

Inflation rate under control in US, Europe

FRANKFURT, July 5: A panel of financial experts, including US Treasury Deputy Secretary Lawrence Summers, taking part in a video panel discussion on economies on both sides of the Atlantic, said Tuesday inflation rates are under control, reports AP.

Referring to a strong US dollar, which hit a low of 1.34 German marks in March 1995, but rose slowly since then and has been holding steady above 1.70 marks, Summers credited various factors in the US economy.

Those included an encouraging outlook for the US 1997 budget deficit, continued economic growth and low unemployment "with no sign of rising inflation," Summers said.

Reports out of Washington Tuesday put the inflation rate for the first five months at 1.4 per cent, down from 3.3 per cent for all of 1996.

Others speaking on the panel included the German central bank chief Hans Tietmeyer and Wim Duisenberg, the new president of the European Monetary Institute, the forerunner of a planned European central bank that is to start a single European currency in 1999.

Tietmeyer said that some European Union countries might yet sustain their fiscal policies to qualify to join the euro - as the new currency is called. Criteria to join the euro require countries to have a three per cent deficit ratio of gross domestic product, which most European countries are struggling to meet.

However, in other areas Tietmeyer said there was more progress.

The conditions are much better as far as inflation rates and long-term interest rates, he is concerned, the said.

Duisenberg said that the inflation rate in the EU has been decreasing steadily and was now down to about two per cent.

The foundations for a solid euro are in place, but Europe is still confronted by big convergence challenges, he said.

Countries wishing to participate in the planned currency union will have to converge fiscally and economically ahead of the start-up of the euro on January 1, 1999.

British smokers claim damages against tobacco companies

LONDON, July 5: A British High Court agreed yesterday to consider a claim for damages against the country's two biggest tobacco companies, Gallaher and Imperial Tobacco, by smokers suffering from Lung Cancer, says AFP.

Senior High Court officials Master Turner declined to block the group action by 47 smokers, who are demanding compensation for their alleged failure to limit health risks to smokers.

He transferred the case to senior judge Justice May, who will make the final decision on whether the plaintiffs can sue the defendants in the courts, at a hearing later this month.

The smokers' solicitor, Martyn Day, described the decision as an "excellent development" following a bid by the defence to have the case kept "in limbo."

"These are all lung cancer victims, and the pall of death hangs over them. We only heard today that one of them may have died. We want to get this case on while they are alive," he added. Day said he expected the full hearing to be held within 18 months.

The legal moves follow last week's historic deal under which the US tobacco industry agreed to pay 368.5 billion dollars over 25 years in damages for the health effects of smoking.

Gallaher, which controls 39 per cent of the British tobacco market, and Imperial, with a 38 per cent share of cigarette sales in Britain, both argue that the US settlement has no relevance to Britain.

The plaintiffs maintain that British tobacco firms knew - or should have known - by the 1950s that their products were lethal, but failed to cut to minimise the risks by putting tar content and printing warnings.

India launches measures to reform 9 top SOEs

NEW DELHI, July 5: India Friday launched a slew of measures to reform its nine top state companies by dismantling government controls in a bid to make them global firms, a minister said, reports AFP.

The government allowed the nine companies, with total profits of about three billion dollars, to raise resources, ink technology joint ventures and execute financial tie-ups up to 57 million dollars.

Murasoli Maran, the Industry Minister said the decision was aimed at making these companies "become really world class entities. We have uncaged them."

For making them global giants, the boards of these public sector companies will be restructured by the induction of eminent non-official part-time directors," Maran told a press conference.

The corporations will be allowed freedom to structure and implement schemes relating to human resource management and personnel, but will be re-

quired to ensure long term stake of its employees in profitability and performance of the corporation."

He said while the nine firms would not depend on government's budgetary support, they have been given total freedom to raise domestic debts and borrow from the global market, Maran said.

The strategy was based on turning the nine companies into "autonomous, board-managed companies with minimal requirement to approach the government," Maran added.

He said the new "autonomy package" would give the nine companies "the much desired level-playing field vis-a-vis the private sector so that these could grow on their core competence."

