Annual Report 1984

European Asian Bank

Cover: the famous rice terraces of Banaue on Luzon Island (Philippines). Rice continues to be the staple food in most Asian countries, and about 90 per cent of the total world area under rice cultivation lies within the region.

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Our Report for 1984 is published in English and German. Printed in West Germany.

Report for the Year 1984

European Asian Bank

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European Asian Bank

Ten Years at a Glance
1975 – 1984

DM millions	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Total assets	896	1,088	1,416	2,078	2,846	4,059	5,257	6,215	8,355	9,107
Business volume (Balance sheet total plus endorsement liabilities on rediscounted bills and liabilities arising from guarantees and warranty contracts)	1,117	1,392	1,858	2,585	3,638	5,141	6,504	7,883	10,697	11,576
Credit volume	720	845	1,101	1,329	2,022	2,915	4,133	5,184	6,694	6,911
Deposits	832	969	1,291	1,947	2,670	3,767	4,794	5,640	7,561	8,352
Capital and reserves	39	95	95	95	126	205	300	300	410	430
Net interest income	19.7	23.3	28.3	30.2	43.9	77.7	117.6	149.4	180.6	210.0
Net commissions and other service income	8.7	8.3	10.2	13.7	15.7	22.7	32.4	38.8	42.9	38.4
Taxes	6.5	6.5	9.1	11.7	14.4	24.6	35.5	42.3	36.2	36.0
Net profit for the year	3.8	5.6	5.6	5.6	6.3	9.6	12.6	14.7	20.0	–.–
Dividend	2.8 (10%)	5.6 (10%)	5.6 (10%)	5.6 (10%)	6.3 (10%)	9.6 (10%)	12.6 (10%)	14.7 (10%)	–.–	–.–
Staff	457	482	564	701	765	958	1,182	1,277	1,351	1,386

Entrance hall of Seoul Branch. Eurasbank has been present in the Korean capital since 1978 and set up a second branch in Pusan, the country's main port, in 1983.

Supervisory Board

Dr. Ulrich Cartellieri, Duesseldorf
Chairman
Mitglied des Vorstandes der
Deutsche Bank AG

Dr. Ottokarl Finsterwalder, Wien
Deputy Chairman
Direktor mit Generalvollmacht
Creditanstalt-Bankverein

Hubertus Heemskerk, Amsterdam
Directeur
Amsterdam-Rotterdam Bank N.V.
(from April 2, 1985)

Koenraad Streekstra, Amsterdam
Directeur
Amsterdam-Rotterdam Bank N.V.
(until April 2, 1985)

Willy Suetens, Bruxelles
Administrateur
et Membre du Comité de Direction
Société Générale de Banque S.A.

Ernst-August Borchert, Hamburg*
(until April 2, 1985)

Werner Flechsig, Hamburg*

* elected by the staff

Board of Managing Directors

Michael Boehm
(until March 13, 1985)

