

**China-Taiwan air route opens Oct 11**

BEIJING, Sept 24: Charter flights between the southern coastal city of Ningbo and Taiwan, via Macau, will begin on Oct. 11, the state-run Xinhua News Agency reported Thursday, says AP.

The report said the Ningbo Eastern International Airline Tourist Service Co. would lease jets from Macau Airlines to use on regular flights on Tuesday and Saturday between Ningbo and the Taiwan cities of Taipei and Kaohsiung.

The flights will take four hours and 40 minutes and passengers will not be required to change planes in Macau, a Portuguese colony on the southern coast of China, the report said.

The route through Macau is required because of an official ban on direct communications, transportation and business links between China and Taiwan, whose rival governments have remained estranged since the Communists vanquished the Nationalists to Taiwan in 1949.

**Japan's airline to withdraw from US hotel business**

TOKYO, Sept 24: As part of a cost-cutting programme, All Nippon Airways Co. will sell the two hotels it owns in the United States, a company official said Thursday, reports AP.

All Nippon Airways, Japan's second largest airline, will sell the hotels it bought in the late 1980s to Lowe Enterprises Inc., a San Francisco-based real estate firm, for a combined 36.4 billion yen (270 million dollars), said the spokesman, speaking on condition of anonymity.

One hotel is in Washington, DC with 415 rooms, and the other with 667 rooms in San Francisco.

In June, ANA announced cost-trimming measures as part of a three-year plan to boost profits. They included cuts in hiring, senior executives salaries and the planned purchase of aircraft.

The company said earlier this year it expects to post a loss of 6 billion yen (44.7 million dollars) for the fiscal year ending March 1999.

ANA has already concluded a deal with Lowe Enterprises, with the sale happening as early as next Tuesday, the official said.

ANA bought the two hotels in 1988 and 1989, about the same time it started its first regular flights between Japan and the US mainland.

**Mexican debtors to take to the streets**

MEXICO CITY, Sept 24: A debtors' group that claims hundreds of thousands of members across Mexico announced Wednesday it will take to the streets to protest the government's position on the debt crisis sparked by the 1994 peso crash and fuelled by recent financial turmoil, reports AP.

Known as El Barzon — roughly translated "The Yoke" — the group attracted thousands of middle-class debtors who defaulted on their loans when interest rates hit nearly 110 per cent in March 1995.

The protests will begin Monday "in light of the lack of sensibility on the part of the government," said Liliana Flores, a leader of El Barzon.

She said the group is outraged by the Finance Ministry's latest proposal on dealing with the debt crisis that led President Ernesto Zedillo to propose a 55 billion dollars bank bailout earlier this year.

The Finance Ministry's proposal would only bring relief to about 1.2 million debtors, a fraction of the estimated 14 to 16 million debtors who have been unable to pay off their loans, she said.

El Barzon estimates an additional 2.5 million debtors will default on their loans in the next two to three weeks, given a recent increase in interest rates as a result of global financial turmoil.

The government's proposal only helps those who have not defaulted on their loans, but the debtors who are unable to pay are the ones that are most in need of protection," said federal Rep. Alfonso Ramirez Cuellar, who also is El Barzon's national secretary.

"The offer made by the finance officials is regrettable," he said.

Flores said the government has applied different standards to wealthy businessmen whose multimillion dollar debts were taken over by the state-run Deposit Protection Fund, known by its Spanish acronym Fobroa.

Finance officials have refused to disclose the identities of these still-wealthy debtors, citing bank secrecy laws.

"The government has given a preferential treatment to these millionaires," Flores said. "They are not asked to keep up with their payments; they are protected by bank secrecy laws. For small debtors bank secrecy doesn't exist."

El Barzon's street protests are also directed at the Supreme Court which is expected to soon rule on the legality of charging compound interest on past-due loans, a standard practice in most countries but subject to conflicting laws in Mexico.

Bankers claim if the Supreme Court rules against the practice, it could lead the nation's banks into bankruptcy. But El Barzon leaders reject that argument.

**China strikes back at US remarks on trade imbalance**

BEIJING, Sept 24: A day after a senior US official attacked China's soaring trade surplus, Beijing hit back Thursday, saying Washington's trade restrictions were behind the imbalance, reports AP.

Chinese Foreign Ministry spokesman Zhu Bangzao said curbs on sales of advanced technologies to China contributed to the US deficit.

