

Debt time bombs silently ticking away in major Asian countries

MANILA, Oct 9: Buoyed by hefty doses of foreign investment and driven by reform-minded governments, Asia has sidestepped the crippling debt crisis that cost Latin America and Africa at least a decade of lost development, reports IPS.

But Asian anti-debt activists warn that appearances are deceptive. They say debt time bombs are silently ticking away in several major Asian countries.

Even if none of these explode into a full-blown crisis, debt-burdened countries in Asia will increasingly find themselves adopting the sort of austerity policies that make economic growth painful to poor people and unfriendly to the environment.

"When you talk of Asia, people usually think it's only the Philippines which has gotten caught in the debt trap," says Leonor Briones, President of the Freedom from Debt Coalition (FDC), a Philippine anti-debt group. "But there are in fact

other silent crisis points in the region."

FDC hosted a consultation meeting of about a dozen Non-Governmental Organisations (NGOs) from seven Asian countries in late August. The country reports submitted by delegates say the region's debt problems are growing alongside its rising prosperity.

Two cases stand out, says Yoko Kitazawa of Japan's Pacific Asia Resource Centre. These are India and Indonesia, two of the region's largest countries. The total debt of these two countries has risen rapidly in recent years, particularly since 1985.

The Asian Development Bank (ADB) estimates India's foreign debt will reach 82 billion US dollar this year, double the 1986 figure. Indonesia's total debt will hit about 92 billion US dollar, compared to just 50 billion US dollar in 1987.

Despite the mounting pile of debts, the ADB and World Bank and bullish about these two

countries and the entire region.

World Bank figures show Asia's total foreign debt stood at about 435 billion US dollar in 1992, up 45 per cent from 1988. That sum was about 29 per cent of the world debt, up from 24 per cent.

The region's debt service ratio had declined from about 20 per cent to 15 per cent, indicating how rapid the region's exports had grown relative to the debt burden.

Exports are the key: If export revenues grow fast enough, the burden will be manageable.

On this point, India and Indonesia get good marks. Both have launched economic liberalisation programmes which are seen to be needed to boost export.

Thus, the ADB forecasts that India's debt-service ratio, generally seen as a key test of a country's ability to pay its debts, will continue to decline since hitting a peak of 30.6 per cent during the country's foreign exchange crisis of 1991.

But some Indian economists say the country's long-term debt prospects are worrisome.

India's terms of borrowing have been getting tougher, especially in the 1980s when it gradually opened up its economy, says a paper by Biswajit Dhar of the research and information system for the non-aligned and other developing countries.

India is getting less 'soft' loans from governments and more 'hard' loans from private banks. The share of official loans is down from nearly 90 per cent of total in 1980 to about 60 per cent in 1991.

As a result, average interest rates on loans rose gradually from 5.2 per cent in 1980 to 5.8 per cent in 1991. Repayment periods were shortened drastically from about 34 years on the average to about 20.

The promise of liberalisation is these debts will be paid off an increasingly efficient and competitive economy. But so far,

especially since the mid-1980s, debt has been growing faster than the economy, says Dhar.

The mid-80s were also a turning point for Indonesia, says Willy Darmawan of the Asia Regional Fellowship Indonesia. Since that time, its payments on interest and loan principal have exceeded new loans.

From 1985 to 1990, this net outflow has amounted to almost four billion US dollar and the sum will keep growing in the coming years, Darmawan says.

Such trends do not alarm institutions like the ADB. In its 1992 survey of the Indonesian economy, the Manila-based bank noted Jakarta has kept monetary and fiscal policy tight, practising the sort of prudence that has kept the region's debt problems within bounds.

Moreover, exports are expected to keep growing at rapid rates of about 13 per cent and thus ensure that country's debt service ratio will decline this year and next.

Thai-Vietnam joint venture to explore zinc, lead

BANGKOK, Oct 9: Thailand's Padaeng Industry Company Ltd has formed a joint venture with Vietnam's state-owned mining corporation for zinc-lead exploration and mining in northern Vietnam, the company announced yesterday, reports AFP.

The mine in Bac Thai province, 270 kilometre (167 mile) north of Hanoi, is estimated to contain three million tons of lead-zinc deposits. Padaeng Managing Director Prawit Klongwatannakij told a press conference.

Padaeng holds 85 per cent of the venture while Vietnam hold the remainder. Total investment is expected to amount to 500 million baht (20 million US dollar), Prawit said.

