The Daily Star
BUSINESS

DHAKA SATURDAY, MARCH 19, 1994

Beijing signals need for stable monetary policy

BEIJING, Mar 18: A senior Chinese finance official Thursday signalled a cautious approach to the sector's development this year, pointing to some "difficulties" in strengthening Macro-economic control, reports AFP.

People's Bank of China Vice Governor Zhou Zhengqing laid stress on the need for a stable monetary policy to achieve stable economic growth, denying the government would soon be forced to loosen its credit policy once again to bail out loss-making state enterprises.

"Overall we are adopting a stable approach, we are not just tightening, just loosening suddenly," said Zhou forecasting annual growth in money supply, including bills and coins, of 23 per cent and growth in the slightly broader supply of 24 per cent.

"It is not right to assert that our macro-economic measures came to an end, but it is true that we have encountered some difficulties but that is because of a multitude of reasons," the central bank official said.

In mid-1993, China launched an austerity programme aimed at cooling the overheated economy, but economists say the policy was all but abandoned in the last quarter after output at cash-strapped state-enterprises plummeted.

In January — when urban inflation remained above 20 per cent — the authorities announced a renewed clampdown on credit.

Liu said in 1994 special emphasis would be on strengthening financial supervision, well as on ensuring currency stability and curbing inflation by keeping a close watch on credit, particularly for fixed asset investment.

In this way, China would "avoid disorder in the banking sector that became a problem will in the first half of last year," he said, adding he was confident the yuan's exchange rate would remain stable this year despite some recent evidence on the black market of pressure on the Chinese currency.

Arab states to activate stock markets for economic reforms

ABU DHABI, Mar 18: Arab states are trying to expand their relatively dull stock markets to support economic reforms and repatriate their overseas funds that have surpassed their Gross Domestic Product, reports AFP.

Officials and experts from the 22-member Arab League will gather in Amman early next month to discuss activating their stock markets as part of ongoing reforms to tackle persistent economic problems in most member states.

Jordan's Crown Prince Hassan will open the April 9-11 conference, which will cover upgrading dealing in the existing exchanges and encouraging League members which have no formal markets to open floors.

"The conference is of extreme important given the significant role of bourses in boosting national savings," said Adnan Al-Hindi, Secretary General of the Beirut-based Arab Banks Union (ABU).

"They also play a major role in ensuring the success of economic reform programmes which have gained momentum in some Arab countries and are expected to attract investment and redress structural imbalances in the economy," he added in an invitation letter to the UAE, obtained on Thursday.

Egypt, Jordan, Morocco, Tunisia, Algeria, and other Arab nations have embarked on reforms to revive their economies that have been throttled by decades of state control, mismanagement and political instability.

Their economic problems include mainly accumulating debt, slow growth, unemployment, low investment and a persistent deficit in their budgets and balances of payments. Those five countries owe more than 80 per cent of the total Arab debt, which exceeded 150 billion dollars at the end of 1992.

The problems have persisted although more than 370 billion dollars have been pumped into Arab states in aid and investment over the past two decades.

The pace of economic reforms accelerated after the Gulf War, which forced oil producing states in the region to slash aid to fellow members, most of whom have heavily depended on assistance and remittances from the Gulf.

But the reforms have failed to attract overseas Arab funds due to the absence of formal stock markets in several countries and weakness in existing exchanges, according to the Arab Monetary Fund (AMF).

In a study presented at an economic conference here last month, the Abu Dhabi-based AMF said Arab investments abroad, concentrated in stocks and bank deposits in Japan and the west, exceeded 650 billion dollars, far more than the combined Arab GDP of around 450 billion dollars in 1992.

"Despite the economic achievements made in some Arab countries due to the reform programmes and efforts being exerted in others, their stock markets still need a comprehensive structural development, the study said.

There is a general weakness in the legislative and organisational structures in the markets as well as the absence of secondary exchanges, market-makers and qualified personnel in the financial, auditing and legal functions associated with the stock markets.

Only 10 of the Arab states have official floors but activity in such markets have remained relatively low due to political uncertainty in some members and lack of incentives and information about trading institutions. In the oil-rich Gulf, a high government ownership is stifling stock operations and keeping turnover, except in Saudi Arabia, at the bottom of the list.

At the end of 1992, more than 1,100 banks and companies were listed in Arab stock markets with a capitalisation of around 30 billion dollars.