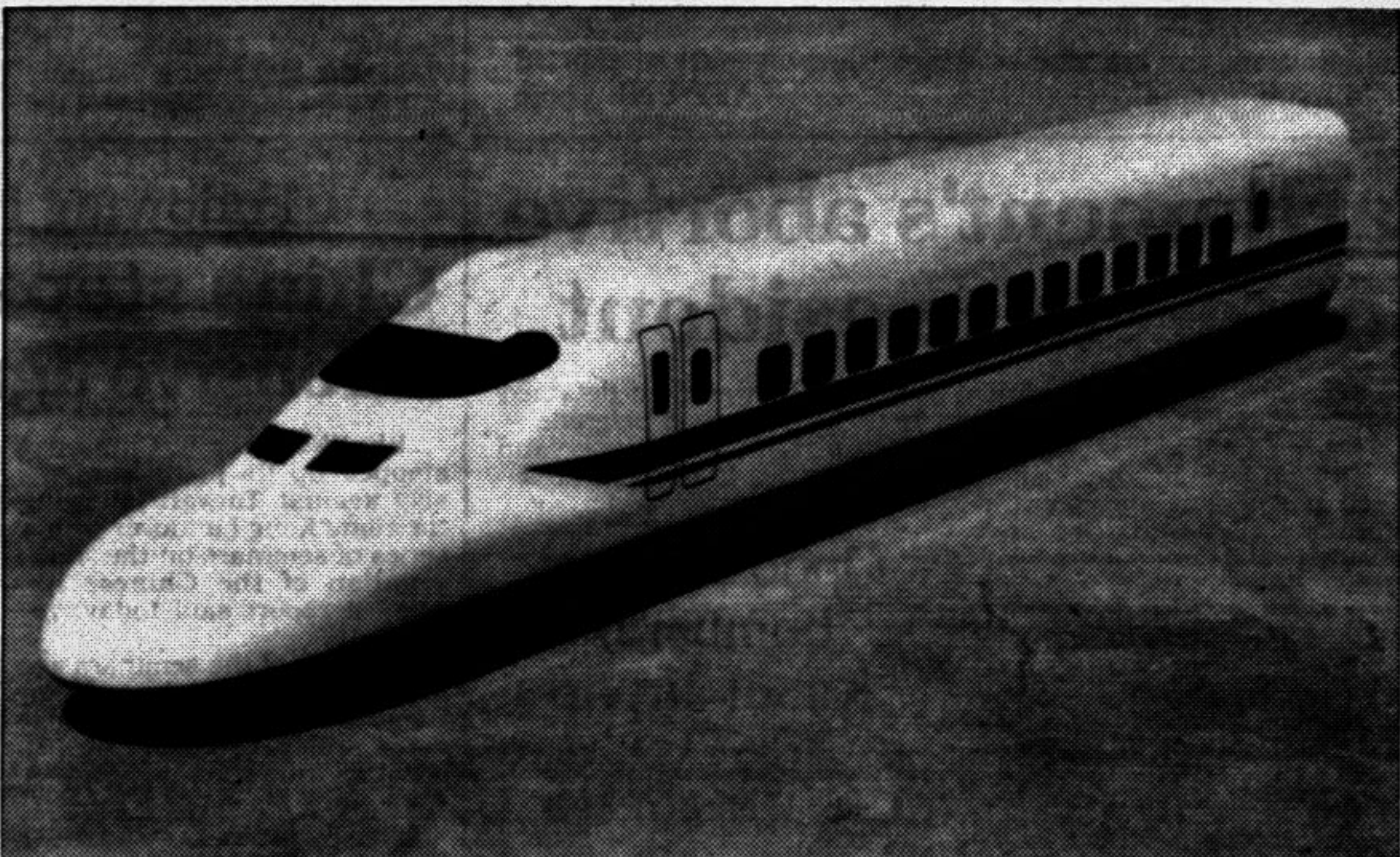
"Powers will be delegated to these public companies to incur all capital expenditure without any monetary ceiling. These companies will soon announce their vision statement and outline a strategy for globalisation."

The nine companies include Indian Oil Corporation, Hindustan Petroleum Corporation Ltd, Bharat Petroleum Corporation Ltd, steel Authority of India Ltd and Bharat Heavy Electricals Ltd, Oil and Natural Gas Corporation, Indian Petrochemicals Corporation Ltd, Vishesh Sanchar Nigam Ltd and National Thermal Power Corporation are the other firms.

All the nine companies together account for 75 per cent of the total profits of public sector companies.

Barely 120 of the 246 public-sector units in India make profits. Fifty-six of them are chronically sick, and more than 30 public sector companies do not have a chief executive.

