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China ready to dismantle worst loss-making state firms

BEIJING, May 28: China said it is determined to make its worst loss-making state enterprises swallow the bitter pill of bankruptcy this year after many faltering attempts, reports Reuter.

"Come hell or high water, we'll do it this year. We have to," a mid-ranking official of the state economic and trade commission said on condition of anonymity.

Beijing has already selected two unredeemable firms in the northern port of Tianjin and three in the Yangtze river city Chongqing for dismantling this year, he said.

The pilot programme, ordered by the state council, China's cabinet, also mandates that "one or two" chronic losers in each of 16 targeted industrial cities go bankrupt in 1994.

Central government teams will go to each target enterprise on June 1 to supervise their dismantling, he said.

The People's Bank of China (the central bank) has earmarked seven billion yuan (US 808 million dollar) to cover loans forfeited in these bankruptcies," the official said.

Bankruptcy is part of a broad state-sector reform scheme. The plan includes the first meaningful audits of 10,000 failed firms, dispatch of supervisory "watchdogs" to 1,000 ill-managed firms and management of 100 promising firms under the rigorous dictates of a new western-modelled company law.

Haemorrhaging firms in April comprised 50.9 per cent of China's more than 100,000 state enterprises.

That was an increase from the 49.6 per cent reported in March, the official said.

Subsidies to loss-makers in 1993 were bigger by 50 per cent than China's entire reported budget deficit of US 2.36 billion dollar— a shortfall that has surged in recent years due largely to state firms thirst for cash.

State industry's inability to cure itself has become a headache for Beijing, which would rather boost spending for badly needed infrastructure, and a cause for caution by the World Bank and other lenders.

Beijing's reformers have talked about bankruptcy for years and in 1991 made similarly bold pledges to force the worst loss-makers out of business.

But the few known experiments have faltered amid red tape arising from the old socialist system of "creadle-to-grave" labour benefits.

The commission official said Beijing had no choice, but to move ahead with bankruptcy this year, now that China has entered 1994-officially the "crucial moment" of reform.

Officials fear that the abandonment of the socialist financial and tax systems this year in favour of capitalist systems may fall if the cancer of subsidies is not cured.

But the biggest headache will be what to do with the 70 million workers and dependents who would lose their incomes.

"The biggest problem with bankruptcy is what to do with the workers," the Official said.

He said the Chinese bankruptcy strategy would put workers interests first.

Enterprise assets found by bankruptcy accountants would be used first assure the workers' livelihood, he said."Only then do you deal with repaying loans."

Most bankruptcies will include lump-sum severance deals to workers to finance a period of job-hunting, he said workers will be allowed to stay in their factory-allocated housing but will have to pay progressively rising rents.

The official attributed an increase in the number of lossmakers since mid-1993 largely to adoption of international accounting standards. For example, he said, long-term interest payments, bonuses, services and other expenses once billed against profits now are assessed as costs.

He said profits and taxes handed over by state industry actually rose 35 per cent in the first quarter over the 1993 period.

Russia's output in 1994 may fall by 25 pc

MOSCOW, May 28: Russian industrial output could fall by a quarter this year, the steepest drop in the last five years and much more than last year's 16 per cent drive, according to a government forecast published yesterday, reports Reuter.

The centre for economic analysts said lower output was due to "low domestic demand which resulted from tough monetary policies at the end of 1993... high production costs and strong competition from imported goods."

According to figures released earlier this month, industrial output was 25 per cent below year-ago levels in the first four months of the year.

But many economists and government officials doubt the figures, saying that they take little account of a rapidly growing private sector and a flourishing black economy.

The official forecast said the decline in machine-building was expected to be the sharpest at 44 per cent, compared with a 13 per cent fall last year.

Light industry output would fall 39 per cent after a 28 per cent drop in 1993 and timber industry production was likely to slump 34 per cent against 25 per cent a year ago.

MCCI urges India
Remove tariff impediments in way of Bangladesh's exports

NEW DELHI, May 28: A delegation of the Metropolitan Chamber of Commerce and Industry (MCCI) now on a visit here, discussed wide ranging economic issues with a number of Indian ministers and senior officials, reports BSS.

The discussions covered the narrowing down of the existing trade imbalance between Bangladesh and India.