"If this issue is solved there will be changes in the US trade deficit with China," Zhu said at a twice weekly media briefing.

In unusually blunt language, US Undersecretary of Commerce David Aaron warned Wednesday in Beijing that the deficit, projected to rise 20 per cent this year to 60 billion dollars would strain diplomatic relations between the two countries.

Aaron criticized China for erecting new barriers to trade in pharmaceuticals, energy and telecommunications and urged

Chinese officials to revive a seemingly stalled effort to join the World Trade Organization.

Zhu said China was aware of the concerns of the United States, its largest export market, and has "encouraged Chinese enterprises" to buy US imports.

But in a recitation of a negotiating position Beijing has held for years, Zhu insisted that a difference in accounting methods has led Washington to overestimate the deficit and he maintained that China had already met the conditions for WTO membership.

Given the size of China's economy, the United States and some other leading trading partners want Beijing to open its domestic markets before joining the world arbiter of trade.

Hinting at Beijing's frustration with the process, Zhu noted that China had negotiated with 35 trading partners and signed

formal agreements with ten of them.

"We hope the countries concerned could adopt more practical measures for a resolution of this issue," Zhu said.

An AFP report says China's trade barriers are inflating its massive trade surplus with the United States and creating major friction between Washington and Beijing, a top US trade official said yesterday.

"Our trade deficit with China is more than one billion dollars a week and in the time it takes us to have lunch, it will increase by almost 13 million dollars," US Undersecretary of Commerce for International Trade David Aaron told an American chamber of commerce luncheon.

"This is politically unsustainable... and our commercial relationship, which in the past has helped US through difficult times, threatens to become the source of increasing political

friction," he warned.

The US trade deficit with China hits 4.7 billion dollars in June, the highest level since October 1997, and is expected to rise to 60 billion dollars for the whole year — a 20 per cent increase on last year.

The United States — like most Western nations — blames its trade deficit with China on limited market access, Beijing's complicated certification requirements, high tariffs and its lack of progress on its entry of for the World Trade Organization (WTO).

"The lack of progress on bilateral market access issues and the slowdown in WTO access in talks are cause for serious concern," Aaron said.

But he told a news conference later in the day that he had been "encouraged" by assurances from Chinese officials that joining the WTO and allowing more US goods to be imported was a high priority.

**ILO report reveals Global joblessness to hit 1b by end of '98**

GENEVA, Sept 24: The number of people without full-time jobs worldwide will reach a record high of 1 billion by the end of 1998, fueled by the Asian financial crisis, according to an International Labour Organization report being released Thursday, says AP.

The turmoil in Asia will cause the number of unemployed people around the globe to rise 10 million, to 150 million, the 258-page study said.

In addition, a further 750 million to 900 million people — 25 per cent to 30 per cent of the world's workers — lack full-time jobs or earn less than the minimum needed to live, a situation the ILO calls "underemployment."

The study's author, ILO employment expert Rashid Amjad, forecast "much more pressure on the global employment situation" in future years, but declined to be specific.

The ILO says governments, especially those in developing countries, must invest more in worker training and skills fueled by real economic demand.

"The global employment situation is grim and getting grimmer," said Michel Hansenne, director-general of the ILO, the United Nations' oldest agency.

Economic growth in many parts of the world in early 1998, expected to spur worldwide job increases, has cut unemployment and underemployment in the United States and the European Union, the report said.

More than 18 million workers are unemployed in the EU but output and employment showed signs of picking up in mid-1998.

There has been an above-average jobs increase in the United States, despite growing wage inequality and a fall in real wages.

But despite three decades of sustained growth in East and Southeast Asia, the situation in the region has dramatically deteriorated in the past year.

In Thailand, for example, the report said, unemployment rose to about 6 per cent of the labour force — almost 2 million jobs — in 1998 compared to 1 per cent to 2 per cent of the labour force, or 400,000 to 700,000 unemployed, two years ago.

In China, an estimated 3.5 million workers will lose their

jobs this year and unemployment will increase 5 per cent to 6 per cent.

Poverty is likely to rise in the Russian Federation. The recent turmoil in Russian financial markets, partly a response to untenably high interest rates, threatens to replicate the earlier experience of Indonesia, the report said. In Indonesia, steep increases in unemployment are accompanied by food shortages.