A one-year feasibility study will be undertaken to determine the quantity of reserves, he added.

The 16.4 square kilometre (6.5 square miles) site is estimated to contain sufficient ore to sustain mining for between 10 and 15 years. The ore is of better quality than that found in Thailand with a zinc content of more than 10 per cent, Prawit said.

Beijing withdraws trading rights from two firms

BEIJING, Oct 9: China, seeking to avoid damaging US retaliation against its lucrative textile and garment trade, has withdrawn trading rights from two firms making illegal exports, the China Daily reported today, reports AFP.

A third company has received a "suspended" sanction, the English-language daily quoted the Ministry of Foreign Trade and Economic Cooperation as announcing Friday, adding staff directly involved in the violations would be severely punished.

The report — which comes amid US warning that illegal exports are jeopardising China's multi-billion dollar garment and textile trade with the United States — gave unusually detailed information about the companies.

The China National Native Produce and Animal By-product Corp's Shanghai Tea Subsidiary, Southern Guangdong province's Sihui Wei Fat Knitwear Co, and Southeastern Fujian's Xiamen Bei An Knitwear Co had "turned a deaf

ear" to the ban on illegal textile exports, the report quoted an official as saying.

They have caused negative effect (on China's image) by using a third nation or region's label of origin to export Chinese-made garments to countries with import restrictions," the officials said.

The three companies, all of which had a Hong Kong connection, have used "made in Taiwan" labels, they said.

Shanghai Tea had its export licence suspended for one year for sending thousands of falsely labelled men's shirts to the United States in May, while cash from the illegal deal was confiscated, it said.

Sihui Wei Fat was similarly dealt with for exporting underwear to an unspecified destination, while Xiamen Bei An received suspended punishment after its sweaters were seized and shipped back upon arrival in Taiwan last October, the paper said.

US Supreme Court asked to prepare environment review of NAFTA

WASHINGTON, Oct 9: Two grassroots groups asked the United States Supreme Court to review a lower court ruling that freed the federal government from having to prepare a comprehensive environment review of the North American Free Trade Agreement (NAFTA), reports Reuters.

The appeals court overturned an earlier lower-court ruling requiring an Environmental Impact Statement (EIS) on NAFTA, ruling that courts do not have authority to review the US trade representative's refusal to prepare on EIS on NAFTA.

The two groups were among three that initially sued the government for failing to do an EIS.

President Bill Clinton hailed last month's ruling and said it improved his chances of getting the United States congress to approve the treaty linking Mexico, the United States and

Canada in one large free trade zone, NAFTA is due to take effect from January 1.

The petition argues that the initial lawsuit did not ask the courts to review or set aside the president's decision to submit NAFTA to congress, only to enforce national energy policy act's "plain language" requiring the administration to prepare an EIS.

It urged the supreme court to hear the case even if congress has already voted on NAFTA because it raised the question of whether an EIS was needed for other trade agreements such as the Uruguay Round of the General Agreement of Tariffs and Trade (GATT). The government has 30 days to respond to the petition.

NAFTA, signed by then-president George Bush, would create a market that is about equal in size to the 12-nation European Community.



Director-General of General Agreement on Tariffs and Trade (GATT), Peter Sutherland smiles as he waits for the meeting to begin at the ASEAN Economic Minister meeting Saturday. Failure to conclude the Uruguay Round will have serious repercussions for ASEAN countries, Sutherland said Friday. — AFP photo

US intensifies drive to spur farm exports to Gulf states

ABU DHABI, Oct 9: The United States has stepped up a drive to boost farm exports to wealthy Gulf Arab States in a bid to cut persistent trade deficit caused by its large oil imports from the region, reports AFP.

The world's leading farm exporter is banking on its strong post-war relationship with Gulf Cooperation Council (GCC) states and a steady growth in their food imports given their arid desert land.

Annual US farm exports to the six nation Gulf alliance have almost doubled to around one billion dollar since 1985 and officials expect the figure to increase further after the opening of an agriculture office in the region.

The agricultural trade office was opened in Dubai last month and it covers Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates (UAE), the remaining GCC member.

Saudi Arabia, is covered by an office in Riyadh.

"US farm supplies to Gulf states have steadily increased and are expected to continue to grow in future given their competitiveness," a statement issued Friday by the US embassy said.