The MCCI delegation, led by its President Latifur Rahman, urged the Indian authorities to provide preferential tariff to manufacturers items of Bangladesh and thereby remove the tariff impediments in the way of Bangladesh's exports to India.

The delegation met with the Indian Commerce Minister Pranab Mukherjee, Minister of State for External Affairs R L Bhatia, Minister of State for Steel Santosh Mohan Dev, Commerce Secretary Tajendra Khanna, Revenue Secretary M R Sivarama and Special Secretary (Economic Relations) P M S Malik.

The MCCI delegation also had a meeting with National Council of Confederation of Indian Industry (CII).

All the meetings yielded encouraging responses to the proposal put forward by the MCCI and CII joint task force which recommended for providing tariff concessions to a number of Bangladeshi products for reducing the existing trade imbalance, delegation sources said.

Bangladesh High Commissioner Farooq Sobhan was present in all the meetings.

The trade imbalance between the two countries is estimated at 500 million dollars. Bangladesh's export to India stands at 20 million US dollars while the country's import from India is estimated at 520 million US dollars.

The MCCI delegation urged the captains of Indian industry who attended the CII National Council session to invest in Bangladesh and avail the fiscal, tariff and other incentives made available by the government in generous terms.

The commendable macro-economic stability achieved in Bangladesh was also stressed.

Indian entrepreneurs have shown interest in joint venture collaboration in several areas like textiles, cement, fertilizer, leather, iron and steel, pharmaceuticals and chemicals.

Japan world's top overseas net asset holder

TOKYO, May 28: Japan maintained the world's top position in overseas net assets for the third consecutive year in fiscal 1993, posting 611 billion dollars, up 18.9 per cent from the preceding year, the government said Friday, reports AFP.

Net assets are the balance after liabilities are subtracted from assets held in foreign countries.

Abdul Muyeed Chowdhury, Acting Additional Secretary, Ministry of Land, seen delivering the inaugural speech at the three-day workshop of Delta Life Insurance Company at a city hotel on Friday. Senior Consultant of the company Zafar Halim is also seen in the picture.

US economy expands 3 pc

WASHINGTON, May 28: The US economy expanded three per cent in the first three months of the year, sharply higher than initially estimated, the commerce department said yesterday, reports AFP.

The first estimate, in [illegible], was that the US gross domestic product grew 2.6 per cent.

The department's second of three estimates surprised most analysts, who had forecast a downward revision to 2.4 per cent.

An inflation index linked to the GDP rose 2.6 per cent, unchanged from original estimate.

On the bond market, interest rates on the main 30-year treasury bond jumped to 7.42 per cent from 7.35 per cent late Thursday.

Hong Kong breathes easier as US renews China's MFN status

HONG KONG, May 28: Hong Kong breathed easier Friday after the United States renewed China's Most Favoured Nation (MFN) status, but a China business consultant warned of more bumps ahead in Sino-US relations, reports AFP.

Chief Secretary Anson Chan called President Bill Clinton's decision to sustain MFN while delinking trade from human rights "good news for Hong Kong," even though renewal was already widely expected.

"We know that the US administration took into account Hong Kong's concerns and we are grateful for that," said Chan, who personally went to Washington last month to lobby for unconditional MFN renewal.

Governor Chris Patten was in London when the announcement was made.

The stock market took the news from Washington in its stride, with the blue-chip Hang Seng index actually slipping 7.17 points to 9475.54 shortly before the close.

As the foremost portal for Sino-US trade, thriving Hong Kong risked seeing its 5.5 per cent growth rate slashed by up to three percentage points if MFN been revoked, according to government estimates.

Between 50,000 to 75,000 people of Hong Kong would also have lost their jobs.

"That loss has now been avoided," said Hong Kong General Chamber of Commerce Director Ian Christie.

"The decision to extend and de-link has the potential to put Sino-US relations on a sounder and more stable footing for the future," he added.

But a China business consultant, Jeff Muir, warned that Clinton's decision raises as many questions as it answers — particularly on how Washington now intends to confront Beijing in human rights.

"My question in all of this is, where will they now go with the human rights agenda," said Muir, Managing Director of Market Access Ltd and an associate of Hong Kong-based US businessman and human rights activist John Kamm.

