

In Brief

Kenya Airways takes over Zambia space

Kenya Airways has put its new Boeing 777 on to the route between Nairobi and Zambia, according to reports in the Zambian press. Zambia no longer has a national air carrier.

Indonesia pulls out of bond issue

The Indonesia Minister of Finance has stated that the country will not sell any bonds in June, saying that no new Government cashflow is required at present.

Ferry crash on Lake Kivu

A cargo vessel owned by the Government of the DR Congo collided with a passenger ferry on Lake Kivu on June 14. There have been several high profile collisions in the region in recent years.

Reliance and Uttar Pradesh agree on world's largest gas project

Reliance, India's largest industrial company, has signed an agreement with the Government of Uttar Pradesh under which Reliance will receive support in its plans to set up the world's largest gas based power station in the state.

World Bank stops credit to Cote d'Ivoire

The World Bank has stopped making loans to Cote d'Ivoire for non-payment of earlier loans, according to the BBC.

Agricultural shortages in Angolan province

There are shortages of agricultural equipment and material in Carujamba in the Angolan province of Namibe, reports the state-run Angola Press news agency. The governor of the region has promised that suppliers will arrive shortly.

Zimbabwe buys US\$200 million arms

Zimbabwe is to buy twelve fighter jets and other military vehicles, a government source confirmed last week. The equipment will be purchased from China, and will bypass the sanctions on arms sales imposed by the European Union and the United States. There have been difficulties in getting spare parts for Zimbabwe's earlier generation of fighter planes, the Chinese Chengdu F-7 and the British BAe Hawk-60, which is believed to have led to the current purchase of entirely new hardware.

Ethiopian textiles companies collect Italian machines

Kombolcha Textiles, one of Ethiopia's leading textiles companies, has received improved machinery and other equipment from the Italian firm Endeco, according to a report in the Addis Tribune. The transfer is funded by the Italian Government, as part of its aid program to the African state, of which 9 million is specifically for development of its textile industry. Kombolcha has been investing substantially in equipment in the last six months, as part of a major drive to increase its exports to Western markets.

Chinese IT industry congratulates itself

The China International Consumer Electronics Exposition 2004 opened in the port of Qingdao on Friday, as a showcase for the rapidly growing electronics industry. Chen Wei, deputy economics director in the Ministry of the Information Industry, used a speech at a press conference to highlight the importance of the industry to the country. Among his main points were:

- China's IT industry had sales of US\$227 billion in 2003, second only to the US
- A third of China's exports are IT products
- China has the world's second largest population of internet users, 80 million

Malaysia Airlines knows nothing about AirAsia rumours

Malaysia Airlines responded in clear terms on Tuesday to press reports that budget airline AirAsia was to take over its domestic routes, saying that they are unsubstantiated and that it had no knowledge of such schemes. It had been reported that AirAsia had received approval from the Malaysian Government to take over the loss-making flights. The Government is the majority shareholder in Malaysia Airlines, and pays all of its losses.

Union officials have expressed concern about the development and the possibility of large-scale job losses. AirAsia chairman Pahamin Rajab told the AFP news agency that if it was approached for the takeover, one route it could follow would be to rehire all of the current workers.



Non-tariff barrier... European Agriculture Commissioner Franz Fischler. The European Union publicly recommitted itself to improving market opportunities for developing countries at a meeting of Union agriculture ministers in Ireland last week. In an accompanying press release, it outlined the food safety standards for imports to the EU, which have previously caused tension with producer representatives in some countries. The Commissioner for Health and Consumer Protection said "meeting the EU's standards of food safety also helps them produce safer food for their own population."

Multimedia centres for Northern Ethiopia

Two multimedia computer centres were opened in rural Amhara state of Northern Ethiopia by the United Nations on Thursday. The centres cost around US\$25,000 each, and aim to provide business and communication services to the poorest people in the country. A representative of the UN Educational, Scientific and Cultural Organisation said that they could be used as virtual offices, and help people with finding work and checking the prices of agricultural goods in towns.

Good news continues for Oxiana in Laos

Oxiana, Australia's third largest mining company, announced on Wednesday that its copper and gold mine in the Sepon region of Laos continues to fulfil its early promise. Layers of 7.2% copper over 21 metres and 9.8% copper over 16 metres have been found, and the metal is close to the surface for easy extraction. About a third of the four kilometre site has now been fully explored.

Investigators to probe Vodacom's Nigeria deal

Federal investigators in Nigeria are to investigate the failed management agreement between Vee Networks and South Africa's Vodacom, the Economic and Financial Crimes Commission (EFCC) said in Abuja on Tuesday. It follows allegations of improper payment by Vee's management to three firms of stockbrokers - Bromley Asset Management, Empee Ventures, and Oceanic Securities - when the stockbrokers persuaded three Nigerian regional governments to invest in Vee. Although Vodacom left Nigeria two weeks ago saying that no illegal activity had occurred, just a breach of managerial trust, rumours of bribery have persisted.

Beer and cigarettes give Nairobi SE a good week

The Nairobi Stock Exchange rose last week, with the NSE-20 index up 1.79% to 2687. The rise was driven by gains in British American Tobacco, up 5.5% to Kenyan Shillings 210.0, and East African Breweries, up 9.0% to KSh450.0. Among the other large shares, there was respectable growth for the Nation Media Group, and a substantial gain of 26.6% for National Bank to KSh24.5. Elsewhere, there was a typically high volume of trade on Mumias Sugar, and it fell by 16.0%.