Corral buys Sweden's largest oil company

STOCKHOLM, Mar 18: Corral Petroleum Holding, owned by Sheik Mohammed al-Amoudi of Saudi Arabia, made what it called a "strategic concentration" in northern Europe on Wednesday by buying Sweden's largest oil group, OK Petroleum, reports AP.

Corral paid 9.5 billion kronor (1.2 billion dollars) for OK Petroleum, Scandinavia's largest oil refiner, handling about 25 per cent of the region's capacity.

The costs include 3.6 billion kronor (450 million dollars) in payment of OK's debts, Swedish radio and national news agency reported.

Statements from Corral and OK announcing the deal did not mention the debt payments. The announcements said only that Corral paid 5.9 billion kronor (737.5 million dollars), buying 52 per cent of the shares from Kooperativa Forbundet, a Swedish conglomerate; 24 per cent from the Swedish state and 24 per cent from the Finnish state petroleum company, Neste Oy.

OK Petroleum is one of Sweden's top 10 exporters, with petroleum product exports accounting for about half of the company's 19 billion kronor (2.365 billion dollars) in annual sales.

"We intend for OK Petroleum to grow within its area of operations, in Sweden as well as the rest of Europe," said Ghazi Habib, a spokesman for the buyer. He said the acquisition, rumored since October, should be seen as a "strategic concentration" on northern Europe.

The transaction includes all OK Petroleum operations, from prospecting, production and refining of raw oil through delivery of products to retail outlets and end users.

But it does not include the 650 OK gas stations in Sweden, which are owned by separate economic cooperative associations.

"I am convinced the buyer is good for the group, our customers and our suppliers," said Sven-Erik Zachrisson, president and chief executive of OK Petroleum.

The group's management will remain in place and its 2,200 employees won't face job cuts, he said.

Acrimonious discussion on budget

India not heading for a debt trap: Manmohan

NEW DELHI, Mar 18: India is not heading for a debt trap or an inflationary spiral following a series of market reforms launched by New Delhi in 1991, Finance Minister Manmohan Singh said here Thursday, reports AFP.

The government has completely eliminated short-term debt and brought medium-term debt under greater control, Singh told parliament during an acrimonious discussion on the current federal budget.

"We have the will, ability and resources to keep prices under control", he said.

Opposition members of parliament have called Singh's fourth budget a politicians' package and warned that the steep fiscal deficit of 18 billion dollars for 1994-95 would result in an inflationary spiral and stagflation, and plunge India into a debt trap.

Sigh, the architect of India's financial reforms, said interest accounted for only 3.3 billion dollars of the 8.2 billion dollars needed for debt servicing and did not jeopardise foreign exchange reserves.

