tracts of land as collateral.

With prices steadily falling, the banks have been unable to sell the land.

"The new public corporation would buy these pieces of land from the banks at reduced prices and hold them until local governments were ready to purchase them," Kan said.

Other members agreed with the proposal, saying local governments were unable to buy much-needed land now, because it was difficult to convince local assemblies to spend tax money at a time of falling prices.

The new corporation would be financed by government funds for investment and loans in the annual budget, such as from the country's huge postal savings system.

Kan said his team had already held preliminary discussions with the finance and construction ministries and received a favourable response.

For the banks, the programme would ease their debt burden and allow them to make funds more readily available to firms, thereby boosting the domestic economy, Kan said.

"A five trillion yen (48 billion dollar) income tax cut would have minimal effect on domestic demand," Kan said. "And so is spending 10 trillion yen (96 billion dollar) on public works.

"In contrast, this programme has the additional advantage of tackling the problem of highly inflated land prices, and would help bring about cheaper homes for the average worker," he said.

The members also discussed ways of reforming the lopsided tax system, and deregulating bureaucratic control of the economy.

Earlier this week, Hosokawa announced a deregulation package of 60 items, such as lifting fare controls on taxis and allowing home brewing of beer.

It was part of his economic policy to boost domestic demand and allow consumers to share in the profit of the yen's rise against the US dollar and other major currencies.

Japan's current account surplus jumps to $11.82b in July

TOKYO, Sept 4: Japan's current account surplus jumped 24.9 per cent to 11.82 billion dollar in July, the 28th straight month of expansion from year-earlier levels, the Finance Ministry announced Friday, reports AP.

The growing surplus in Japan's current account, which measures trade in goods, services and other capital flows, has been a major source of friction with Japan's trading partners.

The trade surplus accounted for most of the July current account imbalance. It swelled 22.3 per cent from a year ago to 13.69 billion dollar, with export rising 9.5 per cent to 31.44 billion dollar and imports edging 1.1 per cent higher to 17.55 billion dollar.

Ministry officials said the yen's rapid appreciation against the dollar in recent months inflated the value of exports while deflating that of imports. Lower crude oil prices also undermined the import figure, they said.

The US dollar was worth an average of 108.21 yen in July, down 16 per cent from 125.57 yen a year earlier. Crude oil prices fell 11.8 per cent to 18.16 dollar a barrel, the officials said.

Government officials maintain that the upward trend in the current account surplus is due to Japan's domestic economic slowdown.

But the United States, European Community members and other major trading partners argue that the snowballing imbalance is at least partly structural.

US officials have favoured a higher yen as one way to combat Japan's persistent and enormous trade surplus.

Among the other components of the current account, invisible trade including tourism was in deficit by 1.59 billion dollar up 12.4 per cent from 1.41 billion dollar a year earlier.

Trade figures in the current account are calculated on the basis of settlement of contracts, and are different from the custom-clearance trade figures announced separately by the ministry each month.

Reuter buys back 5.84 pc stock

LONDON, Sept 4: Reuters Holdings PLC, the news and information company, said Friday an offer to buy back 5.84 per cent of its outstanding shares had been oversubscribed, reports AP.

Reuters plans to buy 24.8 million shares for 350 million pound (525 million dollar), after shareholders offered the company tenders for 153.9 million shares.

The company paid 14 pounds (21 dollar) per share. Reuters stock has been worth about 15 pounds (22.50 dollar) per share, but stockholders were attracted by a tax break that made the tender offer worth up to 17.21 pounds (25.82 dollar) per share.

Shareholders will be asked next week to approve the sale.

Index of leading US economic indicators falls 0.1 pc in July

WASHINGTON, Sept 4: The US government's chief gauge of future economic activity fell 0.1 per cent in July, erasing June's slight gain and continuing a seesaw pattern that has signaled a sluggish economy since the first of the year, reports AP.

The Commerce Department said Friday that the decline in its Index of Leading Economic Indicators followed an anemic 0.1 per cent advance in June. The index had fallen 0.4 per cent in May, wiping out April's 0.3 per cent gain.

In advance of the report, many analysts had predicted a 0.2 per cent decline in July.