Muir doubted that Clinton would let human rights fade into obscurity, but at the same time, the United States has a wide range of thorny issues to sort out with China.

Among those topics are freer market access for US goods and service in China, intellectual property rights, US policy on Taiwan and Tibet, ant the proposed setting up of a US-backed radio Free Asia.

"We're going to see this big over-focus on MFN disappear — but meanwhile, back at the ranch, there are all these other things which had been pushed into the background, and which now have to be dealt with," Muir said.

Speaking on local radio, Robin Munro, the Hong Kong Director of Human Rights Watch, Asia, called Clinton's announcement "deeply disappointing."

"This latest decision can only be taken as a victory for toughness, intimidation and a hardline position from Beijing," he said.

Inflation makes US stock market spooky

NEW YORK, May 28: Mere whispers about inflation can send investors running for the nearest exits. But is inflation truly a threat, or are investors and analysts — many of whom remember the black days of double-digit price increases in the 1970s — overreacting?, according to AP.

Stock investors are extra jittery these days about inflation, which raises corporate borrowing costs and cuts into profits. This past week the culprit on the inflation watch was commodity prices.

On Monday, the Knight-Ridder Commodity Research Bureau index of 21 commodities, which had reached its highest levels since October 1990, shot up another 4.67 points to 238.36. The rise in commodity prices sent the Dow Jones industrial average tumbling nearly 23 points.

Then on Tuesday, the Dow followed bond prices slightly higher, rising 2.76 points after grain prices fell in the response to rain forecasts.

"It's crazy to quote stocks on whether it's going to rain, but that's what happened," said Donald Ratajczak, an economist at Georgia State University's Economic Forecasting Centre.

The CRB index backed off later, closing Friday at 230.88 and helping to ease the market's fears. On Friday, the Down industrials closed at 3,757.14 up 3.68 for the day but down 9.21 for the week.

Investor confusion about inflation is understandable, since credible economists come down on both sides of the issue.

Some analysts look at the rise in the CRB index and a similar rise in the Journal of Commerce commodity index, and they argue that it is only a matter of time before the rise in commodity prices will pressure manufacturing costs and wages higher.

Particularly worrisome is a steep rise in oil prices, since they tend to have strong ripple effect across the rest of the economy. Oil is trading at about 18 dollars per barrel, up from a low of 14 dollars earlier this year.

But Dennis Jarrett, chief market analyst a Kidder, Peabody and Co., points out that oil prices are still below their 19 dollars level a year ago. "Sure we're up from the lows, but certainly on a relative basis, oil is still very low."

However, there is some evidence that inflation is hitting more than just commodity prices.

A leading inflation index put out by the Center for International Business Cycle Research at Columbia University has risen more than 6 per cent since last November. The index includes not only commodity prices but employment levels, import prices and surveys of business managers as to whether they believe they can raise prices.

Geoffrey Moore is the center's director and a former teacher of Federal Reserve Chairman Alan Greenspan. Moore, who is said to still have the chairman's ear, believes the index is forecasting a significant rise in consumer prices sometime this year.

But Samuel Kahan, chief economist at Fuji Securities in Chicago, dismisses such clarion calls. Labour costs, a huge portion of the economy, are still moderate, because productivity is still increasing, Kahan said. "If wages are going up at three per cent and our productivity grows at two per cent, then the real cost of labour is only one per cent, which isn't bad."

And US manufacturers cannot just blithely raise prices in this age of the global economy because they face stiff competition from offshore goods that are produced more cheaply," Kahan added.

The Commerce Department said Friday the nation's gross domestic product, the sum of all goods and services produced in the United States, expanded at an annual rate of three per cent in the first three months of this year. That's still a very modest growth that leaves lots of room to go higher, said Kahan, who expects the GDP growth rate to rise from its current three per cent to between 3.5 per cent and four per cent in 1995.

"What's one per cent among friends? he said.

On Friday, the NYSE composite closed at 252.79, up 0.18 for the day and 1.21 for the week. The Nasdaq composite rose 1.50 to 733.14, up 6.44 for the week. The Amex market value index rose 1.32 to 440.94, up 2.74 for the week. The Standard and poor's 500 index rose 0.27 to 457.33, up 2.41 for the week.