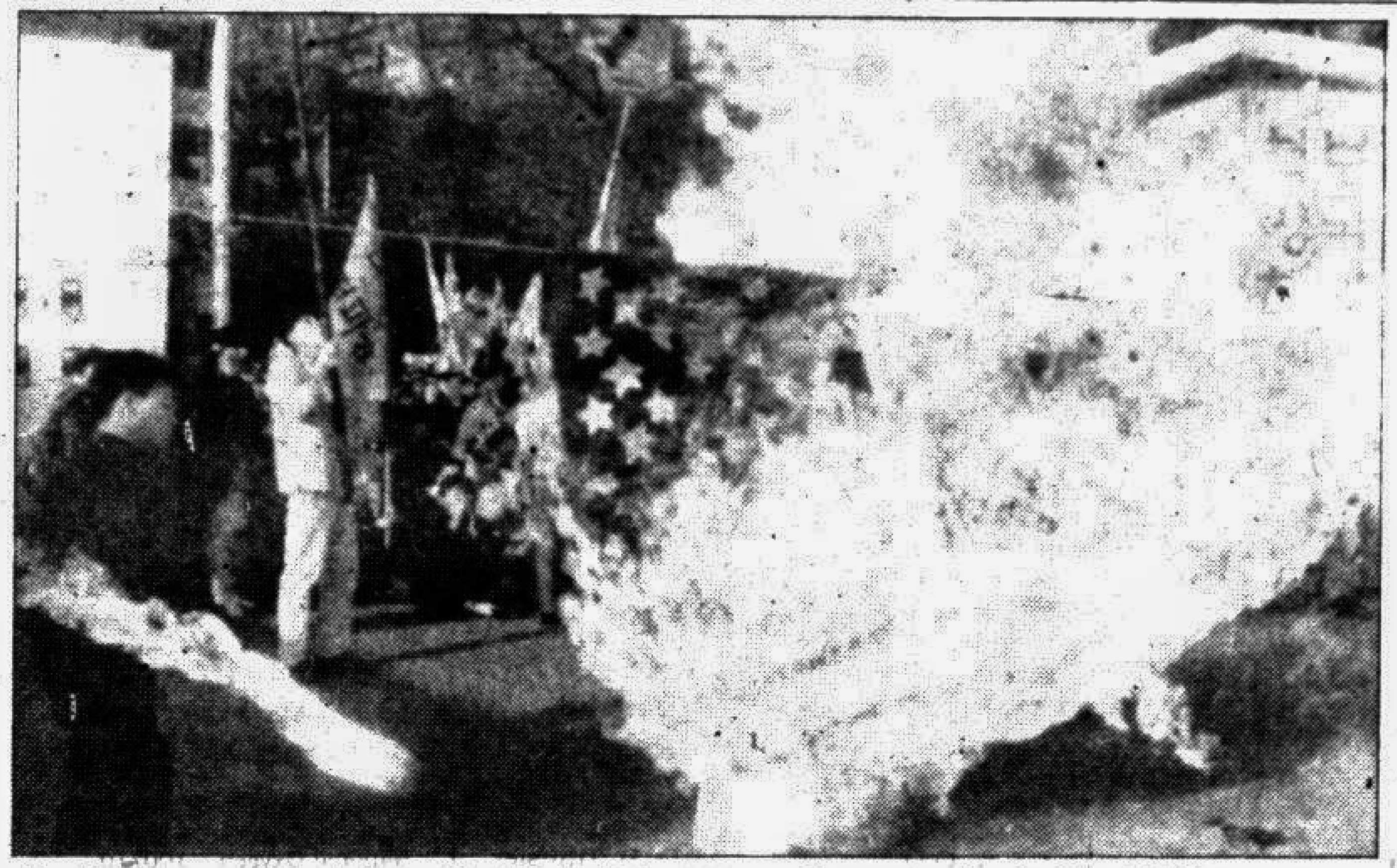
India's foreign exchange reserves now stand at a record 10.9 billion dollars.

The former economist and World Bank official said the process of liberalisation had to continue unhampered and highlighted higher foreign exchange reserves for growth.

"Unless we can overcome foreign exchange reserve constraints, we cannot move to a higher growth rate," he said.

Singh, criticised for allegedly succumbing to pressures from the International Monetary Fund and the World Bank, said overseas loans would have to be avoided in the future.

The latest budget gives a strong stimulus to industry, whose sluggishness has kept overall economic growth stagnant at four per cent for two years, and provides hefty tax and tariff concessions to businessmen and incentives to exporters.



South Korean students burn the US flag at a campus demonstration in Seoul Friday against alleged US pressure on Seoul to allow rice imports. — AFP photo

10 hurt as ROK students protest US trade pressure

SEOUL, Mar 18: More than 600 students shouting "Yankee go home" burned an American flag at a university in eastern Seoul Friday to protest US trade pressures, reports AP.

About 10 student were injured when some 500 police, armed with shields and helmets, clubbed the protesters when they tried to leave Hangyang University to march in the streets. Protesters fought back by spraying the police with fire extinguishers.

The demonstrators claim that South Korea's recent market-opening moves are the result of US pressures. South Korea accepted the openings as part of the multilateral Uruguay Round talks after negotiations with the United States last December.

"No Uruguay Round!" students shouted, stabbing clenched fists in the air, as a US flag burned.

The decision to open South Korean markets to foreign farm goods has set off major protests in recent months by farmers and sympathizers. Around 6 million South Koreans are farmers, and many more trace back their roots to rural communities.

Students also accused Washington of warmongering by heightening tensions on the Korean peninsula through its demands that Communist North Korea accept required inspections of its nuclear sites.

Economic slump badly hits Tokyo's household savings

TOKYO, Mar 18: The average Japanese family's savings fell last year for the first time in 31 years, in an indication that the nation's prolonged economic slump has finally begun hurting typical households, reports AP.

The average family had 14.98 million yen (141,320 dollars) in savings at the end of 1993, 2.5 per cent less than a year earlier, the Prime Minister's Office reported Friday.