The index is designed to forecast economic conditions six to nine months in advance. Three consecutive moves in one direction are considered a good but not conclusive barometer of future economic activity.

But there's been no trend so far this year. In addition to the second quarter flip-flops, the index fell in January, rose in February and fell again in March.

The latest report came on the heels of the Clinton administration's downward revision of anticipated economic growth this year.

The Office of management and Budget projected on Wednesday a sub-par growth rate of two per cent this year, fourth quarter over fourth quarter, down from its 3.1 per cent forecast last winter.

The economy, as measured by the gross domestic product, had grown 3.9 per cent in 1992. It was advancing at a meager 1.3 per cent annual rate in the second half of this year.

Malay's financial system best among 4 states

MANILA, Sept 4: Malaysia has the best financial system while the Philippines has the worst among four developing nations in Southeast Asia, according to an Asian Development Bank (ADB) study obtained here yesterday, reports AFP.

The study said that Malaysia had "the longest lasting and most successful reform and development of its financial sector," while the Philippines "has achieved little progress and has probably even retrogressed," since the 1960s.

Thailand and Indonesia were placed "somewhere between the two extremes of Malaysia and the Philippines," the report of the Manila-based ADB said.

Malaysia was credited for its low inflation, for reducing domestic price distortions, its development of its capital and money market and its legal and accounting infrastructure and the cooperation between its central bank and its finance ministry.

"Malaysia's financial policies and institutions appear to be driven to a considerable degree by the model of Singapore," the ADB report said but also commended the central bank for its "major role in the healthy evolution of the Malaysian financial system."

The Philippine financial system, in contrast, was adversely affected by its "weak presidential leadership and an unruly Congress," the report also said political and financial instability made it difficult to implement reforms.

It also cited the conflict between two rival stock exchanges which had stunted the capital market, a legal system that is "an obstruction... to the functioning of the financial system," erratic inflation rates and the historically high rate of insolvency of Philippine banks.

The study noted that Thailand had practiced generally conservative financial policies and had only recently instituted financial reforms, loosening controls on interest rates and credit.

However its interest rates were the most stable in the region and its inflation rates were also moderate and stable, the report said.

Although Indonesia was praised for leading the way in tax and financial reform, the report also noted that it had also suffered from an "erratic approach to financial policy", caused by differences between the finance ministry and the central bank.

China-US textile, garment trade in jeopardy

BEIJING, Sept 4: China's multi-billion dollar textile and garment trade with the United States is in jeopardy unless it cracks down on illegal shipments by the year's end, a US official said here Saturday, reports AFP.

China is the single-largest supplier of textiles and apparel to the United States, with exports — excluding silk goods — totaling 6.02 billion dollar last year and expected to increase substantially this year.

Jenifer Hillman, chief textile negotiator for the US trade representatives, left here Saturday after talks with Chinese trade officials on extending the current textile agreement, which expires December 31.

For Washington to negotiated a new deal, China must take concrete steps to halt massive transhipments, overshipments and violations of US copyrights and trademarks, she said, adding that Beijing had a "very long way to go."

The major US concern was transhipments violating US set quotas, which Hillmans said were worth more than two billion dollar.

"If there is no agreement," Hillman said, "at the end of the day it is the right of the United States to set a unilateral quota."

The unilateral quota would likely be lower than China's current quota, she said, but added that there was "no guarantee at what level a quota will be set, when a quota will be set."

"It is very important for China and for the continued stability of the trading relationship that we get an agreement," she said. "If we do not, the uncertainty of the market will be very difficult for both sides."

Malay stock key index closes at historic high

KUALA LUMPUR, Sept 4: Malaysia's stock market continued its bull run as its key share gauge hit a new all-time high this week on strong institutional buying of blue-chips, reports AFP.

The Kuala Lumpur Stock Exchange composite index, which tracks 85 quality stocks, surged 42.94 points or 5.31 per cent to close the week at a historic high of 851.43 from 808.49 previously.

The index set new records twice earlier in the week to shatter the previous highest close of 811.78 on August 27.