"The opening of the office in Dubai will help boost those exports as the emirate is the main commercial centre in the Gulf."

Official figures show US farm exports accounted for more than 10 per cent of the total exports of 421 billion dollar in 1991. Japan is the biggest market for US food exports, estimated at eight billion dollar.

GCC states depend heavily on food imports, with their bill rising to eight billion dollar in 1992 from seven billion dollar in 1990 and 6.5 billion dollar in 1985, according to official Gulf figures.

Although they have achieved

self-sufficiency in some products, they remain heavily reliant on other sectors. In 1991, the GCC's imports of cereal stood at 2.6 million tonnes while imports of rice stood at 770,000 tonnes, meat at 400,000 tonnes, dairy at 250,000 tonnes and sugar at 470,000 tonnes.

Most of their food imports come from the United States, France, Britain, New Zealand, India, South Korea, China and Australia, which alone supplies the six members with more than 700,000 live sheep every year.

"The Gulf is a good market for several reasons," the UAE Daily Al-Bayan on Friday quoted Edwin Porter, director of the Dubai agriculture office, as saying.

He said US food manufacturers were cutting prices to face competition in the Gulf, mainly from the European Community and Australia.

French culture, business demand protection from free trade

PARIS, Oct 9: The Academie Francaise, charged with defending France's language and culture, joined with the country's filmmakers Friday in demanding protection from free trade. But top corporations pushed for a trade accord, reports AP.

The protests and declarations exemplified the pressures facing the French government as powerful constituencies clash over talks on lowering world trade barriers. French film and agriculture could suffer while telecommunications, aerospace and other sectors could benefit.

In a communiqué Friday, the Academie Francaise said that a global trade accord under the General Agreement on Tariffs and Trade, or GATT, would be "inacceptable if it didn't have a clause exempting culture."

"Culture should not be bargained for. Literary or artistic works... cannot be equated with raw materials or some kind of manufactured product," said the Academie, which includes leading writers, artists and scientists.

"As a result, the Academie demands that the government not give in to any concession," it said.

Earlier Friday, French movie

industry figures said in an open letter to American directors Steven Spielberg and Martin Scorsese that they needed government support — thus exemption from a free-trade accord — to keep American film from destroying them.

"We are not protectionist, we believe in freedom of expression as strongly as you do," said

France's Society of Writers, Directors and Producers in a letter published in Paris dailies. "We demand only one thing: to exist."

The letter signed by actor Gerard Depardieu, directors Louis Malle and Claude Lelouch among others, answered a letter by Spielberg and Scorsese, who said they were "worried hearing about quotas and restrictions."

France and six other European countries, which subsidize homegrown films, are calling for the industry to be excluded from free trade rules. As it is, American films account for 60 per cent of France's box office revenue while French, productions earn one-half of one per cent in the United States.

Elsewhere in Paris, however, leaders of more than 90 of the world's biggest companies called on governments to wrap up the world trade talks "in the name of the ecology and the economy."

The World Business Council on the Environment, founded at the beginning of the year by the International Chamber of Commerce to help encourage Earth — friendly development, said the accord would stimulate the world economy.

"Growth is essential for durable development that doesn't hurt the environment and depends on free investment and trade," it said in a communiqué.

Washington has rejected France's demands to renegotiate the accord to reduce the impact on its farm industry.

net corporation tax collections in April to September 1993 came to 32.13 billion rupee compared to 31.59 billion rupee in the same period in the previous year, the ministry said.

The trend of revenue collections is satisfactory keeping in view the net total collections at the major centres of Bombay, Delhi, Calcutta and Madras which show a marked increase," the ministry said.

Pipeline from Oman feasible

PTI says from Singapore: Oman has informed India that a technology study found the proposed 900-mile long pipeline from the sultanate to India was feasible.

Kuwait may pass law to probe personal wealth of govt officials

KUWAIT, Oct 9: Kuwait's parliament hopes to pass a law allowing authorities probing corruption to examine the personal wealth of senior government officials, a lawmaker said.

Acting Speaker Ahmed Baqer told Reuters the opposition dominated assembly hoped to pass the legislation in the 1993-94 session starting on October 26 to help any officials called upon to investigate future corruption.

"The law would be passed in case of future incidents. I do not envisage it being used for current events," he said by telephone. He did not elaborate on the proposed law.

