

Japan sets \$428b budget for next fiscal

TOKYO, July 29: Japan's Socialist-led coalition government decided today to restrain growth in defence and some operational costs in the state budget for the next fiscal year, officials said, reports Reuters.

The Ministry of Finance(MOF) said it has set the ceiling for general spending, the core of the overall state budget, at 42.82 trillion yen(428 billion dollars) in 1995/96 starting next April 1, up 4.8 per cent from the 1994/95 figure.

This compares with a 3.8 per cent rise in initial general spending for 1994/95, which could be raised later with supplementary budgets to cover costs of national disasters, government personnel and any economic stimulus steps.

Leaders of the Socialist-Conservative government agreed overnight to set a tight cap on defence spending.

The socialists have campaigned for arms reductions for years, while their latest coalition allies and former foes, the Liberal Democratic Party, wanted steady growth in defence spending.

The MOF's tight budget policy will limit the increase in the defence budget to 0.9 per cent in 1995/96, the same rate of increase as in 1994/95.

The defence outlay will be 4.73 trillion yen (47.3 billion dollars) in 1995/96, up from 4.68 trillion yen (46.8 billion dollars) for the current fiscal year.

Japan's military spending is one of the highest in the world, but about half of it goes for wages and benefits. If military pensions are included, as is the case in member states of the North Atlantic Treaty Organisation (NATO), Japan's defence spending would rank second in the world.

Japan's budget for official development assistance(ODA) will rise by up to 7.7 per cent from 1.06 trillion yen(10.6 billion dollars).

Japan is one of the world's largest aid donors to poor nations. The recent rise in the yen's value pushes up Japan's ODA budget on paper as it is indicated in dollars in the international community.

The total 1994/95 state budget was 73.08 trillion yen (730 billion dollars) comprising general spending of 40.85 trillion yen(408 billion dollars) subsidies to regional governments and debt repayment costs.

Ministries will submit their budget requests to the MOF by the end of August. The government will draft a budget by the end of December to seek parliamentary approval early next year.

To fight the worsening long-term fiscal balance, the government will continue to reduce operational spending by 10 per cent year-on-year, a measure taken since 1984/85, a Finance Ministry official told reporters.

On the other hand, the ministry will allow a five per cent increase in investment in 1995/96 for the second consecutive year to boost the nation's social infrastructure needed to counter an ageing of the society, the official said.

Ministries will file requests with the 21st century in mind," he said. "We will debate until the year end and choose whatever matches the needs of the times."

The total investment in the general account will rise by up to 460 billion yen (4.60 billion dollars) from 9.2 trillion yen (92.0 billion dollars) in 1994/95. This will be made possible by topping up the budget with a special allocation for investment totalling 300 billion yen (3.00 billion dollars).

Ministries want to use this special budget to help farmers ride out the impact of liberalised rice imports, build highways and extend high-speed train routes, government officials said.

Wheat production in Pakistan down by 6.5 pc during fiscal '93-'94

KARACHI, July 29: Pakistan's wheat production fell by 6.5 per cent during the fiscal year that ended June 30, officials said Thursday, reports AFP.

The lower yield was attributed to a water shortage in southern Sindh province, the country's second largest wheat growing area after Punjab.

Agriculture Department officials estimated the 1993-1994 wheat crop at slightly more than 15 million tonnes, down from a target of 17 million tonnes.

Wheat, a major staple food in Pakistan, is grown on more than 37 per cent of the total cultivated area.

Pakistan has decided to import two million tonnes of wheat to avert a shortfall. Experts said the country needs at least another one million tonnes to supplement the last harvest.

Imports of more than one million tonnes of wheat have been ordered from the US, Australia, Germany and other producers. Pakistan has obtained credit from the US, Canada and Australia to purchase wheat.

Shipments of 300,000 tonnes of wheat from the US and 210,000 tonnes from Germany and other European sources are to be completed by the end of July.

Some 100,000 tonnes are to arrive from Australia in August, while remaining imports should reach Pakistan by October.

IMF to help revive Ukraine's economy

KIEV, July 29: The International Monetary Fund will help Ukraine draft and implement a programme for stabilising its economy, the Fund's Managing Director, Michel Camdessus, said Wednesday on arriving in Kiev, reports AP.