Despite being a three-day week, average daily turnover was higher at 516.3 million units worth 1.7 billion ringgit (80 million US) from 424 million shares worth 1.5 billion ringgit the previous week.

Analysts said investors bought in anticipation of a possible strong economic growth in the second quarter.

Given the rosy fundamentals, analysts said the market had room for growth.

Fujii vague about prospects for economic recovery

TOKYO, Sept 4: Japan's Finance Minister Hirohisa Fujii said yesterday that the economy was going through a "difficult period" while a discount rate cut would have a psychological, but limited impact on investment, reports AFP.

Fujii was vague about the prospects for economic recovery this year, echoing remarks made a day earlier by Bank of Japan governor Yasushi Mieno.

"I cannot say anything definite at this stage," he told a news conference after a cabinet meeting. "We will keep an eye on upcoming statistic."

The Japanese government and central bank have repeatedly said in recent months that the economy will start recovering in the second half of the fiscal year ending in May.

"Now is a difficult period," Fujii said, conceding that a move by the Bank of Japan to cut its official discount rate "would have an announcement effect, but its effect on encouraging investment would be limited."

Bank of Japan governor Yasushi Mieno on Thursday rule out a cut in the discount rate for the time being. While "the risk of a downturn is increasing", he said the bank had not changed its view that the economy would start recovering in the second half.

The central bank has "already responded" to such risks by taking an easier stance toward market rates over the past month, prompting Japanese commercial banks to reduce their short and long-term prime rates, he said.

Mieno said the bank's stance towards market rates and the discount rate, at an all-time low of 2.5 per cent since February, are "different for the present."

Small cap stocks capturing big attention in weekly Wall Street

NEW YORK, Sept 4: Investors hungry for satisfying stock choices are lapping up small companies, and market analysts predict the pattern will continue, with larger issues left behind, reports AP.

Market indicators from the past week tell the story. The Russel 2,000 index, which tracks stocks of small capitalization companies, hit new highs each day and closed Friday at 248.67.

Similarly, the Nasdaq market system, which comprises stocks of tiny start up concerns as well as bigger long-established businesses, has enjoyed an extended run of record-shattering sessions, another illustration that investors are scouting for good plays in places beyond the primary markets, mainly the New York Stock Exchange.

Through August, the Russel 2,000 produced a return of 11.4 per cent compared to an 8.42 per cent return on the standard and Poor's 500 index, which is studied with blue chips.

"People now are looking at big corporate structures the IBMs of this world — and deciding may be that's not the place to put their investment money," said Robert Mikkelsen, a managing director at Lehman Brothers in New York.

"I think a lot of people are looking to smaller, niche-types companies," he said. "They admire companies like Microsoft that started out lean and agile and grew into a huge money-maker.

An array of factors have favoured smaller companies in this stagnant economic climate.