J. Nikolaus Korsch
(until March 13, 1985)

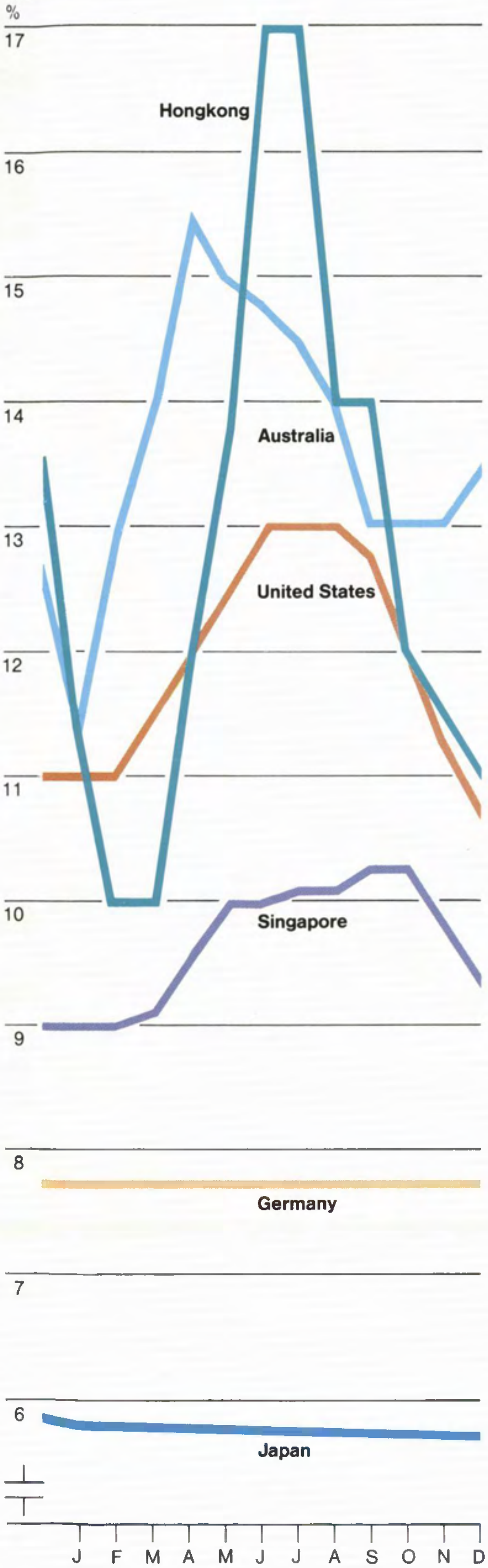
Tjark H. Woydt

Hans Henning Offen
(from March 13, 1985)

Alfred Steffen
(from March 13, 1985)

Report of the Board of Managing Directors

Development of prime lending rates during 1984
at end of month



The Asia-Pacific Region in 1984 – Developments and Prospects

From a macroeconomic view, 1984 has been a good year for most countries in the Asia-Pacific region. Exports, the prime driving force behind the economic recovery which began in the latter half of 1983, again provided the dynamism that has boosted the region's share in world economic output from 14 to 21 per cent over the past two decades.

In 1984 average real growth for the Asia-Pacific market economies accelerated to about 6 per cent from the previous year's rate of 4.5 per cent. This remarkable growth performance was accompanied by a continuation of moderate inflation. Contributing to the generally low rates of domestic price increases were relatively austere monetary and fiscal policies as well as good agricultural harvests. Improved trade balances helped almost all countries in the area to achieve further progress in narrowing their current account deficits from the levels registered in the 1980–82 period, while Taiwan and Japan were once again able to record sizeable current account surpluses.

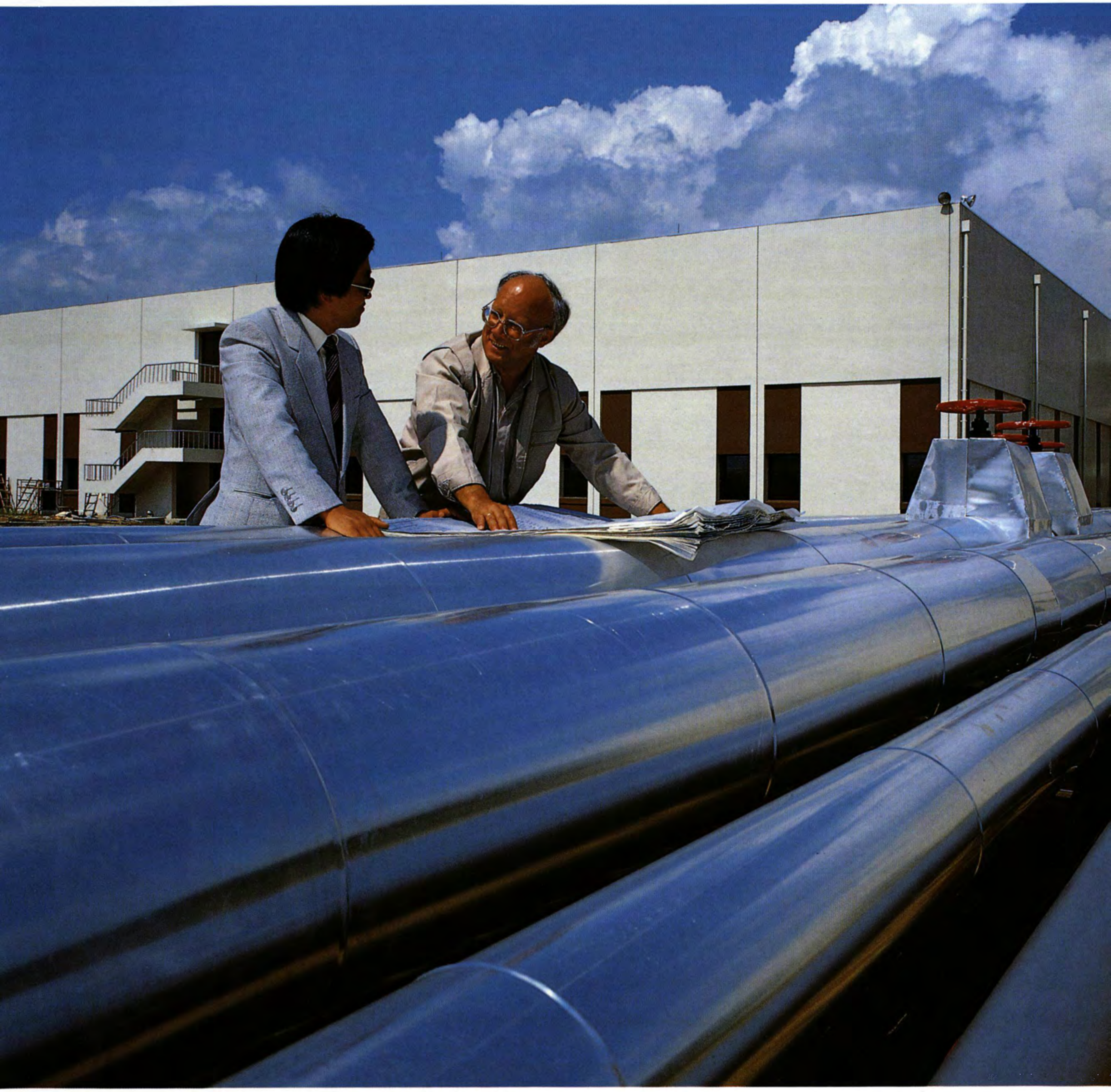
One of the major exceptions to the favourable overall trend in Asia was the Philippines which continued to be beset with serious external debt and payments difficulties. However, there were also clouds on the economic and political horizons of a few other countries, notably on the Indian subcontinent, arising chiefly from ethnic and religious issues.

