
REUTER - WORLD NEWS SUMMARY

UNITED NATIONS - The Security Council adopted a resolution authorising a greatly expanded peace-keeping force in Bosnia-Herzegovina to protect convoys of food and medicine for civilians in the besieged republic.

In SARAJEVO, fierce fighting across Bosnia, involving shelling from artillery supposed to be under UN observation, threw international peace talks into doubt.

WASHINGTON - The US Senate approved putting conditions on renewal of China’s favourable trade status next year, setting up a new veto fight with President George Bush on the sensitive issue of US-Chinese relations.

MOGADISHU - United Nations efforts to end war and famine in anarchic Somalia have been stepped up with the arrival of the first ‘blue berets’ to guard relief operations. A vanguard of 40 Pakistanis out of a force of 500 troops flew into the battle-ruined capital Mogadishu on Monday, signalling world impatience with feuding Somali clan factions that have devastated the country in 20 months and put 1.5 million people on the brink of starvation.

LIMA, Peru - President Alberto Fujimori’s popular support and international standing were likely to be boosted as even his staunchest opponents congratulated the government for the arrest of Abimael Guzman, the elusive chief of the Shining Path guerrillas.

CURRENCY MARKETS

HERALD TRIBUNE: German rate cut lifts stock markets, dollar

"Stock markets surged Monday and the Deutsche mark tumbled, particularly against the dollar, as the Bundesbank lowered its interest rates for the first time in 4 years. In Europe, the rally in stocks was restrained by disappointment at the size of the cut. But in New York, investors saw the reduction in German rates as the first in a series that would reinvigorate the world economy, and the Dow Jones industrial average soared 70.52 points, or 2.1%, to close at 3,376.22. It was the year’s biggest gain for the blue chip barometer... But the somewhat ambivalent market reaction was summed up by Germany’s economics minister, Jürgen Möllemann. He welcomed the reduction, which trimmed the discount rate by a half point to 8.25% and the Lombard rate by a quarter point to 9.50%, but said there was ‘scope to cut interest rates further.’"

LE FIGARO: Baisse des taux: Bérégovoy attend le "oui"

"L’Europe a salué la baisse des taux allemands, même si celle-ci est avant tout symbolique... La France, elle, attendra le résultat du référendum de Maastricht. Comme Pierre Bérégovoy, Michel Sapin, ministre de l’Économie et des Finances, a estimé que ‘seul un ‘oui’, dimanche prochain, peut placer délibérément la France dans une forte perspective de baisse des taux d’intérêt’... A Tokyo, le ministre des finances japonais, Tsutomu Hata, a exclu hier un prochain abaissement du taux d’escompte de la Banque du Japon, actuellement à 3,25%, après 5 diminutions depuis 1991."

GLOBAL ECONOMY

FINANCIAL TIMES: Unctad reverts to Keynes for reflation recipe

The United Nations Conference on Trade and Development (Unctad) could be excused for feeling a bit upstaged by yesterday’s cut in German interest rate. Its annual report, published today, advocates just that. Unctad wants 1980s monetarism abandoned and a return to Keynesian policies on an
international scale in an effort to pull the world out of recession. Higher government investment spending and a big cut in German interest rates top its list of recommendations. Without such measures, Unctad says, the 'debt deflation' afflicting the world’s leading economies, notably those of the US, Japan and Britain, could ensure another 'lost decade' in the 1990s."

RUSSIA

WALL STREET JOURNAL: Russian bank warned of hyperinflation

MOSCOW - "A senior adviser to Russia’s acting Prime Minister Yegor Gaidar attacked the new head of the central bank for Soviet-style policies that threaten the economic reform program with hyperinflation before the end of the year... Sergei Vasilyev, director of the Economic Reform Center, said the bank has been issuing random credits without government permission to industrial enterprises and former Soviet republics. He said this action, being taken under its acting chief, Viktor Gerashchenko, is increasing the ruble emission rate in violation of the government’s attempt to tighten monetary policy, and that, as a result, ominous inflation statistics are starting to emerge... In addition to the credits that the bank has already granted, Mr. Gerashchenko is threatening to reverse steps the government and the previous head of the bank have already taken to make the ruble convertible, according to Mr. Vasilyev."

WALL STREET JOURNAL: US offers Russia $1.15bn aid for food

WASHINGTON - "The US offered guarantees and other assistance to buy food and held out hope it would offer more, despite concerns that Russia will have difficulty repaying the loans. The US Agriculture Department on Monday announced the package of $900 million in US-backed loan guarantees and $250 million in food aid and other kinds of assistance. 'These measures will ensure that US agricultural export to one of our largest markets continue at a normal pace, even as Russia continues its dramatic economic restructuring', Agriculture Secretary Edward Madigan said."

DEVELOPMENT CENTRE REPORT

JAPAN TIMES: Electronics: cul-de-sac for a developing Asia?

"The future of electronics in the developing countries of Asia, including the newly industrializing economies, may be bleak. This is the surprising conclusion of a new study by the OECD, the industrialized countries club in Paris. South Korea, Taiwan, Singapore and Hong Kong, the 4 Asian NIEs, have achieved great success in climbing into the top 12 world electronics producers... But now investment is shifting from consumer toward industrial and progressional electronics, where trouble lies ached. 'The closer they get to the 'technology frontier', says Louis Emmerij, president of the OECD Development Center, 'the more difficulties they will face in acquiring the generic technologies and systems knowledge required for upgrading their products, services and production processes. At the same time, their access to the major growth markets in the OECD region faces increasing restrictions'. The NIEs are stuck with fairly obsolete forms of mass production and marketing. Their past success rests on low-cost supply of standard mass-produced items, largely with borrowed technology. But 'creative imitation' to assimilate the technological knowledge of others will no longer be enough to survive. Nor will low wages or a weak currency."

OECD ECONOMIES

Italy

HERALD TRIBUNE: Business asks: Where are spending cuts?

ROME - "Italian business leaders and economists assailed Prime Minister Giuliano Amato on Monday for allowing the devaluation of the lira without moving decisively at the same time to stop the country from living beyond its means. Some acknowledged that the devaluation could be acceptable if part of a package including draconian spending cuts, something none of Mr. Amato’s predecessors had been able to enact. But the critics - including bankers, political opponents, industrialists and others - stressed that the prime minister must now move quickly to reduce the country’s crippling budget deficit and thus strengthen Italy's economic credibility."
AUSTRALIAN FINANCIAL REVIEW: Figures point to a slow and patchy recovery

"New employment, retail spending and housing figures continue to point to the slow, drawn-out and regionally diverse nature of Australia’s economic recovery... Western Australia’s jobless rate rose in August to 11.5%, while South Australia’s lifted to 11.7%. Retail turnover rose in dollar terms by 0.6% in July. Although the monthly retail data are volatile, they suggest that consumer buying is advancing modestly after jumping in April and May... Consumer sentiment has been on a roller-coaster ride which appears to be trending only slightly upwards... The latest reading of consumer sentiment, from September 4-6, came amid news of a weaker $A, rising interest rates, an import blow-out and US wheat subsidies. The reading showed that consumers had become less optimistic about whether now was a good time to buy major household items... But there are no signs of any tapering-off in the housing recovery, one of the few unambiguous areas of rebound from the 1990-91 recession. Housing construction starts jumped 9.3% in the June quarter as young home buyers sought to take advantage of low interest rates."

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