Ex-US Treasury Secretary Kennedy dead

SALT LAKE CITY, May 3: David M. Kennedy, an Illinois banker who served two years as US Treasury Secretary and later as ambassador for his country and his church, has died at age 90, says AP.

Kennedy had suffered from congestive heart failure. He died Wednesday at his home.

Kennedy had been chairman of Continental Illinois National Bank and Trust Co since 1959 when President Nixon appointed him to run the Treasury Department in 1968.

He created controversy by indicating the price of gold might rise and refusing to disallow wage and price controls as a means of controlling inflation, causing jitters on Wall Street and serious consternation at the White House.

Economic problems and the spiraling cost of the Vietnam War marked his two-year tenure, and Kennedy resigned after the 1970 congressional elections.

Nixon later made Kennedy ambassador-at-large with responsibility for international finance, a cabinet-level post he held until 1973.

Kennedy also served on the Federal Reserve Board from 1930 to 1946.

After attending Weber State College in Ogden, Utah, Kennedy served a two-year mission for the Mormon Church in Britain.

He served the church again in 1973, when he was appointed as a special representative of the governing First Presidency, in effect the faith's ambassador-at-large until stepping down four years ago.

A statement issued Thursday by the First Presidency said Kennedy's efforts had been "instrumental in gaining recognition of the church in many nations."

Kennedy's wife, Lenora Bingham Kennedy, died a year ago. The couple had four daughters.

ADB chief urges West, rich Asian countries

Share burden equally to help Asia's poor people

MANILA, May 3: Asian Development Bank (ADB) President Mitsuo Sato on Thursday called for equal burden-sharing between the West and rich Asian economies to help the region's poor but also agreed to look for alternate funding sources, reports AFP.

Sato told a news conference at the end of the 29th ADB conference here that he expected a burden-sharing of "at least 50-50" in the future between the bank's traditional donors and Asian nations, including Japan, in the Asian Development Fund (ADF).

The interest-free ADF is lent to the bank's poorest member countries which do not have access to capital markets.

Sato told reporters that the fund was now down to between 200 and 300 million dollars and that if it was no replenished, "there will be a disruption of our concessional lending operations some time in 1997."

He said the ADB would look into suggestion from several donor nations that the bank tap its interest-bearing portfolio — known as ordinary capital resources — to shore up the soft-loan window.

But the bank chief admitted this might create problems such as diminishing the bank's international credit rating.

"This might lead to higher funding costs," he added.

US Chief of delegation, Treasury Department Under-secretary Jeffrey Shafer told reporters on Wednesday that Washington was not comfortable tapping into the ordinary capital resources, and said that diverting ADB's net profits would be more viable.

Ordinary capital resources are lent with an annual interest of six per cent and with shorter repayment terms. The bank's profits stood at 600 million dollars in 1995.

Sato, who was re-elected to a second term Thursday, likewise said that the ADB could charge some countries with interest on their ADF borrowings if the project that is financed is commercially viable.

But he said ADB was not yet ready to adopt proposals to shift its focus for concessional loans from a "country to country basis" to looking more at the kind of projects for financing.

"Certainly, I do want increasing participation from Asian countries, particularly the tigers, but I'm not quite sure if they can give 50 per cent together with Japan," said Sato, a Japanese.

"But the end result of the negotiations will be very close to what we have said, very close to 50-50," he added.

Among the so-called "tiger" economies, Singapore's representative told AFP Thursday that it "does not believe in giving soft loans and grants" as a matter of principle.

South Korea is clamouring for a corresponding increase in voting rights if it lifts its contributions.

Taiwan, meanwhile, has pegged increased contributions to its demands for a change to its designation in the development bank as "Taipei, China," a term which it said suggests that it is a mere province of China.

Malaysian Foreign Minister Abdullah Ahmad Badawi (R) and his Brazilian counterpart Luiz Lampreia (L) exchange copies of two agreements which they signed in Kuala Lumpur recently. The agreements are for partial visa abolition and trade between both countries. — AFP/UNB photo

EU to press for labour standards in world trade

WASHINGTON, May 3: Padraig Flynn, the European Union's commissioner for Social Affairs, said he wants to force the issue of introducing labour standards into world trade, he said he discussed the issue Thursday with US Labour Secretary Robert Reich, says AP.

"I would have been happy to agree it should not be done as a means to limit the development of developing countries in seeking a comparative advantage (in trade)," Flynn said.