Because of the strength of the dollar, much more than usual of the United States' domestic expansion has spilled over into overseas demand. Among the biggest beneficiaries of the recent US import boom have been Japan and Asia's four newly industrializing countries (Hongkong, Korea, Singapore and Taiwan). South-East Asian commodity exporters, on the other hand, have benefited less from the revival of economic activity in the industrial world as commodity prices have been falling since the first quarter of 1984, partly due to the high interest cost of holding stocks and the waning of inflation mentality. Not only the depressed commodity prices, but also the comparatively high volume of corporate failures in many countries of the region reflected to some extent how uneven the latest world economic recovery has been.

Given the likelihood of a slower expansion in the United States and of a continuing subdued recovery in Europe, one can expect the Asia-Pacific area to post in 1985 somewhat reduced economic gains as against 1984. Of major concern over the longer term is the apparent increase of trade restrictions, since the export-oriented Asian economies can only partly insulate themselves from worldwide protectionism even if they expand trade with one another.

Prospects for a return of business confidence in Hongkong appear to have improved with the recent signing of the Sino-British agreement on the territory's future. A lasting success of the current economic reforms in China will be of vital importance for the implementation of this agreement and the maintenance of Hongkong's prosperity. At the same time, a continuation of China's policy of economic liberalization should also have a close bearing on the industrial development of other countries in the region.

The new pharmaceutical plant of Boehringer Ingelheim Korea Ltd. which was completed in late 1984. Eurasbank is actively involved in the financing of European-Asian joint ventures.



Melbourne, capital of Victoria where our affiliate – European Asian of Australia Limited – opened a branch office in 1984.

Australia

The recent recovery of the world economy together with the turnaround in Australia's rural sector, enhanced the country's economic performance in the fiscal year ended June 1984. The swing in real growth of Gross Domestic Product (GDP) was substantial: an increase of 5.3 per cent replaced the slight contraction recorded for the previous fiscal year. The remarkable change in business conditions in Australia was also reflected in a reduction in the annual inflation rate (to 6.9 from 11.5 per cent in 1982/83), increasing corporate profits and moderately falling interest rates. The labour market strengthened considerably as unemployment fell from 10.4 per cent in September 1983 to 8.5 per cent in December 1984.

Exports rose by 14.6 per cent and imports by 8.7 per cent creating a modest surplus of A$ 171 million in the balance of trade – the first in four years. Notwithstanding the above, the current account in 1983/84 registered a distinctly higher deficit of A$ 7.2 billion, however this was more than offset by a surplus on the capital account. Australia's largest trading partners remained Japan, the EEC and the United States followed by the six members of the Association of South-East Asian Nations (ASEAN). In recent years trade with this neighbouring group of countries has expanded faster than Australia's total foreign trade, of which ASEAN now accounts for a 7 per cent share.

Because of a statistical distortion, official figures for 1983/84 did not reveal the actual volume of new foreign direct investment in Australia. More recently, from July to September 1984 foreign investment rose 58 per cent to A$ 1.95 billion against the same three months of 1983. In particular investment in the finance, property and business-services industries was brisk. For years Australia has not only depended on a considerable inflow of foreign capital but also increasingly on overseas borrowing. Gross external debt has risen strongly and in June 1984 stood at around A$ 43.5 billion. Total debt service (principal and interest) as calculated by the Reserve Bank of Australia reached some A$ 7.7 billion, equivalent to 28 per cent of export receipts.