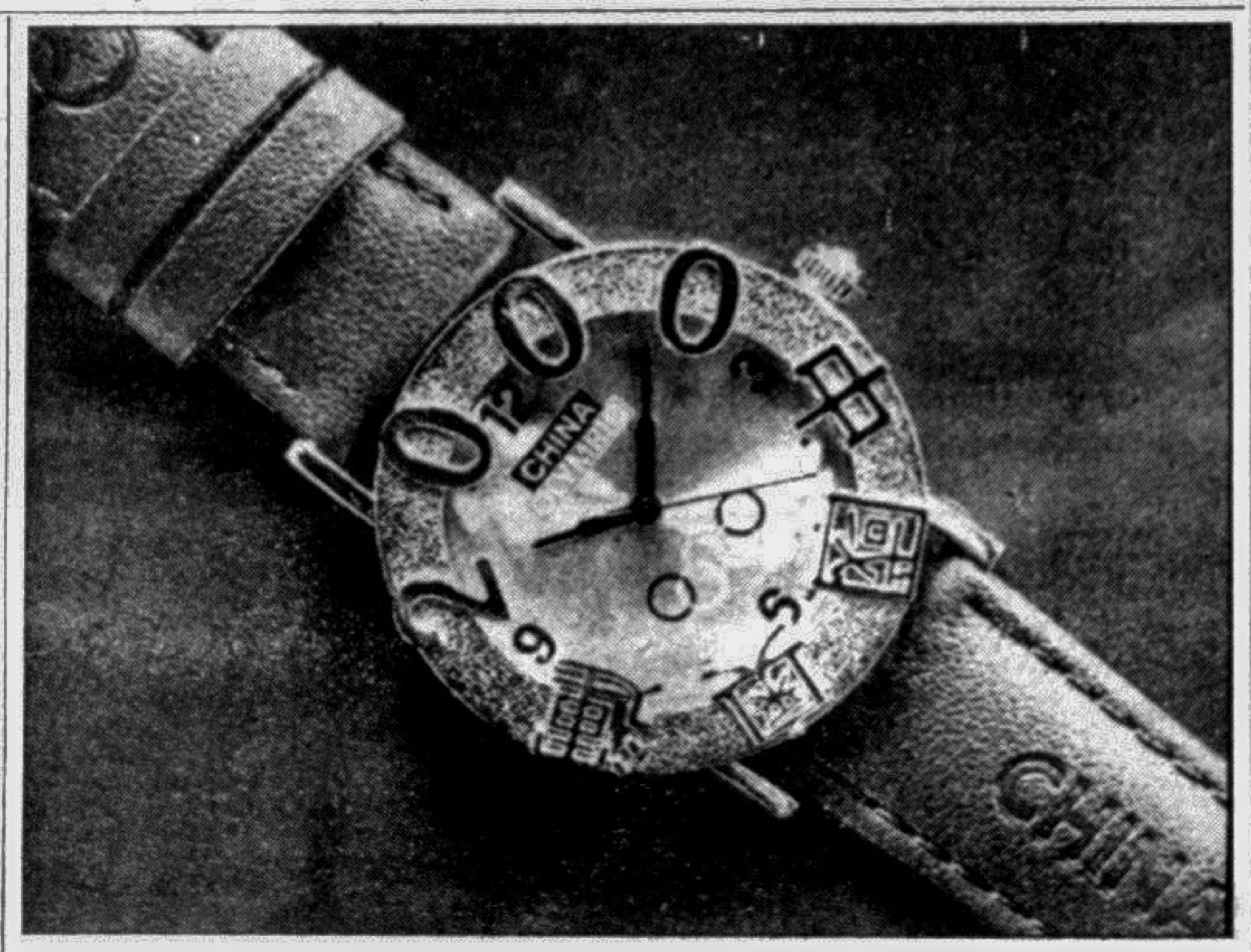
Claudia E Mott, director of small cap research at Prudential Securities Inc in New York, said small-to medium-sized companies have been able to produce better returns on equity than larger companies during a sluggish recovery because they don't need the same level of economic growth to have their companies rebound.

Also in their favour, smaller American companies tend to do less business outside this country so they haven't suffered as much from the weakness in foreign economies that has squeezed the overseas revenue stream of many multinationals to a trickle.

Smaller companies typically are among the first to benefit from improving economic conditions because they are "one step ahead in the food chain," according to Mott. They supply raw materials and components essential to finished goods.

Automotive parts makers get busy before Detroit's car manufacturers post sales gains, she explained.

"It's a cliche but true: These types of companies are a little bit leaner and meaner," said Mott. Smaller companies, with trimmer work forces and management structures, haven't had to resort to the wrenching restructurings that much of big corporate America has found necessary to compete.



Hong Kong watchmakers cash in on Beijing's bid for the 2000 Olympics; this watch was for sale at Temple Street tourist market on Thursday. Support for China's bid is strong in the territory which has never won an Olympic medal. — AFP photo

More schooling urged for girls to make Third World richer

WASHINGTON, Sept 4: The most effective measure Third World countries can take to raise incomes is to put more girls in school and keep them there longer, says a new book-length study by the World Bank, reports AP.

Education of girls may seem an odd subject for an economist to address. But enhancing women's contribution to development is as much an economic as a social issue, said Lawrence H Summers, now under secretary of the US Treasury for international affairs.

During my tenure as chief economist of the World Bank, I have become convinced that once all the benefit are recognized, investment in the education of girls may well be the highest-return investment available in the developing world.