Flynn told reporters that setting such standards was legitimate and should not be seen as designed to protect the trade of high-wage countries against competition from poorer ones. That was the charge last month by representatives of 24 developing countries, the G-24, meeting in Washington.

US trade experts argue that some governments make their goods cheaper in world markets and overcome competition by using child workers, forced labour and restricting labour unions, all of which are illegal in industrial nations.

Flynn is a member of the European Commission, the joint executive of the 15 countries in the European Union. He said the commission takes the stand that some rights are fundamental, like the right to join unions and freedom from child labour.

"We would like to think the issue would continue to be forced he said.

He suggested that it will be discussed at Singapore in December, when the World Trade Organisation holds its first high-level meeting.

Flynn emphasised that he was presenting the views of the commission, and that some of the European member governments would not agree. He did not name any government.

In the past, the United States and France — a leading EU member — have taken the position that labour matters ought to be linked to international trade.

UK cattlemen wait anxiously for slaughter to begin

LONDON, May 3: Since there's going to be a mass slaughter of cattle, British cattlemen would just as soon get on with it, says AP.

Stung by links between mad cow disease and a similar ailment in humans, Britain is to destroy up to 800,000 older cattle over the coming year. The move is meant to help restore consumer confidence and end a European Union ban on British beef exports.

Agriculture Secretary Douglas Hogg had scheduled the slaughter to begin Thursday. But British cattle were given a reprieve as cattlemen, marketers and slaughterhouses tried to figure out how to carry out the plan.

Every-day of delay means more money lost for cattlemen, who must continue to feed cows that they are prohibited from selling.

David Burnett is losing about 3,000 dollars a day while he waits to destroy his herd of nearly 1,400 prime beef cattle — which he says have never been exposed to mad cow disease.

Burnett said he has been told his local slaughterhouse won't be ready for his animals until Tuesday at the earliest.

Even after the government reimburses Burnett for the cattle, he figures he'll still be out 130,000 pounds (195,000 dollars).

"It's a lot of money, really," said Burnet, who has raised cattle for 45 years in North Muskham, a village 120 miles (190 kilometers) north of London.

"And it's not just that. We've had no cash flow for seven weeks. We aren't paying our bills at the moment. It's not the way to do business."

The destruction of thousands of older dairy cows and beef cattle — those considered most susceptible to the disease — is Britain's most visible attempt to revive its four billion pound (six billion dollars) beef industry.

The cattle are to be killed with pistols that shoot a metal bolt into their heads; then they will be rendered and either burned or buried.

Britain has the capacity to slaughter 15,000 cattle a week. Some estimates suggest there already is a backlog of 200,000 animals.

The opposition Labor Party has blamed the delay on blundering by Prime Minister John Major's Conservative government.

But an industry source, speaking on condition of anonymity, said it simply is taking time to set up the logistics of the slaughter and arrange priorities.

"We're having a problem with which cows go first," the source said.

Beef market staging a come back

Another report says: Even when the mad cow scare was at its height, Simpson's in-The Strand proudly served British beef.

"We serve the finest British beef, have done so for 150 years and will continue to do so until the atom bomb blows us all up," said Brian Clivaz, manager of the venerable home of traditional English fare.

Simpson's continued to satisfy the taste buds of Britain's beefeaters even as the domestic meat was shunned by hamburger chains and supermarket shoppers, and formally banned for export by the European Union.

Now, six weeks after the government announced a possible link between mad cow disease and a rare human brain ailment, restaurants and stores say the market is making a comeback.

Consumer confidence has improved as the initial shock of the announcement faded, supermarkets slashed beef prices, and some denounced the EU export ban as an attempt to undercut British cattlemen for the benefit of foreign producers.

Safeway, one of Britain's largest supermarket chains, estimates that beef sales have recovered to 70 per cent of normal.

Clivaz said Simpson's reservations have returned to almost normal, and some other restaurants that specialize in beef say the worst of the crisis has passed.

In fact, waiters at Ye Olde Cheshire Cheese restaurant receive complaints from diners upset that only Irish beef is served.

"British people want to know, 'What's the matter with our bloody beef?'" said head waiter Mike Callan.

Wimpy, Britain's third-largest burger chain, announced Thursday that it would put British beef back on the menu in a few days.

China cracks down on smuggled British beef

HONG KONG, May 3: Chinese authorities seeking to keep out mad cow disease have seized a smuggled shipment of British sirloin, a Hong Kong newspaper said Friday, reports AP.