It was the first decline in average household savings since 1962, an official in the Prime Minister's Office said. The typical family's nest egg had grown by 4.9 per cent in 1992.

Japanese have one of the highest saving rates in the world. In 1990 the average family saved 14.1 per cent of its income, compared to 12.2 per cent in France, 7.3 per cent in the United States, and 4.9 per cent in Britain, according to the Bank of Japan.

Japan says its higher savings rate contributes to its giant trade surplus, since more money is available for investment and less for purchases of imports.

The government has been trying to encourage Japanese to spend more to reduce the diplomatically contentious trade surplus with the United States, while telling Americans they should save more.

But last year's drop in savings probably reflects lower family incomes more than a falling propensity to save, and therefore isn't likely to make more money available for buying foreign products.

4 Japanese firms agree to provide multimedia services

TOKYO, Mar 18: Four large companies said Thursday they have agreed to conduct joint tests on supplying multimedia services to Japanese homes in what they said would be Japan's first tie-up between a cable TV system and a regional telecommunications provider, reports AP.

The agreement is a sign of loosening government regulations, which have been blamed for Japan's lag in multimedia applications.

"It clearly illustrates that these areas are being deregulated and new combinations can emerge," said Steven Myers, an analyst in Tokyo with Jardine Fleming Securities Ltd.

The consortium follows a series of tie-ups or mergers between cable and telephone companies in the United States and Europe aimed at building networks for multimedia, which combines video with the information processing power of computers.

Three of the companies — Tokyo Electric Power Co and giant trading houses Mitsui and Co and Mitsubishi Corp — have stakes in TTNet, a fiber-optic telecommunications network used by businesses.

The fourth railway operator Tokyu Corp, runs a cable TV system in southwestern Tokyo.

Japan rules out plans to increase import of auto parts from US

TOKYO, Mar 18: Japan's trade minister on Friday bluntly rejected US suggestions that the government guarantee fulfillment of Japanese automakers' plans to increase imports of US-made parts, reports AP.

Government involvement in private sector agreements to boost imports was out of the question, Hiroshi Kumagai said.

Kumagai also said he favoured dropping the limits set in recent years on Japan's auto exports to the United States.

"Has the US government shown any appreciation for our efforts on earlier voluntary export restraints? No," Kumagai declared to reporters.

It appears increasingly likely that Japanese market-opening initiatives expected later this month will fall short of US demands, and that Japan could again face the threat of American trade sanctions.

Kumagai echoed comments made Thursday by the car industry's top representative, Nissan Motor Co chairman Yutaka Kume, who said Japanese auto firms' plans for increasing imports were "absolutely a matter between private businesses."

The government has said it opposes setting "targets because they would amount to managed trade.

Some trade ministry officials have said the automakers' plans would be kept separate from the package of trade measures expected later in March. Others have said they might be included.

Kumagai's remarks came as Japan and the European Union held talks Friday on setting a new quota for Japanese auto exports to the EU. Last year, the quota was set at 1.09 million autos, down from 1.2 million in 1992.

EU officials worry that a Japan-US deal on auto trade could work to the disadvantage of European exporters.

Talks between President Clinton and Prime Minister Morihiro Hosokawa on ways to reduce the overall imbalance collapsed last month, and Washington has threatened to impose sanctions if Japan does not take effective action to stem its rising trade surpluses.

Tokyo does not appear ready to go much beyond previously announced steps such as cutting taxes and reducing regulations that make it hard for newcomers to enter the Japanese market.

A senior Foreign Ministry official indicated Thursday that the March deadline was too soon for specific new deregulation steps because extensive negotiations within the government are needed in each case.

Survey says

IMF obstacle to economic growth in Philippines

MANILA, Mar 18: Half of Filipinos believe the International Monetary Fund has been an obstacle to growth and blame it for the nation's economic problems, according to a survey released Friday, reports AP.

The poll by the Research and Business Analysis Division of the ABS-CBN, the country's largest radio-TV network, said much of this "negative impression" has been the result of continued economic hardship.

The survey was conducted in February ahead of another round of talks this week between government and IMF representatives to agree on another economic programme for the Philippines.

A new IMF programme would allow the Philippines to reschedule about 1.3 billion dollar in official debt.

Chief economic planner Manae Kubota said Friday that the government planned two economic packages, one in March and another in June. Macroeconomic measures aimed at stimulating the economy, and by extension imports, might be included, Kubota said.