Interest rates weigh down Jakarta SE

The Jakarta Stock Exchange fell last week on concerns about rising interest rates affecting economic growth. The declines were spread across the market, with the Composite Index down 1.1% to 693 over the week. Blue chips like Telkom did not escape, despite early rises, and the banking sector suffered losses throughout the week, notably during Wednesday trading, with Mandiri, Central Asia, Danamon, and Rakyat Indonesia all down.

One in fifty children complete primary school in Southern Sudan

Many indicators of human development in Southern Sudan are the lowest in the world, finds a report published by the analytic part of the SPLM, one of the warring parties in the Sudanese civil war, and controlling body of most of the region. The report is believed to be credible because it was published in association with the UN Children's Fund. The region's size and population are comparable with those of a country, and the report compares its statistics unfavourably with countries like Ethiopia and Sierra Leone. The report finds:

- 48% of children are malnourished
- 2% of children complete primary school
- 1 in 4 children die before their fifth birthday
- 17 women die per 1,000 live births
- Three quarters of the population do not have access to clean water

Market Watch

(Week ending 18/6/2004)

Equity market leading indices and (increase in week)

Casablanca MASI	4,569 (-0.3%)
Bombay SENSEX	4,770 (-1.3%)
Cairo CASE 30	1,453 (-0.8%)
Mauritius SEMDEX	660 (-0.4%)
Nairobi NSE 20	2,687 (1.8%)
Lahore LSE-25	2,820 (-3.5%)
Indian National NIFTY	N/A

Selected currencies value to US\$1 and (strengthening in week)

Ethiopia Birr	8.9 (1.0%)
Gambia Dalasi	29.7 (0.2%)
Ghana Cedi	9,156 (0.2%)
India Rupee	45.6 (-1.0%)
Indonesia Rupiah	9,402 (-0.3%)
Kenya Shilling	80.0 (-0.3%)
Malawi Kwacha	106.5 (0.0%)
Nigeria Naira	130.0 (0.0%)
Pakistan Rupee	60.0 (-0.2%)
Tanzania Shilling	1,137 (0.2%)

New Malawi Finance Minister is IMF insider

The new President of Malawi, Bingu wa Mutharika, announced his first cabinet last week, and called for the formation of a government of national unity. The finance ministry has been awarded to Goodwell Gondwe, a former IMF Director for Africa. Mr Gondwe denied that he would have any special influence with the IMF, and instead insisted that the correct economic policies would have to be followed. Donors are likely to be pleased by President wa Mutharika's latest effort to control public sector expenditure – the size of the cabinet has been reduced from 46 ministers to just 21.

China accuses technology firms of dumping

China has often been accused of dumping goods on the world market, but it has now undertaken a major anti-dumping action itself. Nine producers of optical fibres have been accused of exporting at unreasonably low prices to the Chinese market, including such global names as the US's Corning, Japan's Furukawa, and South Korea's Samsung. China is the world's largest optical fibre producer, and the anti-dumping action was initiated when two of its manufacturers complained. Further discussions are expected between the Chinese government and the foreign producers before additional responses are undertaken.

Zambia gets IMF blessing and loans

The IMF has approved a US\$320 million low-interest loan to Zambia as part of a Poverty Reduction and Growth Facility support plan for the country, with \$120 million to be released immediately. The approval follows an executive board meeting of the IMF. Speaking after the meeting, Takatoshi Kato, a Deputy Managing Director of the Fund, said that Zambia's economy is "now enjoying the strongest period of growth ... and the lowest rate of inflation in two decades." He added that there was still an urgent need for fiscal consolidation to contain debt, and the loan is intended to support consolidation.

Tensions build in Madagascar

The mood in the Madagascar capital Antananarivo is tense following weeks of protest, and scuffles between army regulars and reservists on Tuesday. The reservists are calling for US\$2,000 to be paid to each of them in recognition of their support of the current president, Marc Ravalomanana, during civil clashes in 2002. The general population are increasingly restless due to rising prices of imports, and the damage done to their export crops by cyclones earlier in the year. The Government said it was looking for a final solution to the ongoing tensions with the reservists.

Comment: A costly decision

Zimbabwe's decision to spend US\$200 million on new military equipment puts a major additional strain on the Southern African state. The Zimbabwean economy has not been able to generate enough foreign exchange to pay for fuel, so it is hard to see where the money will come from in the present economic circumstances. Zimbabwe earned around US\$2 billion in foreign exchange in 2002; in order to avoid devaluing the Zimbabwe dollar excessively, the Government must have foreign exchange access of the same order of magnitude, say US\$400 million. It must meet other costs – food imports for its population, state fuel supplies, interest on debt, and other equipment charges. The amount left over will not be large, so the repayments are likely to be made over an extended period.

The news about the decision was published early in the South African press. In fact, South Africa has been even more active in purchasing military equipment, with acquisitions running into billions of dollars, and including submarines as well as fighter planes. Other major purchases have reportedly been made by surrounding nations. There is no clear reason for military escalation in region. With the limited exception of South Africa, there are no domestic arms industries of any size, so money spent on arms goes to foreign companies. There are far more effective ways of spending the money to promote economic development.