Quarantine officials looking for suspect beef in Guangdong province, south China, have checked 111 cold storage centers, 135 large hotels, 43 supermarkets, 1,989 boats and five food-processing factories in the last month, said Wen Wei Po, a Chinese-language daily funded by Beijing.

Guangdong borders the British colony of Hong Kong, which has banned imports of British beef.

Wen Wei Po said quarantine officials in Shenzhen, Hong Kong's neighbour, seized 125 kilograms (275 pounds) of boneless British sirloin from cold storage on April 5.

The meat, which entered China illegally without going through import procedures, has been ordered destroyed, the newspaper said in a report taken from the official China News Service.

China's Agriculture Ministry has ordered quarantine stations at Guangdong's border points to step up checks on imported meat and animal products to ensure that mad cow disease does not enter the country, the newspaper said.

Britain's beef industry has been hit hard by the scare over the disease known as bovine spongiform encephalopathy, or BSE, since the government said in March that several people apparently caught a fatal brain disease from infected cattle.

Scottish office won't fly Euro flag

LONDON, May 3: The Cabinet minister responsible for Scotland is so angry at the European Union's ban on British beef that he is refusing to fly the EU flag on May 9 to mark Europe Day, reports AP.

"It would be entirely inappropriate," Scottish Secretary Michael Forsyth said Thursday on BBC Radio 4.

Forsyth has borne the brunt of anger from Scottish cattle farmers whose Aberdeen Angus beef has been taken off continental menus because of fears of mad cow disease.

So when Kenneth Muro, the European Commission representative in Scotland, wrote asking for help in publicising Europe Day, Forsyth said no.

"Scotland should not be promoting Europe Day at a time when one of our principal industries is being destroyed and put on the rack by this totally unjustified ban," he said.

Forsyth also refused to send out EU promotional literature to Scottish schools or to encourage Scottish civic buildings to fly the EU flag on Europe Day.

The Scottish office won't be flying the blue flag with yellow stars either. But the impact of the ban was somewhat diminished when the Scottish office admitted it had not flown the EU flag in the past.

Geoffrey Martin, the EU's representative in Britain, said it was "entirely appropriate" for public buildings in Scotland to fly the EU flag on Europe Day — as hundreds of local councils elsewhere in Britain planned to do.

He warned it was likely to be "months rather than weeks" before the EU ban was lifted. In the meantime, he said, anti-EU rhetoric and "Brussels bashing" was only damaging Britain's case.

The EU imposed the ban after the government announced in March that seven humans probably caught a fatal brain disease from infected cattle.

The all-party European Movement accused Forsyth of 'pettiness' and an 'almost paranoid' attitude toward Britain's European partners.

Russia seeking closer economic ties with Sweden

STOCKHOLM, May 3: Russian Prime Minister Viktor Chernomyrdin arrived Thursday for a three-day visit to promote economic and political ties with Sweden and to attend a meeting of leaders from countries bordering the Baltic Sea.

Chernomyrdin is the first Russian prime minister to visit Sweden since 1988. He is accompanied by 26 officials, including the interior and communications ministers and the heads of Russia's security service and border troops.

During the visit, Chernomyrdin hopes to boost Swedish investments in Russia, the Swedish news agency TT said.

Russian and Swedish officials plan to sign agreements on border cooperation and fighting crime, as well as multi-million-dollar contracts in communications and natural gas, the ITAR-Tass news agency said.

Chernomyrdin's adviser on international affairs, Mikhail Tarasov, told ITAR-Tass that Sweden ranks 33rd among foreign investors in Russia.

Chernomyrdin was met at Arlanda International Airport by Trade Minister Bjoern von Sydow.

He was scheduled to hold talks with King Carl XVI Gustar, Prime Minister Goeran Persson and Speaker of Parliament Birgitta Dahl.

On Friday, Chernomyrdin was scheduled to attend a summit of Baltic Sea states in Visby, Sweden, where government leaders plan to discuss regional security, human rights, economics and the environment.

On May 4, Chernomyrdin was scheduled to visit Finland for talks with the president and prime minister, and to sign agreements on trade and taxation, Russian officials said.

Swiss banks try to shake off image of shady deals

GENEVA, May 3: Try as they might, Swiss banks have been unable to wash their hands of a reputation for secrecy, subterfuge and association with money launderers, reports AP.

Announcement of a new independent investigation into missing millions — some say billions — of dollars said to have been deposited in Swiss banks by Holocaust victims may help calm a long-running row with Jewish groups.