Whilst the latest complete financial year on record showed favourable overall results, the development in 1984/85 seems to be burdened with a higher degree of uncertainty. For the third quarter of 1984 the national accounts estimates suggest something of a lull in economic activity following the strong growth in 1983/84. According to income-based estimates, GDP fell by 0.9 per cent compared with the previous quarter. This was mainly due to the reduced gross farm product reflecting a return to normal seasonal conditions in the rural sector which had boomed after a lengthy, drought stricken period. Nevertheless recent indicators depicted confirmed growth such as the number of new motor vehicle registrations and the value of retail sales. This has largely dispelled suggestions that the September national accounts can be taken as a definite sign of a downturn in the economy.

However, the outlook for the current account remains bleak as for the six months up to December 1984 the deficit was significantly wider than in the corresponding period of the preceding year. The trade account was back in the red because of a 26 per cent surge in imports whilst exports rose by only 18 per cent. At least some of the blame for this disappointing development must lie with the, in retrospect, exaggerated expectations of the resources boom triggering the significant capital inflow. That in turn overvalued the Australian dollar and negatively affected the country's exports and its industries. During 1984 this aberration was slightly corrected as the local currency depreciated by about 8 per cent against the US dollar, probably not yet enough to take away the strains from the external sector of the economy.

On the domestic front further progress in 1984 was achieved in reducing the rate of inflation to about 4 per cent. This must be partly attributed to the government's prices-and-wages accord with employers and unions; the preservation of which will be crucial for the continuation of Australia's still promising growth and employment prospects.

Rate of exchange at the end of December 1984 (1983): . . . . A$ 1 = US$ 0.828 (0.893)

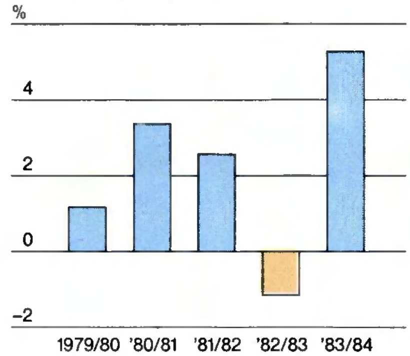
Selected economic indicators

AREA:
7,686,848 sq.km

POPULATION:
15.4 million

GDP:
US$ 167.9 billion (1983/84)

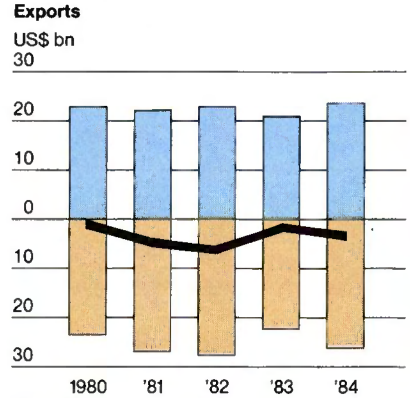
Economic growth (real)



Consumer price inflation

Foreign trade

Exports



Imports

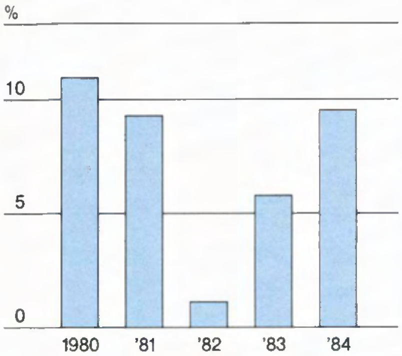
— Trade deficit

Hongkong

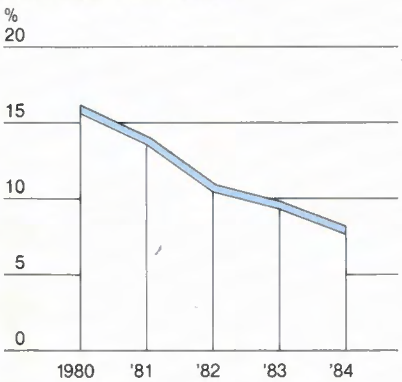
Selected economic indicators

AREA:
1,067 sq.km
POPULATION:
5.3 million
GDP:
US$ 28.2 billion (1983)

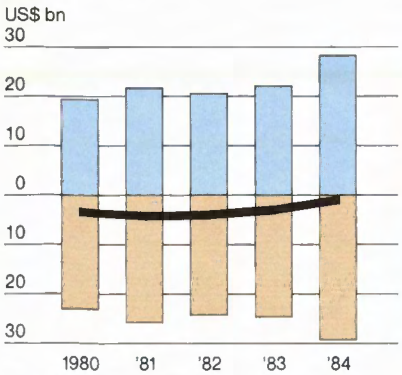
Economic growth (real)



Consumer price inflation



Foreign trade
Exports



Imports
▬ Trade deficit

On 19th December 1984, the Prime Ministers of the People's Republic of China and the United Kingdom signed the Sino-British agreement on Hongkong's future once sovereignty is handed back to Peking in 1997. The joint declaration provides the framework in which, as a special administrative region of the People's Republic of China, Hongkong will maintain its economic system and way of life for a period of 50 years from 1st July 1997. Whilst the document may not have completely dispelled the longer term concerns of investors, it has at least partially renewed confidence and optimism as reflected in the strong revival of the stock market and the substantial flow of funds back into the territory. The interest of foreign investors in Hongkong's manufacturing sector was obviously not hurt by the 1997 question. A Department of Industry survey reveals that the level of foreign investment (excluding investment by mainland Chinese groups) in Hongkong's manufacturing sector rose by 63 per cent between 1981 and September 1984. Investors from the United States accounted for 54 per cent of the total (HK$ 11.4 billion), followed by Japan (21 per cent) and the UK (7 per cent).