Unemployment remains high in most Central and East European transition economies, the study said.

Latin America is threatened in 1998 by a potential global pull-back by investors in emerging markets which could push unemployment and underemployment up.

The ILO estimates that 1998 unemployment is 7.9 per cent in Brazil, 11.3 per cent in Venezuela, 3.4 per cent in Mexico and 15.2 per cent in Colombia.

In sub-Saharan Africa, the study said, a prolonged period of poor growth and deteriorating labour market conditions has given way to slightly improving employment in many countries in 1998, but most new jobs are informal and in low-productivity agriculture.

**Ex-Japan finance official escapes jail in bribery scandal**

TOKYO, Sept 24: A former top official in Japan's powerful Ministry of Finance was given a suspended prison term Thursday in a bribery scandal that has rocked the nation, says AP.

The Tokyo District Court sentenced Koichi Miyakawa, 54, to a two years and six months in jail, suspended for three years, a court official said.

The suspended sentence means the defendant is unlikely to serve any time behind bars unless he is charged with other crimes over the next three years.

Miyakawa, who was the ministry's chief inspector before being fired, was also ordered to pay a fine of about 8.11 million yen (59,000 dollars).

Thursday's ruling was the first handed down to any of the four senior Finance Ministry officials charged with receiving lavish entertainment from major Japanese financial institutions.

Miyakawa was charged earlier this year for accepting dinners and golf outings worth a total of 3.71 million yen (27,000 dollars) from four major banks.

He was accused of taking the entertainment in exchange for tipping the institutions off about the timing of surprise inspections by the ministry between March 1993 and June 1997.

The four banks were Dai-ichi Kangyo Bank, Sumitomo Bank, Asahi Bank and Sanwa Bank.

The court also ruled that Miyakawa received a discount of 4.4 million yen (32,000 dollars) for a condominium he bought. He had denied getting the discount.

Japanese bureaucrats long have accepted lavish entertainment from private companies. Many of the bribery charges stemmed from late-night dining and drinking sessions that have been a traditional part of doing business in Japan.

In handing down the suspended sentence, presiding judge Manabu Yamazaki told the Tokyo District Court that Miyakawa had been dismissed on disciplinary grounds by the ministry and had already received "social punishment," Kyodo News agency reported.

In a bold step to reverse its battered public image, the ministry in April punished 112 officials for receiving lavish entertainment. Penalties ranged from reprimands to temporary pay cuts.

**ADB okays \$70m development loan for S Lanka**

MANILA, Sept 24: The Asian Development Bank approved on Thursday a 70 million dollars loan to improve urban infrastructure and housing for poor families in Sri Lanka, says AP.

The loan will also support local government authorities in financing infrastructure and municipal services, the bank said in a statement.

The loan project will improve roads, water supply and drainage systems, bus terminals and public markets in 27 secondary towns in seven provinces.

It also will help private landowners develop urban land and support partnerships to develop and operate water supply, solid waste disposal and other community projects.

Loans for housing repairs for poor households is a major component of the project.



**THE WORST AINT OVER YET:** The onslaught of flood has assumed a new shape - pushed and pegged prices of essential commodities at new heights - though water has receded from most parts of the city as well as in other flooded areas of the country. The picture, taken Tuesday, shows retail traders selling garlic, chilli and onion at higher rates at city's Shyambazar.

**Middle class Muscovites on job hunt, but with little success**

MOSCOW, Sept 24: The primarily dressed Russians waited in a line hundreds of people long, slowly shuffling forward, somber and unsure of what they would find at the end, reports AP.

They found frustrated job seekers like themselves, showing and elbowing each other toward small booths, hearing painful answers to desperate questions.

"How much are you paying accountants?" ...

"Well, how much experience have you got? None?" There is an alternative: "We pay truck drivers 300 roubles (\$19) a month."

As Russia endures its latest financial crisis and companies fire thousands of employees, the country's fledgling middle class is joining the lines at job fairs in a desperate hunt for work — and finding that the middle class may no longer exist.

When Communism fell, many Russians found work with private firms that paid them enough to live comfortably, travel, and buy more luxury goods.

That created a middle class that could never have existed

during the Soviet Union — when private companies were banned and western amenities were too expensive for all but the elite.