Summers wrote the foreword to the book, called Women's Education in developing countries — Barriers, Benefits and Policies. The World Bank, owned by 176 countries, is the largest source of aid loans to the Third World.

The book contained a formula purporting to prove mathematically that a country which educates more girls will produce more wealth.

Elizabeth M King, one of the book's authors, arouse that women with even an elementary education raise the living standard in a poor country: they have fewer children, take better care of those they do have, work better at home, earns more when they take a lob or market their own crops.

Summers contrasts two scenarios to illustrate how a vicious cycle in a Third World country could be a virtuous circle:

— The wife in a poor family is illiterate. Her husband earns the money and depends on sons to support him in his old age. So he insists they go to school while daughters stay at home to do the chores. When a daughter falls ill, he cannot afford a two-day trip to the hospital and she dies.

— The same wife has gone to school for five years and can earn some money as a village teacher. She insists that all the children go to school. When her daughter gets sick, she takes her to the hospital. The doctor administers an antibiotic and gives a supply to the mother, teaching her how to watch for the same infection in other children.

But there are obstacles in many countries to a girl getting into school and staying there, Ms King said in an interview.

She quoted the headmistress of a girl's school in Pakistan:

"There's no light, no fan. It is very depressing and dreary and suffocating ... There is no toilet. When they need a latrine, the girls have to go home during school hours, wasting a considerable amount of time.

And a woman in the northwest African republic of Mali: "School is considered by parents to encourage promiscuity among adolescents because they promote a western-style liberal education which encourages sexuality.

Many parents feel they cannot afford the cost of sending a girl to school, Ms King said. In some countries, the smallest girls — often as young as five — are expected to help their mothers, much more than boys do.

The average income in Benin — man, woman and child — is about 380 dollar and had been dropping all through the 1980s. One adult in four can read and write — one woman in six.

DPRK, Cambodia seal trade, cooperation accords

TOKYO, Sept 4: North Korea and Cambodia have sealed agreements on bilateral cooperation and trade, capping a visit to Pyongyang by a delegation from Phnom Penh's interim government, official reports said Saturday, according to AFP.

An accord on economic and technical cooperation in agriculture, fisheries, forestry, mining and other fields was signed in Pyongyang Friday by North Korean and Cambodian prime ministers, the Korean Central News Agency (KCNA), said.

KCNA, in another dispatch monitored here, also said without giving details that the two countries on Saturday signed an agreement on economic, scientific, technological and cultural cooperation and another accord on trade.

The Cambodian delegation, led by national constituent assembly president Son Sonn and first vice-president Chea Sim and co-prime ministers Prince Norodom Ranaridh and Hun Sen, left for home Friday after a five-day visit to the hard-line communist state.

China's economic chief says

Money to be spent on agriculture

BEIJING, Sept 4: China's Economic Chief has called for money to be spent on agriculture instead of property speculation as evidence mounts that farmers are falling further and further behind in the race for prosperity, reports Reuter.

The official press quoted vice premier Zhu Rongji, on a tour of rural inner Mongolia, as saying money must be spent properly and not wasted on unnecessary construction projects.

"Money should be concentrated on key sectors like agriculture," said Zhu, who unveiled a 16-point plan in July aimed at redirecting billions of yuan from hotels, office buildings and luxury cars into priority sectors.

While huge amounts have poured into new urban construction projects this year, many farmers have gone without the modest payments for their crops and have lacked the money to buy pesticide, fertiliser and other materials.

Farmer unrest has already erupted into rioting and violent confrontation in several places around the country, a worrying development for a country where the peasantry has long been regarded as the guarantor of stability.

In the first half of 1993, the average farmer earned a total of 423 yuan (74 dollar), a real increase of seven per cent, while the average urban income rose a real 13.5 per cent to 1,116 yuan (196 dollar).

A survey by the research centre of the state council (cabinet) of three major grain- and cotton-producing countries in Henan showed how the farmers were falling behind.

The survey, published in Thursday's economic daily, concluded that it was increasingly difficult for grain and cotton production, both still subject to state planning, to survive in a market economy where prices of fertiliser, pesticide and other raw materials are rising far faster than those of crops.