The Wilshire Associates' Equity Index, which is the market value of NYSE, American, and Nasdaq issues, ended the week at 4.53 billion dollars, up 25.62 billion dollars from last week. A year ago the index was 4.44 trillion dollars.

SIA launches new club for travellers

Singapore Airlines has launched the Young Explorer Club (YEC), says a press release.

The new club was floated on the 8th of May replacing the 15-year old Junior Jet Club.

Its aim is to inculcate the joy of international travel in youngsters and expose them to a new world of adventure.

Over the time, this club will help foster increased international understanding and friendship among young people.

New US gun ban won't hurt China much

BEIJING, May 28: It would have hurt more if he'd banned artificial flowers.

US President Bill Clinton's move to put human rights sanctions on some Chinese gun and munitions exports is a tiny tap at Beijing's total trade, and unlikely to have any real impact, diplomats said on Friday, says Reuter.

Clinton announced the restrictions, which he said would reflect his concerns about "serious human rights abuses," when he announced the extension of China's most favoured nation (MFN) trade status in Washington on Thursday.

A quick scan of China's customs statics helps to put the announcement into perspective.

US officials say the Clinton sanctions will cover about US 100 million dollar worth of Chinese gun and munitions sales to the US market.

That is less than one-third China's world sales of artificial flowers in 1993, which were worth about 340 million dollars.

Beijing earned 110 million on exports of bamboo plaited products like baskets and weavings. Another 100 million dollars came from wind-up wrist-watches. Pencil sales alone brought in about 50 million dollars.

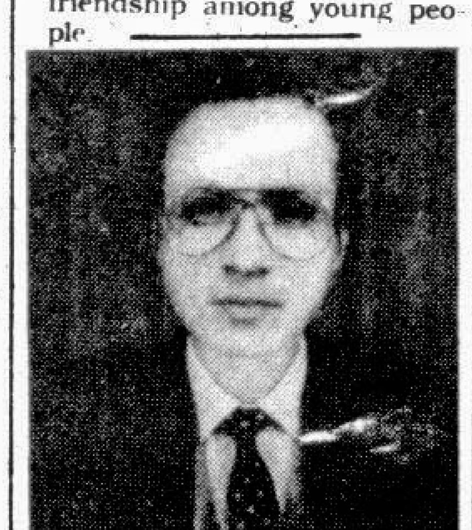
Even in terms of US sales, the gun sanctions are tiny. China's number one US export product last year was textiles, which accounted for over five billion dollars.

RBI chief says
Indian bourses need modernization

BOMBAY, May 28: The Indian capital market has to shed its present inefficient and cumbersome trading norms to attract more foreign investment, the chief of the central Reserve Bank of India (RBI) said here Friday, reports AFP.

RBI Governor Chakravarthy Rangarajan told members of the Bombay Stock Exchange, India's largest bourse, that domestic markets would have to adopt global trade practices, including faster settlements, to bring in more overseas capital.

"Transparency in operations is critically important," he said.



Rashid new BCIC director

Abdur Rashid, Joint Secretary, has taken over as Director (Finance) of Bangladesh Chemical Industries Corporation, says a press release.

Prior to his present assignment, he was Member (Finance) of Bangladesh Water Development Board and Investment Board.

Rashid also held important positions in other areas.

Greenspan defends Federal Reserve's string of interest rate increase in '94

WASHINGTON, May 28: Alan Greenspan vigorously defended the Federal Reserve's string of interest rate increases this year, arguing before disgruntled senators Friday it was far better to take some credit pain now to head off serious economic problems later, reports AP.

In the face of a blistering attack, complete with critical editorial cartoons blown up to poster size, the chairman of the Federal Reserve calmly insisted that the central bank was not trying to choke off the recovery. He said the Fed was merely making sure that unexpectedly fast economic growth this year does not translate into rising price and wage pressures next year.

The central bank pushed short-term interest rates down to a 30-year low in late 1992 and kept them there for over a year. But Greenspan said continuing with that policy this year "would have posed a risk of mounting inflationary pressures that we perceived as wholly unacceptable." Taking an optimistic view of the future, Greenspan said he believed the central bank's strategy would be able to keep inflation contained and prolong the economic recovery.

"If we are successful in our current endeavours, there will not be an increase in overall inflation and trends toward price stability will be extended," he said.