But the latest economic crunch — and Wednesday's job fair in southern Moscow — showed how fragile the middle class was, and how desperate those who belonged to it are to sustain their new lifestyles.

"People are first looking at how much the job pays, and then whether it falls within their specialty," said Alexander Lugovi, a manager with a company that reworks hard metals. "Really, they're looking for anything available."

Most of the job offers were for work in factories, the city bus system, or other state-owned entities that offered wages of about 1,500 roubles (\$100) a month. The jobs most sought, with companies that pay wages on time and offer chances for advancement, are nearly nonexistent.

"There's nothing for me here," said 40-year-old Margarita Kolosova, an accountant who was fired earlier this summer. "There's no demand for people of my age or specialty. If I'd known it would be like this, I wouldn't have come."

Some lined up to talk with lawyers, job counselors, and even psychologists for advice about their mostly fruitless efforts.

"You've got to have a strategy, some goal you're shooting for," said one job counselor, who refused to give his name, to a pair of job seekers having little success.

"I came looking for something that would pay 500 dollar to 1000 dollar a month," said 30-year-old Artur Girsh, who lost his job when his food import company went bankrupt at the start of the crisis. "But if I got even half that, it would be acceptable."

Still, even those willing to take lower wages said it wasn't easy to find work that suited their experience, or their minimal expectations.

"I'm looking for construction work, something that pay around 2000 roubles (\$125) a month," said 30-year-old Andrei Sarayov, who came in from the Saratov region to test his luck in Moscow's job market.

"Back home they've been withholding my salary for half a year. Even though I'm not having much luck, I've got to keep looking."



About a thousand of jobless Muscovites queue to get jobs at Moscow's Job Fair Wednesday. A job fair in each district of Moscow opens once every three months. Prime Minister Yevgeny Primakov acknowledged the depth of Russia's economic problems, saying that the "country is facing serious difficulties."

**Russian inflation up 67 per cent**

MOSCOW, Sept 24: Russian prices have soared 67 per cent since the country's economic crisis hit in mid-August, and most of the increase is linked to the collapse of the currency, the government said Thursday, reports AP.

Before the crisis, prices were increasing at less than 1 per cent a month and the Russian rouble was holding steady at a little over six to the US dollar.

But the embattled rouble is now trading at around 15 to the dollar, which means that Russia's many imports are now two or three times more expensive than they were.

Prices have been increasing almost daily over the past five weeks, and are up 67 per cent since the crisis began, the Interfax news agency quoted the State Statistic Committee as saying. The figure includes prices hikes of 45 per cent during the first three weeks of September.

The rouble has strengthened a bit in the past few days, but it remains highly unstable.

The new government of Prime Minister Yevgeny Primakov has yet to unveil an economic plan for dealing with the crisis. Primakov has spoken only in general terms, saying he plans to continue with economic reforms, but pledging a larger state role in regulating the economy.

**IMF aid can help avoid full catastrophe: Chubais 'OECD can play useful role in helping Russia out of crisis'**

PARIS, Sept 24: The industrial countries in the OECD can play a useful role in helping Russia emerge from crisis, and in managing the globalised economy, OECD Secretary General Donald Johnston said yesterday, reports AP.

"While concern is in order, and worry can be constructive, there is no cause for panic and overreaction," despite current "turbulence, uncertainty and difficulty for large segments of the world economy," Johnston told the Council of Europe in Strasbourg.

A text of this speech was released by the OECD Headquarters in Paris.

Although Russia is not yet an OECD member, Johnston said the OECD has been involved in helping its government towards setting up state institutions and structures such as a tax system, and can help further.

But the ultimate solution lies with Russia's willingness itself to put its house in order, he said.

"I believe that we in the OECD countries, along with many reformers in Russia, underestimated the weakness of the state and thus the enormity of the task" involved in rebuilding a market system after the collapse of the Soviet Union, Johnston said.

"But I believe that Russia, given her abundant human capital and natural resources, will recover from this crisis," although "this is above all a challenge to the Russian people and the Russian leadership."

Russia itself has to want to make the necessary changes before anyone can help implement them, Johnston said.

On the wider implications of the current world economic problems, Johnston said that globalisation must continue, but governments, and the OECD, must ensure that the cost of globalisation are recognised as well as the benefits.

These costs "are real, and they must be addressed by public policies designed to ensure that all benefit from the global

agenda."