State companies span such vital economic sectors such as railways, oil, defence, telecommunications, steel, aviation, shipping, health, electronics, space research and transport.



Central Japan Railway Co (JR Tokai) announced in Tokyo on June 26 a scale model of the new bullet train showing the design of its elongated nose. The 700 Series, jointly developed by West Japan Co. (JR West) and JR Tokai, has a maximum speed of 285 kilometers per hour. It is scheduled to begin service in the spring of 1999. — AFP/UNB photo

UAE urges members

Respect OPEC quotas to avert more losses in oil prices

ABU DHABI, July 5: The United Arab Emirates (UAE) yesterday urged OPEC members to respect their quotas to avert further losses in oil prices and regain its credibility, damaged by persistent violation of output shares, says AFP.

In a commentary on last month's conference of the 11-nation Organisation of Petroleum Exporting Countries, the official Emirates news agency, said that production quota will not only affect prices, but surpass this to a more sensitive and serious issue, which is OPEC's credibility in implementing its decision.

"Failure to implement the resolutions of the June 26 OPEC conference in Vienna will give an impression that the organisation has lost its credibility and this will weaken its influence and weight in the market."

"OPEC's credibility is now in the balance... Its members can restore that credibility with a clear and definite step - abiding by their quotas."

OPEC oil ministers agreed at their Vienna talks to roll over the cartel's official output ceiling of 25.033 million barrels per day (BPD) for the second half of 1997 but stressed all members must adhere to their assigned quotas.

Quota violations, a persistent behaviour in OPEC, has pushed its actual production by nearly two million BPD above the nominal ceiling, officials and experts have blamed excess output and receding seasonal demand for the decline of oil prices since the beginning of the year.

But Gulf oil executives said

oil prices remained firm at around 18 dollars mainly because of a delay in Iraq's crude export.

"It is a psychological impact, the market knows Iraq crude will flow again at any time," an Abu Dhabi-based expert said.

The absence of sanction-hit Iraq from the market combined with a prolonged winter in the northern hemisphere and other factors in 1996 to push oil prices to their highest level in more than a decade.

The average price of around 20 dollars sharply boosted OPEC's income and enabled most members, mainly heavy-weight producers in the Gulf, to record budget surpluses and high growth rates in their economies.

But oil prices have come under pressure this year by the resumption of Iraqi crude sales in the first half, an increase in western inventories and excess output by producers inside OPEC and outside it, Venezuela, Nigeria and Qatar have been blamed for most of the overproduction within OPEC.

Expectations that global oil consumption will decline in summer will depress demand for OPEC oil and put further pressure on crude prices. This should prompt all OPEC members to respect their quotas," WAM said.

The agency said many members were exceeding their OPEC-decreed shares, pushing the cartel's output to around 27 million BPD.

"Such violations are not new to OPEC and non OPEC producers... but they should no longer be tolerated because the decision to roll over the output ceiling will be futile without respect of quotas," it said.

Continued quota violations means that prices will be vulnerable in the coming few months, this will eat into the revenues of member states at a time when many of them are in bad need for funds to finance growing development requirements and expansion of their oil industry to face world demand."

Nigeria exports 746m barrels of crude oil in '96

LAGOS, July 5: Nigeria, Africa's largest oil producer, exported a total of 745.9 million barrels of crude oil in 1996, the central bank of Nigeria said in its newly-released annual report, says Xinhua.

The United States remained the largest importer of Nigeria's crude oil, buying 252.5 million barrels or 33.8 per cent of the total export.

The US and South American countries as a group continued to take the largest share of Nigeria's crude exports, although their share had consistently declined in the last four years from 55.2 per cent in 1993 to 41.2 per cent in 1996.

The share of West Europe rose from 30.5 per cent in 1995 to 36.3 per cent in 1996, while the export volume rose from 20.3 million barrels to 27.7 million barrels.

Asian countries of accounted for 16.6 per cent of the exports growing by 12.6 per cent than that of 1995.

Share prices lose ground in London, Paris

LONDON, July 5: Leading European stock markets put on contrasting performances on Friday, as share prices lost ground in London and Paris, but the Frankfurt bourse jumped to its fourth straight record closing high, says AFP.

London stocks eased in very volatile trading, operators said, as the Footsie Index gave up 18.9 points or 0.4039 per cent on the day to end at 4,812.8 points two days after presentation of the new British budget.