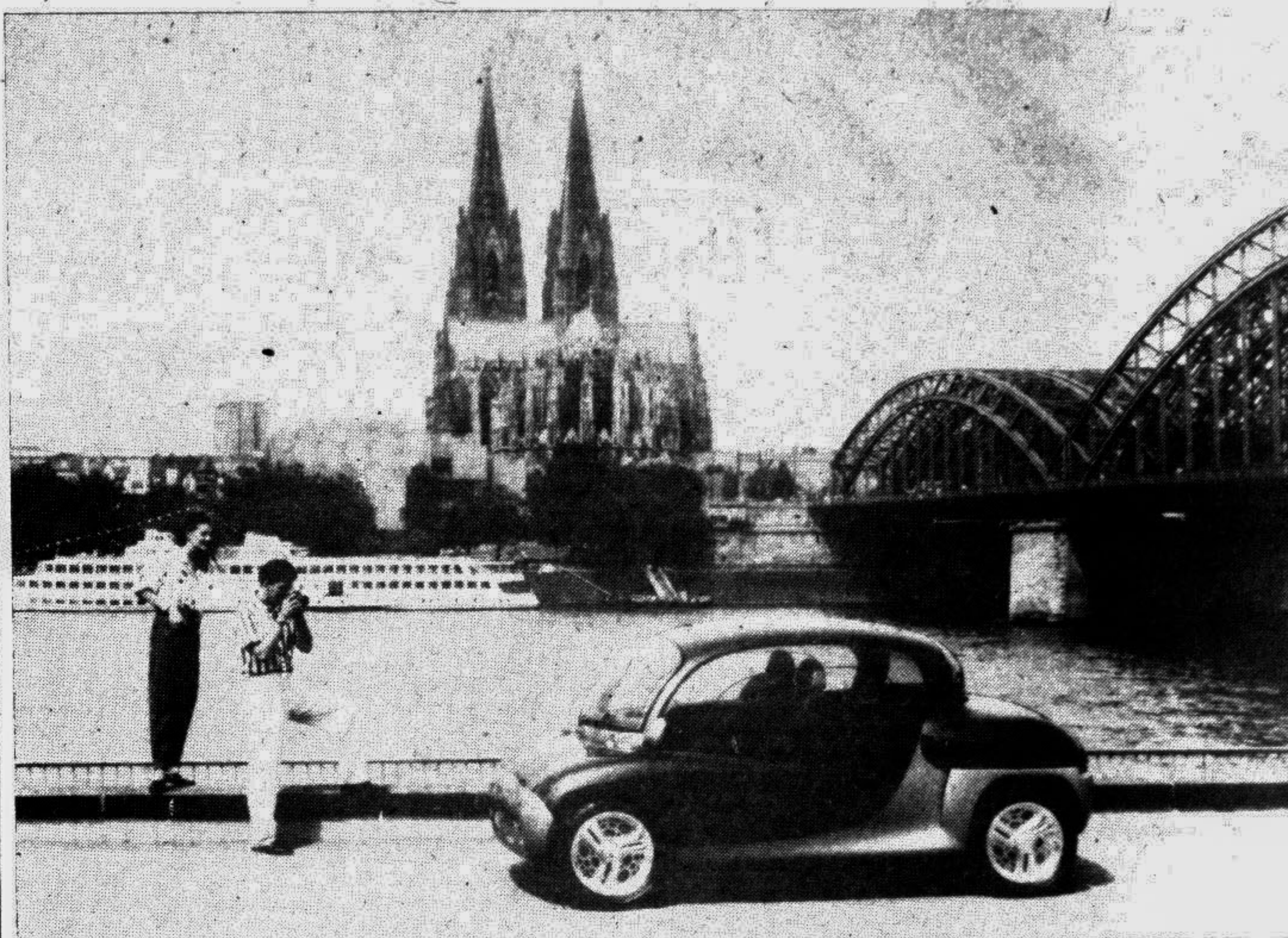
Camdessus was invited to Kiev for consultations by new President Leonid Kuchma, and also met with Prime Minister Vitaly Masol.

The IMF MD said he was encouraged by Kuchma's plans for stabilising and liberalising the economy while ensuring social protections. He said a group of IMF experts will arrive in Kiev soon to draft a programme that will be submitted for consideration at an IMF session in October in Madrid.

"The Ukrainian people desire resolute actions in renewing their economy, as the results of the presidential elections show," Camdessus said. "The international community should support these changes."

The IMF insists the document take into account land reform and ways to pay off Ukraine's foreign debts, among other issues.

Since it broke from the Soviet Union in 1991, Ukraine has implemented few economic reforms, and has suffered from hyperinflation, energy shortages and other problems.