The OECD, which now numbers 29 members, must widen its horizons if it is to remain relevant in the globalised world and not simply concern itself with industrial countries selected on purely economic criteria, Johnston said.

"The OECD must open up to a much greater universe if it is to remain relevant in promoting global economic cooperation and development," Johnston said.

"Operating as a permanent inter-governmental conference, the OECD is a unique and effective international structure which could serve as a model of global economic cooperation," he said.

Meanwhile, another report says: Russia will avoid total economic catastrophe only if it can persuade the International Monetary Fund to release billions of dollars in promised aid, former finance supremo Anatoly Chubais said in an interview published yesterday.

Chubais told the Moskovsky

Komsomolets daily that Russia faced the kind of crisis which would make last month's devaluation and domestic debt default look like "child's play."

Only the disbursement of a promised IMF loan instalment of 4.3 billion dollars could buy off the insolvent government a way out, he said.

"To fulfil (foreign debt repayments), we need to get the IMF tranche," Chubais was quoted as saying, "there is no other civilised way," he said, adding that a worse-case scenario would involve "a government catastrophe which would make (the decisions of August) look like child's play."

The IMF has suspended all its loan programmes, worth 12.5 billion dollars this year alone, to Russia until the new government explains how it plans to steer the country out of the acute financial crisis which has eroded the value of the currency, undermined the banking sector and bankrupted the government.

**ROK draws tight budget amid economic crunch**

SEOUL, Sept 24: The government unveiled an 85.79 trillion won (61.25 billion dollars) budget proposal Thursday that calls for sharp increases in welfare spending to combat soaring unemployment, says AP.

For the second straight year, the government predicted spending in 1999 would far exceed tax revenues, requiring a 13.5 trillion won (9.6 billion dollars) bond offering to make up the difference.

The proposal calls for spending increases of 6.2 per cent over this year's budget, well below the average 14 per cent annual budget increases since 1990.

The budget will be submitted next week to the National Assembly, where it is expected to be approved with little change by a majority of lawmakers loyal to President Kim Dae-jung's ruling coalition.

In 1998, the government issued bonds worth 7.9 trillion won (5.6 billion dollars) to meet its budget of 80.78 trillion won (57.7 billion dollars). It was the first budget deficit since 1983.

Government officials said spending increases next year have to be kept to a minimum because of the deepening economic crisis gripping the country.

"Many companies have gone bankrupt and surviving companies, too, are making much less money, paying much less tax," said Chun Jung-young, a spokesman for the Office of National Budget.

For the first time, defense spending was trimmed by 0.4 per cent to 13.74 trillion won (9.81 billion dollars). South Korea has boosted its military spending by an average 11 per cent annually since 1990.

Spending on education, another priority in past years, also was cut by 5.1 per cent to 16.59 trillion won (11.85 billion dollars).

But the 1999 budget calls for a drastic increase in funds for social safety nets for jobless people and restructuring the nation's troubled financial sector.

The government plans to spend 8.23 trillion won (5.88 billion dollars) on welfare, up 45.3 per cent from this year, and 7.78 trillion won (5.56 billion dollars) on financial restructuring, up 120 per cent.

The unemployment rate has risen to a 32-year high of 7.6 per cent, with 1.65 million people out of work, since the nation was forced to turn to the International Monetary Fund to bail out its economy last year.

**Fall in tea sales Ugandan govt urged to boost consumption**

KAMPALA, Sept 24: Ugandan tea farmers are urging the government to launch a campaign to promote local consumption to boost sales, commodity dealers said yesterday, reports AP.

"Out local tea consumption rate is low, we only consume 10 per cent of our 21 million kilogramme (46 million pound) annual output," said Daudi Kimpwata, a tea exporter.

The Uganda Tea Authority (UTA) envisages a record 25 million kilogramme production this year. The last record — 23 million kilogramme — was produced in 1972.

Uganda's tea industry, largely controlled by Asian-owned large scale producers, suffered a rapid decline after the 1972 decision by brutal dictator Idi Amin to expel Asians from the country.

Amin nationalised tea estates or gave them to his cronies who ran them down through mismanagement and neglect.

Current President Yoweri Museveni invited Asian tea farmers back after he seized power in 1986.

Uganda earned 12.03 million dollars from tea exports in 1996 and hopes to gross 19.57 million dollars from the 1997-98 crop.