The Footsie had actually reached an all-time high of 4,879 points in the morning, but then got stuck on a downturn.

Gilts gained ground.

The Paris bourse slipped slightly, the Cac 40 index finishing the day at 2,934.48 points, off 0.09 per cent by comparison with the Thursday close. The indicator had opened down by 0.36 per cent, posted some mild gains during the session, but then slipped again.

The market was helped by the dollar's firmness, traders said, but did not show any reaction to remarks on television Thursday evening by Prime Minister Lionel Jospin.

The Frankfurt stock market surged to a new record closing high, its fourth in a row, thanks to a strong dollar, Wall Street gains on Thursday and strong insurance stocks in Frankfurt, trader said.

The Dax Index pushed easily well up through the 3,900-point level to end at 3,942.53 points, up 1.42 per cent from 3,887.39 points at the official close on Thursday.

The dollar lost a tad, but remained above the symbolic 1.75-mark level as it was fixed in Frankfurt at 1.7521 marks against 1.7532 at the Thursday fixing.

Insurance issues started, Munich re-jumping 485 marks to 5,400 and Allianz 27.70 to 396.20 marks.

Amsterdam stocks chalked up a satisfying gain as the ACE worked its way above the 900-point level to end at 907.19 points, up 1.1 per cent by comparison with the Thursday close. Volume was substantial despite Wall Street's close for the July 4 holiday, as shares worth 5.2 billion guilders (2.6 billion dollars) changed hands.

The Madrid stock market managed only a small gain, but it was enough to bring the general index to an all-time record high of 925.79 points, up 0.08 per cent from the Thursday close. It was the third straight record-high close.

Nepal to promote economic cooperation among SAARC countries

KATHMANDU, July 5: Nepal will initiate steps to promote economic among South Asian Association of Regional Cooperation (SAARC) countries and the concept of sub-regional cooperation, reports PTI.

Addressing the joint session of the 12th session of Nepal parliament on Wednesday, King Birendra said his country will take steps to implement agreements related to the World Trade Organisation (WTO) and South Asian Preferential Trade Agreement (SAPTA).

"An effort will be made to strengthen Nepal's economy with clarity of sustainable, high economic growth rate, liberal market-oriented economic policy and role and participation of the private sector," he said. The policy of reducing the government's role in public enterprises would continue, he added.

A long-term strategy will be prepared for development of water resources and provision related to the Mahakali Inte-

German federal deficit may be \$41b this year

BONN, July 5: The German federal deficit will be close to 70 billion marks (41.2 billion dollars) this year, though the current budget forecasts only 53.3 billion marks (31.4 billion dollars), DPA news agency said on Friday quoting sources close to the ruling coalition, reports AFP.

When the deficit was put at 53.3 billion marks, Finance Minister Theo Waigel said that would just enable Germany to meet the Maastricht Treaty criterion for single currency participation limiting.

Public deficits to three per cent of gross domestic product (GDP), he said that on that basis, the German figures would be 2.9 per cent.

Two-thirds of \$ 405b held outside US

WASHINGTON, July 5: American goods are prized in many parts of the world, but the most popular product of all may be cash, reports AP.

Government officials estimate that two-thirds of the 405 billion dollars in US currency that is now in circulation is held outside the United States. About three-quarters of that 270 billion dollars cache of hoarded cash is in US dollars.

Not only is US currency valued for its anonymity and compactness, it's also popular for the same reasons people once held gold coins, said Richard D Porter of the Federal Reserve's division of monetary affairs.

"In addition to the dollar's virtues as cash, dollars are held and used because of their liquidity and stability relative to most of the world's currencies," he and an associate, Ruth A Judson, explained in a recent issue of the monthly Federal Reserve Bulletin.

The study described dollars as "a safe asset in an unpredictable world" that often flow into a country during periods of economic and political upheaval and sometimes remain there well after the crisis has subsided.

Aside from the fear of coun-

terfeiting, Porter said there is little reason for concern about the hoarding of dollars in other countries. In fact, every \$100 bill that is held rather than spent is the equivalent of an interest-free loan to the Treasury, since the government only spends four cents to print the bill and receives 100 dollars worth of goods or services for each bill that is circulated.

The amount of currency held outside US borders has grown in recent years.