The Ford Works, Cologne, describe their study of a 'compact Kleinwagen as a small and maneuverable'— seen here on the banks of the Rhine in Cologne. — IN photo

Asian stock markets close higher

HONG KONG, July 29: Asian stock markets closed mostly higher Friday, with share prices rising in Tokyo for the second straight day because of the strength of the US dollar, reports AP.

Tokyo's 225-issue Nikkei Stock Average rose 201.54 points, or 0.9 per cent, to end the day at 20,449.39. On Thursday, the Nikkei rebounded 110.62 points, or 0.55 per cent, to 20,247.85.

The Tokyo Stock Price Index of all issues listed on the first section was up 15.95 points, or 0.98 per cent, to 1,637.41. The TOPIX had risen 5.64 points, or 0.35 per cent, to 1,621.46 the day before.

Meanwhile, the US dollar closed at 99.93 yen, up 1.49 yen from Thursday's close in Tokyo but below its level of 100.10 yen late in New York.

The yen's fall encouraged buying by Japanese individual and corporate investors, especially in exporting companies.

In Hong Kong, share prices closed solidly higher in moderate trading.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 80.15 points, or 0.9 per cent to 9,482.81. On Thursday, the index had edged up 0.48 of a point.

WELLINGTON: New Zealand share prices closed higher in moderate trading Friday. The NZSE-40 Capital Index rose 18.23 points to 2,027.18.

TAIPEI: Share prices closed sharply higher after two days of losses. The market's Weighted Index rose 107.27 points to 6,749.40.

MANILA: Share prices closed mixed. The Philippines' unified composite index of 31 selected issues rose 12.067 points to 2,803.207.

SYDNEY: Australian share prices rallied in late trading to close higher. The All Ordinaries Index of share prices rose

19.4 points to 2,061.5. SEOUL: Share prices closed higher, snapping a four-day losing streak. The Korea Composite Stock Price Index rose 7.46 points to 933.66 in thin trading.

SINGAPORE: Share prices closed slightly higher. The 30-share Straits Times Industrial Index rose 5.18 points to 2,206.42.

KUALA LUMPUR: Malaysian share prices closed higher despite some profit-taking. The Kuala Lumpur Stock Exchange's Composite Index profit-taking. The Kuala Lumpur Stock Exchange's Composite Index rose 1.21 points to 1,027.51.

BANGKOK: Thai share prices closed higher for the third straight day. The Stock Exchange of Thailand index rose 5.55 points to 1,376.88.

JAKARTA: The stock exchange's Composite Index fell 1.884 points, closing at 451.084.

Indonesia's tea output likely to decline this year

JAKARTA, July 29: Indonesia's tea production is expected to decline this year because of a long drought and low prices, a plantation official said Tuesday, reports AP.

Indonesia produced 160,000 tons of tea last year. Before the drought, output had been expected to increase by 2 per cent this year.

But Soeria Danoeningrat, chief executive of the state-owned PT Perkebunan Indonesia, the largest tea plantation company in Indonesia, said that in addition to the drought, production has been discouraged by low prices.

He predicted a decline in both production and exports, which amounted to 130,000 tons of green and black tea in 1993.

He gave no specific 1994 predictions, however.

Soeria attributed the low price to oversupply and economic turmoil in large consumers like Russia and other eastern European countries.

He said UN economic sanctions against Iraq, which needs around 35,000 tons of tea a year, also have weakened demand in the international market.

He said tea-producing nations will meet early next year to arrange supplies in a bid to shore up the market.

WB cancels \$ 750 m loan to India's electricity boards

NEW DELHI, July 29: The World Bank (WB) has cancelled a 750 million US dollars loan to India's electricity boards in some states of the country due to their poor management, press reports said here today, reports Xinhua.

The World Bank declined to speculate on the impact of the loan cancellation on private investors who have shown keen interest in India's power sector.

The World Bank has offered technical support to help electricity boards reform and restructure their operations, reports said.

Russian govt to regulate securities market

MOSCOW, July 29: The government sought to calm jittery investors Thursday by announcing it would regulate Russia's unruly securities market, a move made in response to the panic surrounding the nation's largest investment company, reports AP.

A crowd of 5,000 people stood outside the brick headquarters of MMM early Thursday for a third day, hoping to get rid of their stock. The company, meanwhile, announced plans to reopen offices it had closed amid the crisis earlier in the week.

In an effort to calm investors, MMM boosted the price it was willing to pay for its shares by 10,000 rubles(5 dollars per share). But MMM allowed few people inside its office to take advantage of the offer.