Merryl Lynch looks forward to expanding trade in India

NEW DELHI, Mar 18: US investment banking and securities giant Merryl Lynch's Chief Executive, Daniel Tully, arrived here today on a visit during which he will meet with government officials and businessmen, reports AFP.

Tully said in an arrival statement that he looked forward to expanding business with Indian companies.

"Today, international investors are extremely interested in opportunities in India, just as Indian enterprises are seeking capital for growth and development," the statement said.

"Merryl Lynch looks forward to continuing to play a meaningful and constructive role in this process for our clients both in and outside of India," it added.

Merryl Lynch has been the lead manager for several prominent transactions including the India fund, the first instrument which enabled international investors to enter the Indian capital market.

It also managed the first Euro Convertible Bond Issue offered by an Indian firm, Essar Gujarat.

Indians willing to invest more in Sri Lanka'

COLOMBO, Mar 18: Indian industrialists are willing to invest more in joint ventures in Sri Lanka, an Indian delegation told Sri Lankan Trade and Commerce Minister A R Munsoor here yesterday, reports Xinhua.

A Arunachalam, the head of the Indian delegation, said more joint ventures will help Sri Lanka reduce the volume of its small industrial imports while sharing advanced Indian technology in the field.

While welcoming India's gesture on enhanced investments, Munsoor urged the Indian delegation to continue dialogue with Sri Lanka's two trade chambers so that industrialists in India will be in touch with latest trends in his country's trade and commerce.

Thailand backs Vietnam's plan to join ASEAN

HANOI, Mar 18: Thai Prime Minister Chuan Leekpai gave firm support Wednesday to Vietnam's plan to join the Association of Southeast Asian Nations (ASEAN), reports AP.

Chuan discussed ASEAN with Vietnamese Premier Vo Van Kiet on the first day of a visit aimed at boosting trade and investment and deepening political ties between the two once hostile nations. He also met with Vietnamese Communist Party General Secretary Do Muoi.

Thai and Vietnamese officials signed two documents intended to increase tourism and improve business cooperation. Four commercial agreements to establish new Thai joint ventures in Vietnam were to be signed Thursday.

After Chuan's 90-minute meeting with Kiet, the Thai prime minister's spokesman, Abhisit Vejjajiva, said: "Vietnam again expressed her desire to increase her participation in regional affairs, particularly in ASEAN, and Thailand welcomes that desire."

Vietnam recently has intensified its efforts to join ASEAN, which includes Thailand, Singapore, Indonesia, Malaysia, Brunei and the Philippines.

"In due time, when Vietnam is ready, we would like to see Vietnam be a full member of ASEAN," Abhisit said. The two sides did not discuss the specific timing of such a step, but they understood that Vietnam would prepare itself for full membership, he added.

The two prime ministers discussed cooperation in using the Mekong River, and agreed to create mechanisms, such as special committees, to resolve disputes over fishing rights and their border in the Gulf of Thailand, Abhisit said.

They also agreed to jointly develop areas where their countries' territorial claims overlapped, except where Cambodia also had claims, he said.

Thailand and Vietnam are among the world's biggest exporters of rice, and Chuan and Kiet agreed that they should cooperate "to ensure that there will not be too much competition that would end up cutting the price of rice for both countries," Abhisit said.

After the meeting, Thailand's minister in charge of tourism, Savit Bhotiwihok, signed an agreement with Do Quang Trung, chairman of Vietnam's national tourism administration. Savit said he hoped to see greater Thai investment in hotels and the travel business in Vietnam.

Some 130 Thai government officials and businessmen are in Chuan's delegation for the four-day visit.

Officials of the Federation of Thai Industries signed an agreement to increase cooperation with Vietnam's Chamber of Commerce and Industry.

Myanmar hopes to host at least 500,000 tourists in '95

Minn Thu writes from Yangon

Despite 'malicious' rumours to the contrary, there's no reason why Myanmar (Burma) shouldn't be a tourist haven, says the tourism minister.

Never mind that the minister is a general and is a member of the ruling junta and that Myanmar's martial state is believed to have discouraged recent tourism. The minister, Lt Gen Kyaw Ba, announced recently that the two-week visas introduced four years ago will now be extended to four weeks.

This is to encourage tourism in preparation for the 'Visit Myanmar Year' in 1995, during which the country hopes to host at least 500,000 tourists. Myanmar wants to make the projected 1995 figure the annual rate of tourist arrivals.