Regardless of political issues, Hongkong experienced in 1984 an accelerating export led economic recovery. The surge in overseas sales generated a 9.6 per cent growth of Gross Domestic Product, notwithstanding the adverse impact of the still depressed building and construction sectors. The weak property market continued to affect a number of highly leveraged and property connected companies. There was virtually no increase in gross domestic fixed capital formation but the rise in retained imports of capital goods suggested that local companies were beginning to revise their investment plans upward.

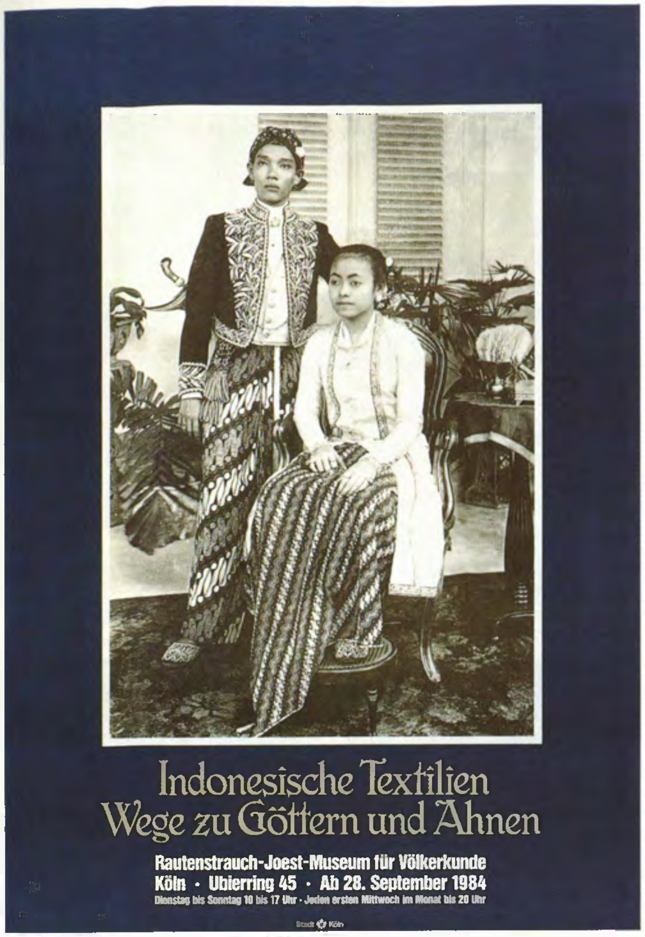
Hongkong's higher growth during 1984 resulted in a marked improvement in the employment situation. The seasonally adjusted unemployment rate fell from its recessionary peak of 5.1 per cent in the first quarter of 1983 to 3.5 per cent in the third quarter of 1984. This meant that the labour force was effectively fully employed. At the same time, inflation was brought back into single figures. The rate of increase in consumer prices receded to about 8 per cent, from over 14 per cent in 1981. Amongst several factors helping reduce inflationary pressures was the stability of the Hongkong dollar in terms of the US dollar under the linked-rate system. The Financial Secretary recently reaffirmed that the present link of HK$ 7.80 to the US dollar is "not likely to be changed".