Questions over those dormant accounts are the latest in many that have sullied the reputation of this Alpine nation, which tries to project itself as whiter than white while leaving banking secrecy "untouchable as a nun," as former Swiss Finance Minister Willi Ritschard once said.

The Philippines says its former President Ferdinand Marcos counted on that secrecy.

He is alleged to have stolen more than half a billion dollars from the government and hidden it in secret Swiss accounts during his 20-year rule. Legal battles for control of the money have dragged on for 10 years.

In one of the most notorious recent cases the sister-in-law of former Mexican president Carlos Salinas de Gortari was arrested in Geneva last November trying to withdraw money from a bank account with phony documents. The account under a false name, which belonged to her husband, contained more than dlrs 84 million.

The origins of the money are under investigation, and a connection with a massive drug-running operation is suspected.

There also have been reports that the Russian mafia is a new Swiss banking customer. Switzerland's respected economic monthly, Bilanz, said an estimated 53.5 billion dollars in Russian capital had made its way to Switzerland over the past three years.

Swiss banking secrecy goes further than in other industrial countries in that it is not covered only by civil law, but criminal law as well.

Whoever reveals a secret entrusted in him in his capacity as an employee or trustee of a bank can be fined up to 50,000 Swiss francs 43,000 dollars or sentenced to six months in prison.

The laws have frustrated attempts by the heirs of Holocaust victims to search for assets believed deposited by their relatives in Swiss banks just before or during World War II.

In September the Swiss Bankers' Association said its banks had found about 32 million dollars in unclaimed accounts presumably belonging to Holocaust victims. Jewish groups accuse the banks of holding much more.

Ironically, the secrecy laws were started to protect the Jews against the Nazis' prying eyes.

They were introduced in 1934, when Nazi Germany was trying to find out how much money Jews were smuggling out of the country and into neutral Switzerland.

In his third edition of the authoritative book "Swiss banking secrecy," published in July, former Swiss Bankers Association President Georg Krayer stresses that banking secrecy has been radically reduced in recent years as part of the fight against international crime.

In 1992 the banks adopted a new industry code of conduct with basic rules on the identification of customers as well as bans on assistance in the flight of capital and in tax fraud.

Helsinki Commission urges new steps for Baltic Sea clean-up

VISBY, Sweden, May 3: The Helsinki Commission on Thursday urged immediate action to clean up the Baltic Sea, saying the waters are being fouled by oil spills and toxic waste from former East Bloc countries, reports AP.

The commission will present two reports Friday to the leaders of Baltic Sea countries gathering for a summit in Visby.

"These two reports will form a foundation of the prime ministers' environmental discussions and hopefully results will come from the meetings," said Ulf Ehlin executive secretary of the Baltic Marine Environment Protection Commission.

The marine commission, a part of the Helsinki Commission, was set up in 1974 to help protect the waters that surround Russia, Estonia, Latvia, Lithuania, Poland, Germany, Denmark, Sweden and Finland. Those countries plus the European Union, Norway and Iceland, were attending the summit.

As part of a plan approved by Baltic leaders in 1990, the marine commission identified 132 serious pollution sources. Ten have been cleaned up since 1993, all in Western countries: Sweden, Finland and Germany.

Ehlin said former East Bloc countries, which cause much of the pollution, often can't afford to clean up their industrial waste and sewage.

There also has been a 30 per cent increase since 1993 in the dumping of waste oil from ships, Ehlin said. He suggested including oil disposal charges in regular port fees rather than as an extra charge, to encourage proper disposal.

'Japanese cows free from BSE disease'

NASU, Japan, May 3: Japanese beef may be crazily priced, but Japanese farmers say that at least their cows are not mad, reports Reuter.

As fears of mad cow disease sweep the world, beef producers here boast that nobody needs to worry as long as they stick to Wagyu, the pampered Japanese breed.

For many foreigners Wagyu — the name simply means Japanese cattle — is best known for producing the country's famed Kobe beef.

Supported by exorbitant prices in the market place, the small, black, rather pretty, Japanese cattle are treated like the idle rich.

Kept in general on small farms, they are allowed to grow slowly, free of stress, artificial hormones or chemicals.

Instead, they get beer to drink, and soothing muscle massages from their human masters.

"From the hygiene point of view, there's definitely no need for worry," Akira Sato, a beef producer at Agura Koosei farm north of Tokyo, told Reuters.