The assembly also aimed to pass a law that would allow the courts, subject to the assent of parliament, to government ministers suspected of corruption.

Baqer said that at the moment ministers could be tried only with the assent of the Emir, Sheikh Jaber Al-Ahmed Al-Sabah.

Arab states need to create 2.5 m jobs a year

ABU DHABI, Oct 9: Arab states, their unemployment problems worsening after the Gulf War, need to create 2.5 million jobs a year to face growth in their workforce, an official report said on Friday, according to AFP.

The number of job seekers is projected to grow by two per cent annually during the 1990s to reach 99 million by the year 2000, when the population is expected at 295 million, said the report by the Cairo-based Arab Economic Unity Council (AEUC).

"This means there will be a demand of 2.5 million jobs annually during this period," the report said.

Most Arab countries are already suffering from high unemployment rates due to economic problems caused mainly by political instability and decades of state control of the economy. The problem worsened in some member states after hundreds of thousands of Arabs lost their jobs in the Gulf during the war.

According to AEUC, which groups the Arab economy ministers, around two million Arab

workers lost their jobs, mainly in Saudi Arabia, Kuwait and Iraq.

They include 70,000 Egyptians, 345,000 Palestinians and Jordanians, 110,000 Syrians, 60,000 Lebanese and unspecified number of Sudanese.

More than 730,000 Yemenis were also expelled by Saudi Arabia after it accused Sanaa of sympathising with Iraq when it invaded Kuwait in 1990.

Besides these, there were five million unemployed persons in 1990, including four million in Egypt, Morocco, Algeria and Sudan," AEUC said.

The report did not say how Arab states would face labour growth but many of them have launched reforms to tackle their economic difficulties like debt, unemployment, low investments, budget deficits and a large import bill.

A recent report by the Abu Dhabi-based Arab Monetary Fund (AMF) cited other reasons for the deteriorating unemployment problem, including a rapid population growth, a slowdown in Gulf economies after the end of the oil boom,

Tokyo may net \$2.4b from emergency rice imports

TOKYO, Oct 9: The Japanese government is expected to net 250 billion yen (2.4 billion dollar) from its emergency rice imports this year, a newspaper said Saturday, reports AFP.

The Sankei Shimbun said the government would be buying the 200,000 tonnes of rice at prices far lower than the local product, but selling it to consumers at the usual price.

Japanese rice prices are six to 10 times higher than foreign rice, the newspaper said.

A poor harvest this year forced the government late last month to decide on the imports, although Tokyo normally maintains a self-sufficiency policy on rice and virtually closes the market to foreign products.

The Sankei speculated that the emergency imports would be made from Thailand and China.

Official statistics show Japan's rice harvest index in September stood at 80, against a norm of 100, the lowest level since the end of World War II.

Japan's economic slump worsens despite recovery package

TOKYO, Oct 9: The Japanese economic slump has worsened, despite an additional recovery package adopted in mid-September, Prime Minister Morihiro Hosokawa said yesterday, reports AFP.

"It's worse than a month ago," the Prime Minister said at a budget committee meeting of the House of Councillors, the upper house of parliament.

The Hosokawa administration hammered out pump-priming measures worth 6.2 trillion yen (59 billion dollar) on September 16.

The step followed economic recovery measures worth 10.7 trillion yen adopted by the government in August last year and a similar package of 13.2 trillion yen in April this year.

Finance ministry officials said Wednesday that the Japanese economy remained stagnant in the May-September period with no signs of recovery.

All major economic research institutes here have revised downward their earlier estimates for the Japanese economic growth for fiscal 1993, ending next March.

The average estimate made by seven organisations, including Nomura Research Institute, for the growth of Japan's fiscal 1993 gross national product (GNP), was revised from 1.9 per cent to 0.3 per cent.

Unemployment at 6.5 of workforce

Another report adds: Unemployment in Japan is currently at 6.5 per cent of the workforce, not the 2.5 per cent previously reported by the government, press reports yesterday quoted an internal Asahi Bank report as saying.

The report blamed the discrepancy between the government and unofficial figures on corporate "hidden unemploy-

ment," saying Japan had an additional 2.5 million people effectively unemployed while they remained on company payrolls.

The internal report had been leaked to the Japanese press after the bank had refused to release it to the public, although the bank confirmed the tenor of the press reports to AFP.