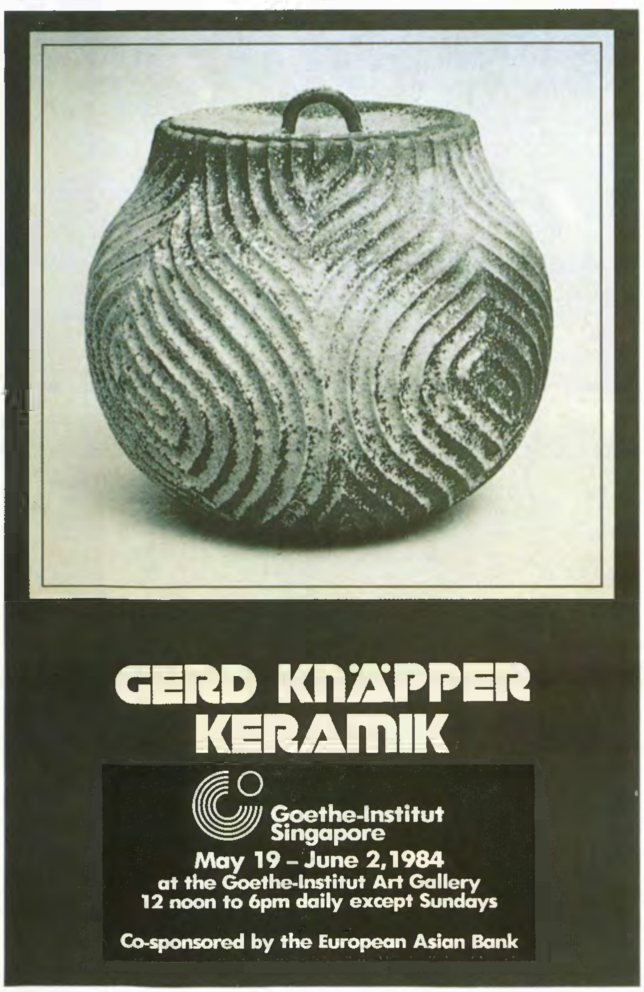
For the first time in seven years, Hongkong achieved a net surplus on its trade and services account for 1984. In spite of protectionist moves overseas and the still sluggish demand from Europe, the expansion of total exports was quite exceptional, with a growth rate of about 20 per cent in real terms, boosted especially by strong sales to the United States and China. In the course of 1984, mainland China eclipsed both West Germany and the UK to become Hongkong's second largest export market – surpassed only by the US. The rapid growth of Hongkong's visible trade with China, which has developed over the past five years, clearly underlines the increasing interdependence of the two economies. Nevertheless, for the time being Hongkong's heavy dependence on the US market is unlikely to be diluted.

Local interest rates were subject to some considerable fluctuations during 1984, because of the Hongkong-US dollar link. At the end of the year the prime lending rate stood 6 percentage points below its July peak of 17 per cent.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = HK$ 7.823 (7.790)

Gold refining in Hongkong. Heraeus Zenith Refinery Ltd., a customer of our Hongkong Branch is engaged in the refining of gold, silver and other metals out of scraps.





Our Bank co-sponsored three art exhibitions in 1984 which were held in Germany and Singapore, and served to promote the cultural exchange between Europe and Asia. Reproduced here are posters of these exhibitions.

Indonesia

The continued depressed state of the oil market again affected Indonesia's economic growth as the country still depends on oil and gas for more than 70 per cent of its export earnings and about two thirds of its state revenue. Thus, Gross Domestic Product growth for 1984 is estimated to be only slightly higher than the 4.2 per cent achieved in 1983. In response to the soft price and demand for oil, the government had instituted in 1983 a far-reaching austerity progamme. Real cuts in expenditure and other stern measures, such as the cutback and rephasing of development projects, weakened domestic demand but displayed the government's firm stand to implement sound economic policies.

Growth differed widely in the various sectors, with agriculture showing a relatively high rate of expansion. For the first time the country became self-sufficient in rice with a record production of more than 25 million tons – a significant turnaround from a few years previously. On the other hand, the manufacturing, service and construction sectors experienced a rather slow growth and some sub-sectors even showed declines. Manufacturing as far as it was not agriculture-related or export-oriented, particularly suffered due to tight fiscal policies, slow budget disbursements and high interest rates which together created sluggish consumer demand. Partly because of this environment new local and foreign investment remained weak. Additionally, uncertainty over new tax laws and the elimination of former tax incentives were blamed for the drop in the investment level.

The overall development of the balance of payments was satisfactory in 1984, as reflected in the higher overall surplus of US$ 950 million compared with US$ 650 million in the preceding year. By the end of December 1984 central reserves recovered further to US$ 4.8 billion. Outstanding external borrowings of the public sector at the same date amounted to US$ 23.5 billion, of which about 75 per cent was on concessional and semi-concessional terms.

The positive trend in the balance of payments was attributable to the marked improvement of the trade balance which recorded a notable surplus on the basis of central bank statistics. Contributing to this development were a small rise in export income from oil and in particular, encouraging increases in shipments of liquefied natural gas (32 per cent) and non-oil commodities (19 per cent). By contrast imports remained almost unchanged. As a result the current account deficit declined sharply in 1984, from US$ 6.4 billion to US$ 3.1 billion.

For Indonesia, counterpurchase agreements appear to have supported the growth of non-oil exports. Official figures reveal that contracts for a total of US$ 817 million were concluded by July 1984 since the inception of this policy in 1982. According to its stipulations, successful foreign counterparties of public sector contracts exceeding Rp 500 million have to buy Indonesian goods equal in value to the foreign content of the supply contract. Under deals agreed so far, mainly with the Federal Republic of Germany, Japan and the United States, Indonesia has bought items such as fertilizer, factory and telecommunications equipment in exchange for commodities, plywood, cement and garments.