"Our calculations indicate that growth in foreign demand for US currency - especially for \$100 bills - is far stronger than growth in US demand," said Porter and Judson, who found that over the 1990s, the overseas stock has grown three times as fast as the domestic stock.

US currency finds its way abroad in a variety of ways.

"Some countries, including Panama and Liberia, have elected at times to use the US dollars as their currency," the Fed analysts explained.

Many workers employed outside their home countries - US soldiers and expatriate workers in Middle East oil fields, for instance - are paid in US dollars, which then make their way into local economies,

Dollar increases against major euro units

LONDON, July 5: Sterling stuck stubbornly to its recent uptrend on Friday on the London forex market, buoyed by expectations of a rise next week in UK interest rates, while the dollar rose against all other major currencies from its Thursday evening levels, says AFP.

The pound was up in late afternoon to 2.9653 marks against 2.9538 Thursday evening, but stood at 1.6861 dollars against 1.6886.

The dollar was up to 1.7587 marks against 1.6886 Thursday evening, and to 113.82 yen against 113.45.

"Sterling is off to the races and will reach 3 marks in the near future," said Joanne Collins, an economist at Nomura International Bank.

The market no longer wonders whether the Bank of England will raise base rate next week, but rather how much the rate will be. It became convinced of an impending rate increase by tax measures in the new British budget that are not considered tough enough to cool off enthusiastic UK consumption, which has raised fears of inflationary pressures.

"A quarter-point increase in base rate seems 'the most likely,'" the Nomura analyst said, "a bigger rise would push sterling even higher, but British authorities have already expressed concern about the currency's level and its effect on exports."



Female bank clerks at Tranomon branch of the Sanwa Bank count the 10,000-yen notes June 30 prior to their business hour on the summer bonus day for government employees. According to Sanwa Research Institute, 4.5 million government workers receive an average of 798,900 yen bonus, 1.5 per cent raise from previous year, June 30. — UNB/AFP photo

Asia business briefs

MANILA, July 5: Inflation in the Philippines rose to a greater-than-expected 4.8 per cent in June compared to a year earlier as higher school fees added to household expenses, the government said Friday.

Economists had predicted that consumer prices would rise by only 4.0 per cent to 4.5 per cent on an annual basis during the month.

Economists, however, were generally unperturbed by the increase, noting with relief that neither higher food nor oil prices were major factors behind the uptick.

The National Statistics Office said June's higher inflation was led by the services index, which rose to 13.7 per cent because of increase in tuition fees for some two million Filipino schoolchildren starting a new school term.

In May, Philippine inflation dropped to a 10-year low of 4.2 per cent, while inflation in June 1996 was 96 per cent inflation has been running at single digit levels since the middle of last year.

MANILA: Authorities have banned the use of cellular phones while driving in metropolitan Manila to prevent accidents on the road.

The Metropolitan Manila Development Authority said Friday the ban took effect last Saturday and violators will be fined 200 pesos (8 dollars).

One may pull over to make calls without being fined and hands-free devices are exempted from the ban, the authority said.

Traffic enforcers have reported that many vehicular accidents have been caused by drivers talking on their cellular phones and not paying attention to road conditions.

Cellular phone use has increased dramatically in recent years, particularly in the capital, Manila.

The number of cellular phone subscribers leaped from 33,800 and two cellular phone companies in 1991 to 959,024 subscribers and five companies in 1996.

About 75 per cent of the subscribers are based in metropolitan Manila.

MANILA: Philippine exports increased 22 per cent in May over a year earlier to 1.97 billion dollars with receipts of 881.8 million dollars, up 32 per cent from a year earlier.

Garments were the second biggest earner, bringing in 189.9 million dollars, virtually unchanged from last year.

Computer parts were the third largest export with shipments of 150.7 million dollars, a huge increase from last year's 11.79 million dollars.

Revenue from agricultural exports slipped 23 per cent to 84.9 million dollars because of weaker sales of coconut oil and bananas.

The United States continued to be the Philippines' biggest export market, followed by Japan and the Netherlands.

In April, the country's trade deficit fell nearly 35 per cent from a year earlier to 860 million dollars.

The government announces monthly import figures separately.

BEIJING: Drought has struck the eastern Chinese province of Shandong, causing 100,000 hectares (250,000 acres) of crops to wither and causing shortages of drinking water, the official Xinhua news agency reported Friday.

It said the water shortage was the worst in a century in Shandong, a region of 85 million people where one of the driest years on record has left reservoirs and rivers at extremely low levels.