"Wagyu is a very sensitive animal. The key to raising them is how to minimise their stress — to allow them to eat as much as they want, and rest as long as they want."

Hajme Arai at Okyo University's agriculture department said he agreed that Japanese cattle were free of the bovine spongiform encephalopathy (BSE, or mad cow disease).

The reason given is that Wagyu are fed with expensive grains, and little animal protein.

Food retailers and wholesalers in Japan are now told to show the origin of imported beef to ease consumer concerns.

Japan anyway does not import British beef. Since 1951, it has banned imports following an outbreak of "foot and mouth" disease among British cattle.

It extended the ban in March to include beef from northern Ireland and other at-risk food products from both countries.

The best Wagyu beef costs well over 1,000 yen (10 dollars) per 100 grammes. About two thirds of beef herds in Japan are Wagyu cattle.

Official statistics show half of Japan's 183,900 beef producers still have less than five cattle, despite fierce overseas competition since the opening of the country's beef market in 1991.

Foreign investment in developing states bypasses the poor

By Michael Prest

Far from being another triumph for the increasingly open and market-driven world economy, last year's record 231 billion US dollars foreign investment in developing countries was a disaster for the truly poor.

Most saw very little of this flood of money as it bypassed them on the way to a handful of countries. The sharpness of the contrast between countries which attracted investment and those which did not illuminated the growing gap between emerging markets and those nations which have not yet reached this stage.

The contrast again raises serious doubts about the willingness of rich countries to help very poor ones with aid and other development assistance in a global economy increasingly dominated by private capital.

As development is privatised, countries not blessed by inflows of private capital are left at the mercy of increasingly stingy and restrictive foreign aid; countries which are blessed by private capital are subject to the rigours of the world market and caprices of fickle private investors.

The latest World Bank figures reveal how far this privatisation of development has gone. According to the Bank's World Debt Tables, total net investment in developing countries rose by 11.5 per cent in 1995 to 231 billion US dollars. Almost three-quarters came from the private sector.

The biggest element within the private investment total, and the biggest source of development finance overall, was foreign direct investment — investment by companies in each other or in assets such as new factories. Foreign direct investment increased 13 per cent to 90 billion US dollars its highest ever, and has more than tripled over the past five years.

Portfolio investment — mainly in shares and bonds — fell from 84 billion US dollars in 1994 to 56 billion US dollars largely because the Mexican peso crisis at the end of 1994 sparked heavy selling of shares by foreign investors. But investors began to return in the middle of last year and it is widely expected that emerging markets will perform strongly in 1996.

"Official development finance — aid — makes a sorry contrast. At 64 billion US dollars it accounts for about 28 per cent of net flows to developing countries. Only five years ago, official assistance made up half of flows.