In 1984, in contrast to the previous year when adjustment measures had included a rupiah devaluation by 30 per cent, the local currency depreciated by only 7 per cent – which was not a high percentage in view of the outstanding strength of the US dollar. However, fears of a possible devaluation were temporarily prevalent, and when investors started to move into the US dollar, the rupiah became scarce – pushing up interbank rates to a high of 80 per cent; deposit and lending rates consequently hovered around 30 per cent. Interest rates have since returned to more normal levels as the speculative mood on the foreign exchange market diminished. Inflation, as measured by the consumer price index for 17 cities, slowed down to 8.8 per cent. Lacklustre domestic demand made it impossible for the full effects of subsidy reductions and devaluation-related costs to be passed on to the consumer.

Rate of exchange at the end of December 1984 (1983): .... US$ 1 = Rp 1,074.00 (994.00)

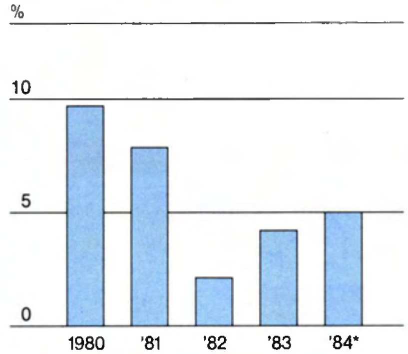
Selected economic indicators

AREA:
1,904,569 sq.km

POPULATION:
157.5 million

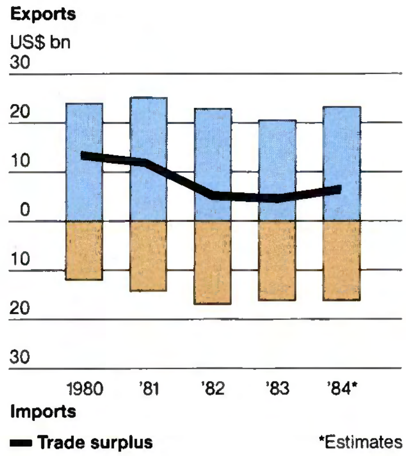
GDP:
US$ 78.3 billion (1983)

Economic growth (real)



Consumer price inflation

Foreign trade



*Estimates

Japan

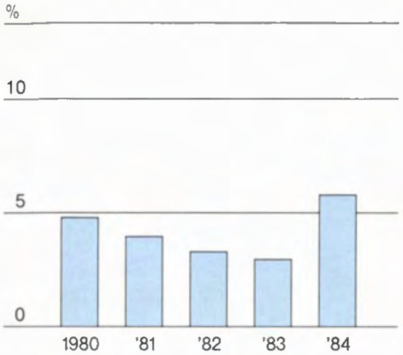
Selected economic indicators

AREA:
377,748 sq.km

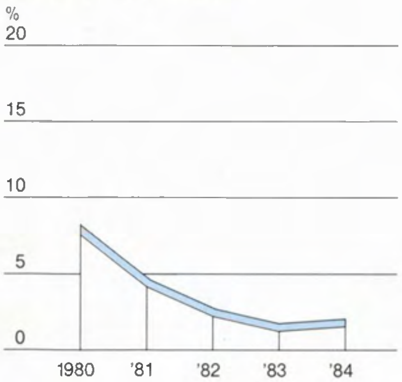
POPULATION:
119.3 million

GDP:
US$ 1,156.3 billion (1983)

Economic growth (real)



Consumer price inflation



Foreign trade

For years up to 1982 the Japanese economy largely set the growth standards for the industrialized Western countries. In 1984 for the second time, real economic growth in the United States turned out to be more vigorous than in Japan but the latter nevertheless achieved an impressive GNP expansion of 5.8 per cent. However, the pattern of Japan's recovery remained unchanged in the aftermath of the second oil crisis. The main stimulus to growth came once more from outside Japan in the form of sharply rising exports, particularly to the United States which increased its purchases of Japanese products by some 40 per cent.

Reflecting accelerating demand, industrial activities also intensified. Production in the manufacturing industries turned upward, led by a brisk demand for advanced technology products. Recovery in production also took place in the materials industries but at a lower pitch. Thus the capacity utilization ratio rose considerably, resulting in strengthened corporate profits which in turn had a positive impact on plant and equipment investment. The slow growth in personal consumption and stagnant public demand curbed capital expenditure in sectors oriented in particular to domestic markets. This explains the overall cautious attitude of corporations towards employment which stayed almost unchanged, unaffected by the significant upturn in industrial production, although unemployment was still low compared to other countries.