The average income last year was just 502 yuan (88 dollar) in Taikang county, which produced 175,000 tonnes of grain and 40,000 tonnes of cotton, it said.

Interest rates in US treasury market plunge to new lows

WASHINGTON, Sep 4: Spurred by an unexpectedly weak employment report, interest rates in the US treasury market plunged to new lows on Friday and drove the US dollar lower against other currencies, reports AP.

The nation's unemployment rate hit a two-year low of 6.7 per cent in August, but the government reported continuing signs of a soft economy as businesses shed 39,000 jobs.

The job losses were a surprising turnaround that economists hadn't anticipated — which job growth in 1993 averaging 169,000 a month more than double last year's level.

"The loss on the payroll side is reasonably ominous, said Kermit Baker, and economist with Cahners Economics in Newton, Mass.

Coupled with the weak job picture from the Labour Department was the Commerce Department's barometer of future economic activity, which slipped 0.1 per cent in July, erasing an increase in June

The see-saw pattern in the Index of Leading Economic Indicators and other recent economic data are indications that economic growth has stalled, said Marilyn Schaja of Donaldson, Lufkin and Jenrette Securities Corp. in New York.

The weak employment picture inspired a bond rally that drove interest rates down sharply. Bond investors interpret sings of sluggish economic growth as an indication that inflation will remain tame — and interest rates low.

The key to the job losses are sagging exports, down 10 per cent to western Europe in the past few months, said Ross Devol, Director of US macroforecasting for the WEFA Group in Bala Cynwyd, Pa.

The jobless rate declined a tenth of a percentage point from July because the household survey of unemployment in the economy overall showed a gain of 409,000 jobs in August. The last time the jobless rate was at 6.7 per cent was July 1991.

Some economists cautioned against over-emphasising either the 409,000 in job gains based on a survey of households, or the unexpected loss of 39,000 jobs, which showed up in a survey of business.

Business payrolls have "generally shown moderate job growth over the last several months... although this monthly growth has been somewhat uneven. William Barron, Deputy Commissioner of the Bureau of Labour Statistics, told Congress.

"We have to take this report with a little bit of a grain of salt," said David Wyss, Research Director at DRI-McGraw-Hill.

But the National Association of manufacturers declared the drop in the jobless rate "largely spurious and labeled the 409,000 job gain "undoubtedly false.

"Employment rarely increases in August, said association economist Gordon Richards.

The number of manufacturing jobs fell by 42,000 in August and has fallen by 239,000 since February. Job losses were widespread, with declines continuing in metals, machinery, electronics, aircraft and apparel.

And the services sector showed a marginal increase of only 15,000 jobs in August, with government employment levels declining by 11,000. For well over a decade, it has been the service sector that has fueled the gains in jobs growth.

Meanwhile the US government's chief gauge of future economic activity fell 0.1 per cent in July, erasing June' slight gain and continuing a see-saw pattern that has signaled a sluggish economy since the first of the year.

The Commerce Department said Friday that the decline in its Index of Leading Economic Indicators followed an anemic 0.1 per cent advance in June. The index had fallen 0.4 per cent in May, wiping out April's 0.3 per cent gain:

The index is designed to forecast economic conditions six to nine months in advance. Three consecutive moves in one direction are considered a good but not conclusive barometer of future economic activity.

On financial markets the yield on the 30-year US Treasury bond plummeted into new territory Friday, crashing through the six per cent barrier as prices soared.

The bull market's startling momentum from the economic reports left analysts and traders wondering how low the long bond yield will go and how much faster it will decline.

"When something is going 70 miles and hour, it's kind of hard to say when it will accelerate, said Steven R Ricchiuto, chief economist at Barclays de Zoete Wedd Government Securities inc.

By day's end, the price of the Treasury's long bond shot up 13.75 dollar per 1,000 dollar in face value. Its yield, which moves in the opposite direction, plunged to 5.94 per cent from 6.04 per cent late Thursday.

The dollar fell to 16,222 German marks from 1,6430 mark late Thursday and dropped against other major currencies.