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on Tuesday, MMM share prices briefly plunged to 30,000 rubles (15 dollars). Last week MMM shares traded for more than 100,000 rubles (50 dollars).

The panic began when the government said last Friday it could not guarantee investments in MMM and similar funds. Authorities have charged MMM affiliates with tax fraud and other violations, and called it a classic pyramid scheme that is bound to fail.

MMM officials have denied wrongdoing and say their fund speculates on currency markets, offers short-term business loans and invests in stocks.

Until now, the government had tried to stay out of the MMM crisis, with officials saying that investors had no one but themselves to blame for losses on high-risk investments.

But on Thursday, members of the Cabinet decided to look into ways of helping MMM shareholders, who risked losing their savings, pensions and salaries.

Exchange Rates

Following are the Sonali Bank's dealing rates to public for some selected foreign currencies effective as on July 28 (Figures in Taka)

Currency	Selling		Buying	
	TT & OD	EC	TT Clean	Ex. Bills
US Dollar	40.3750	40.4025	40.1200	40.0425
Pound Sterling	62.1556	62.1979	60.4945	60.3776
DM	25.9061	25.9237	25.2214	25.1727
FF Franc	7.1906	7.1956	7.0014	6.9878
C Dollar	29.5241	29.5442	28.7359	28.6804
S Franc	30.5185	30.5393	29.7030	29.6455
Jap Yen	0.4145	0.4169	0.4013	0.4005
Indian Rupee (AMU)	1.2908	1.2973	1.2754	1.2594
Pak Rupee (AMU)	1.3204	1.3270	1.3046	1.2883
Iranian Ryal (AMU)	0.0233	0.0234	0.0229	0.0226

A) T. T.(DOC) US Dollar Spot Buying Tk 40.0812
B) Usance Rates:
30 Days DA 60 Days DA 90 Days DA 120 Days DA 180 Days DA
39.7695 39.4853 39.2012 38.9170 38.3486
C) US Dollar sight export bill 3 months forward purchase Tk 40.0425
D) US Dollar 3 months forward sale Tk 40.6025

Currency	Selling		Buying	
	TT & OD	O. D. Transfer		
S Riyal	10.7664	10.6370		
UAE Dirham	10.9836	10.8614		
Kuwaiti Dinar	135.6231	133.6740		
Singapore Dollar	26.7296	26.3943		
D Gulden	22.6508	22.3752		
S Kroner	5.1636	5.0996		
Malaysian Ringgit	15.8798	15.3886		

Note: AMU—Asian Monetary Unit

Islamabad to construct 850 km railway linking Central Asia

KARACHI, July 29: Pakistan is to build a 850 kilometers long railway line linking the country to Central Asia, a senior government official said today, reports AFP.

A Swedish company has shown interest in investing in the project, which will cost around 700 million dollars. Secretary of the Board of Investment (BOI), Syed Mohibullah Shah said.

The line will start in Nushki in Pakistani Baluchistan and pass through Afghanistan's Farah and Herat regions before ending in Kushka in the central Asian republic of Turkmenistan, he said.

The official, speaking after a BOI meeting here, did not name the Swedish firm, but

said Pakistan would tap all sources to finance the project which will take two years to complete.

He added that political instability in Afghanistan would not stand in the way of the project as the railway would pass through an area which was largely peaceful.

Shah said the proposed rail link would provide the shortest overland route to Turkmenistan, pointing out that 80 per cent of the track would pass over plains, while the remaining 20 per cent would run over low mountainous terrain.

Pakistan was eager to implement this project to exploit the "tremendous" economic and trade potential with the

Central Asian region, the official added.

"Pakistan has historical, geographical and cultural links with the Central Asian states and now is the proper time to strengthen these relations for boosting economic activities in the region," he said.

Senior Pakistani officials have visited the former Soviet Republics, signing a series of protocols with their counterparts there, including agreements with Turkmenistan and Kirghazistan to supply Pakistan with gas and oil through pipelines.

Under another agreement with Tajikistan, Pakistan will be supplied with electricity from the republic.



German Foreign Minister Klaus Kinkel (L) exchanges documents with Indian Finance Minister Manmohan Singh after signing a financial agreement on Thursday. — AFP photo

Southern African tobacco growers facing crisis since '93

Ronald Watts writes from Harare

Most southern African economies are still dependent on a narrow range of exports which make them extremely vulnerable to the present climate of market forces.

For Zambia copper still dominates the economy, for Botswana it is diamonds, while both Malawi and Zimbabwe have been shaken by the worldwide collapse in tobacco prices.