Because of the tradition of life employment for workers in Japan, companies here often keep employees on the payroll without actual duties rather than lay them off during economic downturns.

The employees — usually over the age of 50 — are often kept on at reduced pay or are shifted off to subsidiaries.

Added to the official figure of 1.6 million unemployed, the extra workers would make up a total four million unemployed in Japan, or 6.5 per cent of the workforce, the bank said.

It criticised the practices leading to the hidden unemployment, citing high costs for companies, and called for changes in Japan's social system.

Although the figure puts Japan's unemployment rate just below that of the United States, which has a rate of 6.8 per cent, it is still far under the rates in Europe, some of which are above 10 per cent.

White collar workers have been particularly hard hit in almost every sector, especially in industry where the number of employed fell for the first time during the 12 months ending June.

Even if the employment situation in Japan is getting worse, it is still far from being serious," the economist said, adding that it was "premature" to talk of the end of the system of life employment in Japan, traditionally one of the pillars of the country's social cohesion.

German banks make progress in talks on Russia's debt rescheduling

FRANKFURT (Germany), Oct 9: Commercial banks with outstanding loans to Russia, said Friday they had made "substantial progress" in talks with Moscow on rescheduling Russia's debt although no final agreement has been reached yet, reports AFP.

In a statement published in Frankfurt, the Deutsche Banked committee of western banks, which represents some 600 financial groups, said: "Recognising the technical and legal questions that remain to be resolved, the two groups decided to continue their deliberations in the coming weeks."

The talks here on Thursday and Friday focused on conditions for rescheduling Russia's private sector debt of some 26 billion dollar.

Deutsche Bank President Hilmar Kpper said Tuesday that the banks had prepared an agreement which would involve a five-year freeze on repayments and servicing followed by gradual reimbursement spread over 10 years.

Y'slav daily life getting tougher with stores empty

BELGRADE, Oct 9: A year and a half under international embargo, Yugoslavia has become a country with millions of poor trying to scrape by with an average of 15 dollar a month and a small number of rich businessmen and mafia types.

Yugoslavia (Serbia and Montenegro) "is coming ever closer to being a society of the South American type, with 80 to 90 per cent of the population poor and five to 10 per cent rich," Aleksandra Posarac, a researcher at the Belgrade Institute of Economic Sciences, told AFP.

"Nearly 90 per cent of Yugoslavia can no longer feed themselves normally and are trying to survive. Bread is becoming the basic food. If the water-heater or the stove breaks down, that means disaster. We have fallen from a European standard of living to an African level," she said.

Yugoslav daily life is becoming tougher and tougher. Most stores are empty, and the only place one can find — and pay dearly for — ordinary consumer products such as cooking oil, sugar and flour is on the black

market, paying dearly.

Introduction of rationing cards in Serbia and Montenegro has not improved things. At Lesovac, Pirot and Zajecar, in eastern Serbia, bread has been rationed for weeks at a level of 500 grams per person per day, and meat is rationed in his, in the east.

"A new drop in wages before year's end is inevitable, and we're headed right for disaster. The economy doesn't any more, it's been killed by hyperinflation, which is reaching 10 per cent a day and will show up in an eighteen-digit number at the end of the year," warned Posarac.

In a crisis-ridden atmosphere, war profiteers, embargo runners, hoarders and currency traffickers have made spectacular fortunes.

While Yugoslav per-capita income is expected to be about 350 dollar this year (against 3,000 in 1990), certain people have built up fortunes in two years estimated by the press at hundreds of thousands and even millions of dollars.

This sudden prosperity generally reflects such activities as currency traffic, rounding up

and selling goods that cannot be found on the market, bank fraud and real estate speculation often with the complicity of some politicians.

Two ministers were arrested here in the last few months on charges of having received hundreds of thousands of dollars in connection with clandestine deliveries of gasoline to Yugoslavia.

"The 'new rich' drive around in luxury cars and buy houses and apartments in chic Belgrade districts. The more cautious among them open foreign bank accounts, generally in Cyprus or Greece, according to the press.

One original kind of fraud involves setting up private banks paying extravagant interest rates, before going bankrupt — and by strange coincidence, the owners generally vanish without a trace.

Some underground characters have given their careers a new direction by selling "war booty" resulting from two years' fighting in Croatia and Bosnia — trunks, cars, TV sets, jewellery — and investing the proceeds in more traditional kinds of business.