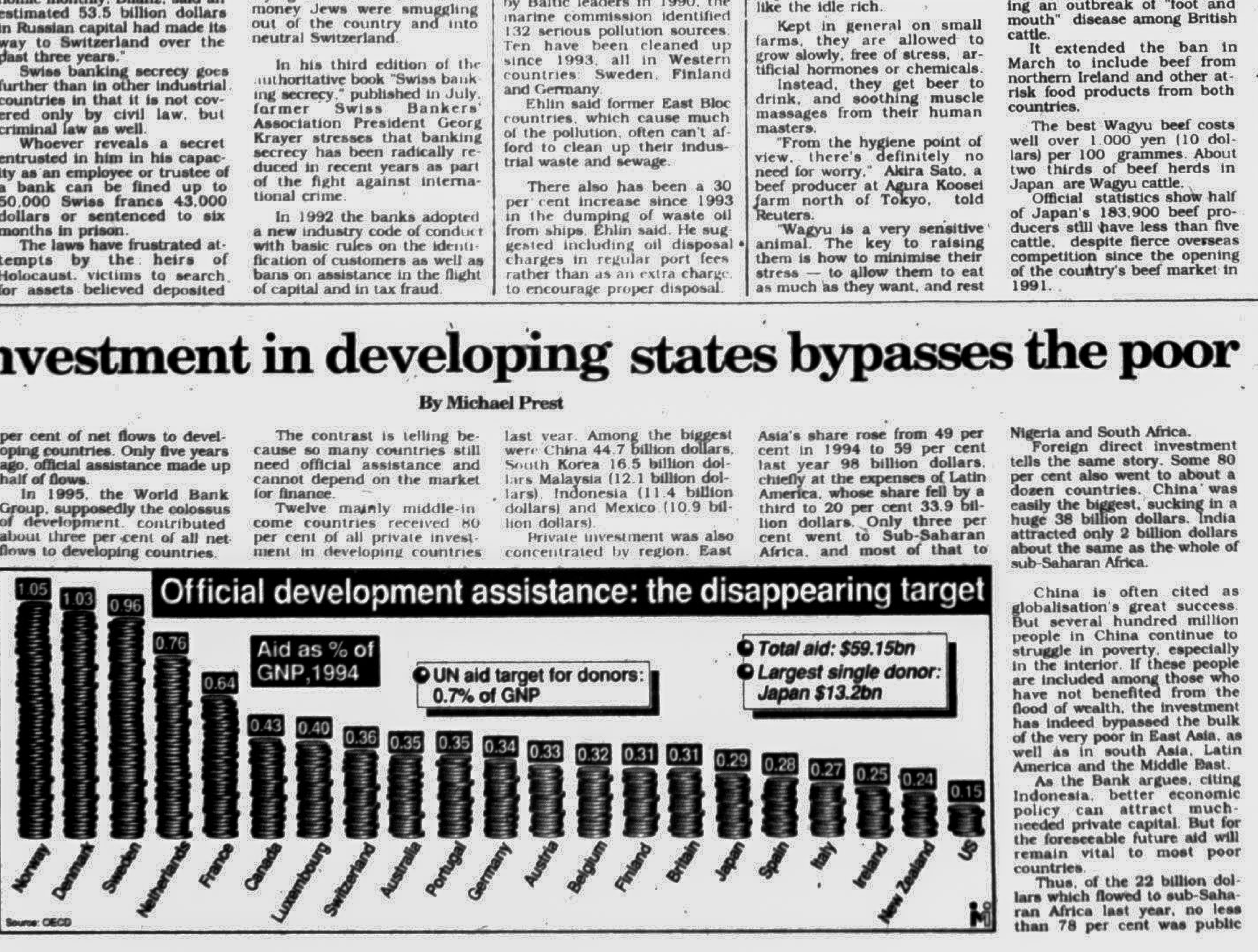
In 1995, the World Bank Group, supposedly the colossus of development, contributed about three per cent of all net flows to developing countries.

The contrast is telling because so many countries still need official assistance and cannot depend on the market for finance.

Twelve mainly middle-income countries received 80 per cent of all private investment in developing countries last year. Among the biggest were China 44.7 billion dollars, South Korea 16.5 billion dollars, Malaysia (12.1 billion dollars), Indonesia (11.4 billion dollars) and Mexico (10.9 billion dollars).

Private investment was also concentrated by region. East Asia's share rose from 49 per cent in 1994 to 59 per cent last year 98 billion dollars, chiefly at the expenses of Latin America, whose share fell by a third to 20 per cent 33.9 billion dollars. Only three per cent went to Sub-Saharan Africa, and most of that to Nigeria and South Africa.

Foreign direct investment tells the same story. Some 80 per cent also went to about a dozen countries. China was easily the biggest, sucking in a huge 38 billion dollars. India attracted only 2 billion dollars about the same as the whole of sub-Saharan Africa.



China is often cited as globalisation's great success. But several hundred million people in China continue to struggle in poverty, especially in the interior. If these people are included among those who have not benefited from the flood of wealth, the investment has indeed bypassed the bulk of the very poor in East Asia, as well as in south Asia, Latin America and the Middle East.

As the Bank argues, citing Indonesia, better economic policy can attract much-needed private capital. But for the foreseeable future aid will remain vital to most poor countries.

Thus, of the 22 billion dollars which flowed to sub-Saharan Africa last year, no less than 78 per cent was public money. Aid to Africa is about five per cent of the continent's gross national product: for every 100 dollars an African earns, 5 dollars comes from industrialised country taxpayers.

Never has there been greater need to restore the real value of official assistance and to replenish adequately the International Development Association (IDA), the World Bank's soft loan arm. Yet aid is only 0.29 per cent of rich countries' economic output, the lowest since 1973, and the IDA looks set to shrink.

If aid falls further, the gap between rich and poor will widen ominously as private investment makes a favoured few. This calamity is avoidable.

In their rush to embrace the global market, industrialised countries should not forget that public and private investment are complementary in development. We can no more privatise development than we can totally privatise national economic life. — *Gemini News*

(MICHAEL PREST is an economics writer based in London. He has worked for The Times and The Independent in Britain and for the World Bank.)