A closed shop for tourists since the March 2, 1962 coup when the military formed the Burma Socialist Programme Party (BSPP), Myanmar gradually opened up. Twenty-four hour transit visas were replaced by three-day visas in the '70s. In the '80s visitors were allowed to stay for a week.

The ruling military State Law and Order Restoration Council (SLORC) began accepting package tours in December 1988 and granting two-week visas on May 12, 1989. The SLORC came to power during the September 18, 1988 coup that ended not only the authoritarian one-party socialist rule but also the pro-democracy movement.

Speaking at a recent contract-signing and ground breaking ceremonies for new hotels, Gen Ba said Myanmar could offer practically perfect security but 'this is not to say that tourists will be escorted all along the course of their tours'.

'I would like to say that 97 per cent of the whole territory is secured. Insurgents have to take refuge in the fringe which is only two or three per cent of our territory, and they all will be eradicated soon," he declared.

SLORC Secretary Lt Gen Khin Nyunt called on insurgents to return to the fold of law and contact the government for talks, promising them 'safe return'.

Endowed with plenty of tourist spots such as snow-capped mountains in the north and unspoiled beaches in the west and south, Myanmar might well be the prime centre of attraction in Southeast Asia, Gen Ba said.

The minister deplored though Myanmar's inability to accommodate and fully satisfy all tourists.

"We are still lacking in adequate accommodation and infrastructure...our transportation services are not as convenient as those of our neighbouring countries," he said. "This is our handicap. In fact, much remains to be done."

Myanmar has been exerting all-out efforts to promote the tourist industry in an attempt to boost its economy by allowing private sector and foreign participation in the hotel and tourism trade.

Last November 5, Burma's 92-year-old Strand Hotel was reopened as a five-star hotel after undergoing renovation for a year to preserve its colonial style. This was the first direct foreign investment joint venture project to be completed according to Gen Ba.

Aside from eight ongoing hotel projects expected to be completed by 1994-1995, negotiations are going on for six new ones, including a floating hotel, he said during the formal reopening ceremony attended by the two deputy premiers — Vice Admiral Maung Khin and Lt Gen Tin Tun, and Cabinet ministers.

The completion of the eight hotels would add some 800 rooms of international standard to the present, 2,264 rooms at 42 state-run and 52 privately-run hotels, motels and inns in this least developed country (LDC), he added.

Construction of an international airport in ancient Mandalay and the upgrading of another in Irrawaddy delta town are underway.

Two more new hotels will be built which are expected to be completed in 1995. After this, construction of commercial offices and 80 apartments would follow.

Singapore's Straits Greenfield Ltd, a branch of Straits Steamship Land Ltd (SSL), is building a 50-million US dollar five star hotel (with 450 rooms) on a 5.7 acre plot on Kaba Aye Pagoda road under a build, operate and transfer (BOT) scheme.

SSL came at an 'opportune moment' when Myanmar allowed only 'credible investors' in hotel development, Gen Ba said. Nine contracts with foreign investors have been signed and three more are being finalised, he added.

Another Singapore firm, System-bilt (Myanmar) Ltd — also signed a contract for the construction of a 250-room prefabricated four-star Parkview Hotel here at an estimated cost of 22 million US dollars. Also under BOT, the hotel will be transferred to Myanmar after 30 years.

The Tourism and Atlantic Outline Myanmar Ltd of Malaysia is also set to build a new 250-room hotel on Salon island in the west of Kawthaung (Victoria Point) on the top of 'Burma's leg' in the south.

Singapore's Nawarat Land, on the other hand, is turning the head office of Myanmar's Jute Industries in this capital into an 80-room Nawarat International Hotel.

The plans and contracts 'reflect foreign investors' confidence' in the stable environment and future prospects of Myanmar's economy, the minister said.

Last October, 23, Myanmar promulgated a new hotel and tourism law, which provided for both slight relaxation of restrictions and additional regulations in its bid to promote and develop the fledgling hotel and tourism industry.

All interested entrepreneurs from the state, cooperative and private sectors who wish to enter this field are now required to get prior approval of their project proposals before implementation, then apply for operating licences.

The state sector used to be exempted from applying for licences under the old law.

The SLORC introduced the old tourism law in 1990 to enable private sector participation in the tourism industry, which has been a state monopoly since the March 2, 1962 coup.

— Depthnews Asia