Shandong is one China's main grain-producing areas. Dry conditions have forced farmers to skip planting 600,000 hectares (1.5 million acres) of crops, Xinhua said. That could cut the autumn grain harvest, which makes up half of the province's annual output. — reports AP.

AIDS brings new sales opportunities for Zimbabwean vendors

Although Zimbabweans pray for an early cure for AIDS, the deadly disease has brought smiles to the faces of some entrepreneurs.

With up to 500 AIDS-related deaths a week, trade is brisker than ever for those in the business of death.

Scores of coffin salesmen tout for clients at the entrance to hospitals and mortuaries. Other traders disturb graveside prayers to sell flowers to grieving relatives.

There is a rising tide of complaints about the trend. Some describe it as immoral, insensitive or an invasion of privacy.

The vendors, many of them recent school-leavers, shrug and say they are responding to the government's call for self-employment and small-scale enterprise.

"Competition is very high," says 28-year-old Mandla Mathanda, who hawks coffins at a Harare hospital. "You have to be good to have customers. I am earning a decent living."

He earns commission of 20 Zimbabwean dollars on every coffin sold. A coffin costs between Z\$400 and Z\$1,500. Many coffin-makers offer credit facilities. This is important because many of the once-common burial societies -

which people paid into to cover the costs of their passing - have now collapsed, often due to embezzlement.

On a good day Mathanda sells eight, on a very good day 10.

"Sometimes I get an extra 'thank you' fee from my boss," he beams.

A hospital doctor, Sylvester Mangwiro, complains: "These people are going out of bounds. If they see a group of people walking into the hospital, they confront them and express their grief before starting to talk business."

"Sometimes they don't even know whether you are coming to see a sick person."

A University of Zimbabwe sociologist, Nyasha Madzinzira, says the issue is not just about inconvenience. He believes that talk of coffins reduces patients' hopes of survival and that the salesmen have turned hospital from places of hope to places where people go to die.

"Now there is no difference between a hospital and a cemetery," he says.

A pathologist at Parireny-

atawa Hospital in Harare agrees: "The situation is like a hospital overlooking a graveyard, where patients see burials through the window."

Flower sellers are also being criticised for pestering mourners at cemeteries. They shout: "Flowers! Flowers! Cheap and affordable for you really care; buy him the flowers and he'll go to heaven knowing you all love him."

Urging respect for funerals and burials, Father Brian MacGarry, a Catholic priest, says the practice runs counter to religious and traditional beliefs.

"People no longer fear death, maybe due to economic hardships brought about by the government's economic reform programme," he says. "Just imagine someone shouting, 'Flowers! Flowers here!' while you are in the middle of praying, burying a dear friend or relative."

City florists in Harare have been hit hard by the aggressive on the spot selling, and many are now setting up their own direct sales in cemeteries.

"Death is the most profitable business venture these days,"

Japhet Ncube writes from Harare

says 23-year-old John Hlabangana, who plies his trade at Warren Hills Cemetery. "Pretty soon, tourism, agriculture and

mining will play second fiddle to death as the highest-earning industry in the country."

Salesman Patrick Chigumba, 28, admits that it is a new trend. "We used to sell flowers metres away from the cemetery entrance," he recalls. "Now, not many people buy unless you move closer and they have no choice but to buy."

"We call it taking business to the people."

Hawker Joseph Muzemba's profits have risen 50 per cent in a year "because I'm nearer to my customers than before. They buy without thinking twice because once by the graveside they realise it can't go without flowers."

As funeral cost keep rising - 284,500 is not uncommon - many families cannot afford tombstones. They have to make do with a concrete slab or a pile of soil. "But if you add flowers it looks better," says florist Cecilia Nkomo, 45.

She also sells to people tending up the graves of friends and relatives.

But when municipal police try to enforce the law, vendors simply move away until the officers have gone and then return to the cemeteries.

Dr Timothy Stamps, the Health and Child Welfare Minister, acknowledges that the practice is going on all over the country.

"These people follow grieving relatives from the mortuary to their homes, where they find out about the burial arrangements," he says. "They seem good at negotiating and succeed in convincing people to buy the coffins and flowers."

— Gemini News

(Exchange rate: \$1=Z\$11.3)
(Japhet Ncube is a magazine journalist in Harare who also contributes to publications in South Africa and Britain.)