However, Democrats on the Senate Banking Committee remained unconvinced, contending that the central bank was threatening to push the country into a recession because it was more concerned about pacifying unreasonable inflation fears on Wall Street than protecting the jobs of Americans in Main Street.

"These so-called preemptive strikes against inflation ... have a withering effect on the recovery,"said Sen Jim Sasser. "Tight monetary policy not only jeopardizes job restoration but wage restoration as well."

"It would be foolhardy for us to needlessly bring this economic expansion to a premature shutdown," contended the committee's chairman, Don Riegle.

Greenspan stood his ground although he conceded that the central bank had not foreseen the sharp increase in long-term interest rates and the financial market turmoil that was triggered when it moved to boost interest rates for the first time in five years on Feb 4.

Some have charged that the market was thrown into a tailspin because the central bank failed to adequately explain its moves. The Fed has also been attacked for making only small quarter-point rate increases at first, with critics arguing that financial markets saw these as too tentative in the face of a rapidly expanding economy.

Greenspan defended both the size and timing of the Fed's actions, contending that any more dramatic moves at the beginning would have risked even greater market turmoil as investors struggled to adjust to rising rates.

He also blamed the spike in long-term interest rates, which are set by financial markets, on the economy's brisk performance.

While there has been a slowdown from the torrid growth rate set late last year, the government reported Friday that the US gross domestic product still grew at a better-than-expected 3 per cent annual rate in the first three months of this year as brisk consumer spending offset the adverse effects of the severe winter.

The upward revision in the GDP, from an initial first-quarter estimate of 2.6 per cent, sent financial markets tumbling initially as investors continued to dump bonds at every whiff of higher-than-expected growth, believing this means rising inflation down the road.

Coca-Cola's birthday celebrated

Coca-Cola, the world's largest-selling soft drink, has celebrated its 108th birth day, says a press release.

The occasion was observed on the 8th of this month.

On this day in 1886, in Atlanta of Georgia, a local pharmacist Dr John S Pemberton, sold the first batch of syrup for Coca-Cola to Jacob's pharmacy.

In the first year of business, only 9 glasses a day were sold. Today more than 705 million drinks of Coca-Cola products are drunk everyday in more than 195 countries.

PLO chooses US bank to manage funds for reconstruction

TUNIS, May 28: PLO leader Yasser Arafat has chosen the U.S investment bank Morgan Stanley to manage more than two billion dollars provided by donors for reconstruction of the new Palestinian autonomous territories, reports AP.

The appointment apparently is an effort to ensure management of the money is conducted in the open and allay donors' concerns. Morgan Stanley is the U.S' third-largest investment bank.

The international community, under the auspices of the World Bank, in October promised to provide 2.2 billion dollars in aid over the next five years for the development and reconstruction of the Gaza Strip and the West Bank town of Jericho.

But the donors, led by the United States, refused to give the money directly to the Palestinian Economic Council for Development and Reconstruction. That's the agency established by the PLO after it signed the peace accord with Israel to spend the aid money.

Donors said the council was dominated by political appointees, expressed fears it would be inefficient and demanded its activities be subjected to international auditing.

In a Wednesday report, WAFA, the Palestinian news agency, said Morgan Stanley Asset Management, the bank's money management arm, "was selected to help assure contributing nations and agencies that funds ... would be managed with total transparency in a highly skilled and professional manner."

Tracey Gordon, a Morgan Stanley spokeswoman, said her firm was engaged to invest the money and make it grow.

"That money needs to be run, from a PLO standpoint, by a sort of independent firm not associated with the organization," Gordon said. "We are not getting into who is going to get it or any of that kind of stuff."

The coordination of the international aid is going to be handled by the World Bank, said Tariq Husain, a senior bank advisor on the Middle East. The World Bank is owned by 177 countries and is under the control of their governments.

PLO sources in Tunis said the deal with Morgan Stanley created discord among senior PLO officials, some of who oppose it, claiming the bank is owned and controlled by Jews.

"I cannot understand why Arafat is putting the funds given to us by the international community under this Jewish company which will certainly try to steer our reconstruction efforts the way Israel likes," said one, who spoke on condition of anonymity.

But the sources said Arafat had assured the deal's opponents that the contract with Morgan Stanley would not be exclusive and that he intended to contract other "European companies" for additional help in the management of the money.