According to Pangani Thipa of Malawi's Chamber of Commerce, tobacco last year was also hit by drought which reduced export by 18.5 per cent.

Tobacco has been responsible for as much as 80 per cent of exports in recent years and Thipa says "diversification is long overdue" and a priority for the new government of President Bakili Muluzi.

Zimbabwe is the second largest tobacco exporter in the world and exports 99 per cent of what it grows. For years the British-based International Tobacco Growers Association has been telling farmers to grow more tobacco because of increased demand and the "price stability" of the crop.

Last year the bubble burst and Zimbabwe's farmers are still picking up the pieces. When the auction floor in Harare opened in April prices were averaging one US dollar a kilogram, while farmers were saying they needed at least 1.5 to cover massive input costs and the high interest rates which are prevalent throughout the region.

Brendon Fox, a farmer in Rafininga, was "totally shattered" by the 1993 collapse

and cut his hectareage this year by 75 hectares to 160.

Tobacco has never been a major export, like copper, for Zambia. Production has fallen steadily since independence in 1964. This year one of Zambia's major growers, the multinational Lonrho, suspended tobacco production because of high interest rates and laid off 700 farm workers.

Its managing director complained that tobacco prices had dropped by 50 per cent and the crop was "uneconomical." Lonrho have leased their Munkonchi Farm, near Kabwe to South African investors.

South Africa consumes much more tobacco than it produces and so is an important market for other states in the region.

The president of the Zimbabwe tobacco growers warned the government of President Nelson Mandela that any increase in taxes on tobacco "would cause hardship to Zimbabwean growers."

In pre-election statements at the All Africa Conference on Tobacco and Health the ANC had pledged its support for "tobacco control" through restricted advertising.

The ANC is particularly opposed to any "targeting of the black population and children." The new government recently announced substantial tax increases on tobacco products.

For years the ITGA has been telling African farmers that there is no alternative to tobacco. This in spite of the fact that farmers have been advised to grow tobacco in rotation with other crops and grass

since the 1940s to avoid a build up of pests and to ensure adequate food production.

Last year both the government of Zimbabwe and the Tobacco Association advised farmers to reduce their tobacco hectareage by between 30 and 35 per cent. At least 14,000 hectares of tobacco land was switched to alternative crops.

Dion Blignaut of Marondea says he is going for quality rather than quantity. This year he has reduced his hectareage from 80 to 50 and next year he plans to plant only 40 hectares.

The Tippet brothers, who

farm tobacco in Marondera, are pioneering a new crop called tea tree oil, an aboriginal antiseptic from Australia. Other alternatives being tried include olives, asparagus, castor oil plant and sugar.

The Zimbabwe government is concerned about the domination of the industry by white Zimbabweans. This year 97 per cent of the 68,000 hectares planted were on large-scale farms almost exclusively owned by the whites.

During a debate in Parliament the Minister of Agriculture told members that tobacco buying is carried out by a "cartel" of nine companies,

four of them owned by one person — "and they all agree on what price should be set."

Another MP, A T Mangwende, complained that marketing "is controlled to the tune of 90 per cent by foreign companies." Moves are in hand to place Africans at all levels in the industry in what could be described as another form of diversification.

Malawi, with around 90,000 small-scale tobacco growers compared with Zimbabwe's 3,900, has a more difficult task in finding alternatives to tobacco.

Small-scale growers rarely

have access to irrigation and so have a much narrower range of crops to choose from. Nevertheless the two most promising alternatives in Zimbabwe, groundnuts and soybeans, grow well in Malawi and do not require irrigation.

While financial returns per hectare are lower than for tobacco it has been shown in Zimbabwe that the most crucial statistic for countries with very high interest rates is return per dollar invested.

In 1993 this came to 1.62 for tobacco before the crash compared with 2.53 for maize according to the director of the commercial farmers' own research farm.

Zambia is strangely ambivalent about tobacco. It has an active anti-smoking society which lobbies health and information ministries. Partly as a result of such lobbying in 1992 progressive public health regulations on tobacco were approved by Parliament. But Minister of Agriculture Simon Zukas has said he wants to make tobacco the main crop in the revival of farming.

Hundreds of small-scale farmers who received no payment for their 1993 tobacco crop, have voted with their hooves and their tractors to grow other crops instead.

A popular alternative in Zambia is cotton which, although involves a lot of hard work for a relatively low return, at least guarantees the farmers a quick cash payment for their labour.

— Gemini News
(The author is an agriculturalist and writer on environmental topics.)