Japan's trade and current accounts registered record surpluses of some US$ 34 and 35 billion respectively for 1984. According to Ministry of Finance statistics, exports rose by 15.8 per cent whilst import growth reached 8 per cent. Exports to the United States accounted for 35 per cent of Japan's total shipments – in comparison to 29 per cent during the preceding year – and climbed again faster than corresponding imports, creating an even higher imbalance of US$ 33.1 billion in bilateral foreign trade. As regards trade relations with the EEC, the Japanese surplus of US$ 10.1 billion remained slightly under the previous year's figure. In general, "traditional" Japanese trade structures still persist: mainly raw materials, energy and foodstuffs are imported whereas exports consist of industrial products such as transport equipment, machinery and electronic goods.

A striking feature of Japan's 1984 export boom was that the country's rapidly growing current account surplus was exceeded by an even more remarkable outflow of long-term capital. Net exports of capital more than doubled to nearly US$ 50 billion and total net assets overseas advanced to more than US$ 80 billion in 1984. In a few years, earnings from those assets could outstrip Japan's deficit on trade in services raising its current account surplus even higher than present levels. Within Japan, economic decision-making continued to be dominated by worries about the government's massive budget deficit which was still – despite an austere fiscal policy – equivalent to roughly 25 per cent of revenue.

Japan has finally instituted steps to internationalize the yen and to liberalize its financial sector. Measures include a relaxation of controls for the use of the yen on the Euromarkets as well as improved refinance possibilities for foreign banks effective 1985. This development can mainly be traced to the pressure of the US government based on expectations that such a liberalization will revalue the yen against the US dollar, thus helping to alleviate trade frictions. In 1984 however, the yen weakened against the outstandingly strong dollar. Domestically, the local currency was relatively stable recording only a slightly higher inflation rate of 2.2 per cent.

A showcase for "Made in Germany" – the successful German Exhibition '84 in Tokyo was visited by 860,000 people during its two week run.

Rate of exchange at the end of December 1984 (1983): .... US$ 1 = ¥ 251.10 (232.20)

Korea

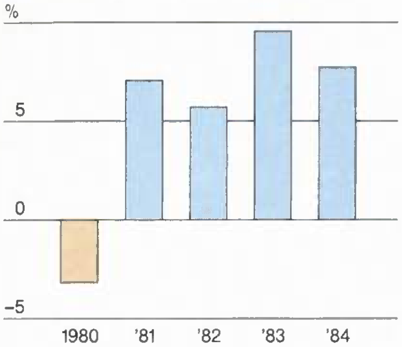
Selected economic indicators

AREA:
98,484 sq.km

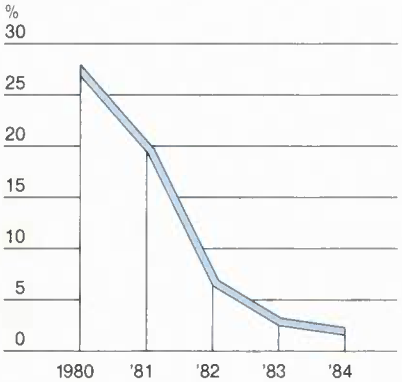
POPULATION:
40.0 million

GDP:
US$ 76.8 billion (1983)

Economic growth (real)

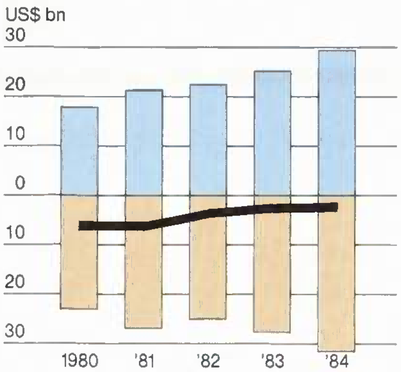


Consumer price inflation



Foreign trade

Exports



Imports

▬ Trade deficit

After recording exceptionally high growth in 1983, the year 1984 started for the Korean economy even more vigorously. In the second half of the year however, growth fell off particularly as a result of crop damage caused by extensive flooding in September, culminating in an annual average increase of Gross National Product of approximately 7.5 per cent – still impressive by any standards. The earlier brisk performance of the economy, already near to overheating, was also countered by a restrictive fiscal policy and stricter controls on monetary expansion including a tighter rein on credits. This was seen necessary as soaring imports – especially around mid year – tended to have an adverse impact on the balance of payments.

The current account deficit for 1984 decreased to US$ 1.3 billion and compares favourably to that registered in 1983, although it was larger than the original target. Exports, particularly strong in electronic products, accounted for US$ 29.2 billion representing an increase of 19.6 per cent. Import growth of 16.9 per cent was again fuelled mainly by increased demand for foreign capital goods. The trade gap narrowed from US$ 1.8 billion in 1983 to US$ 1.4 billion in the year under review. The deficit on the invisibles account however, widened to US$ 800 million from US$ 435 million in 1983. A decline in overseas construction earnings and larger interest payments on foreign debt were primarily responsible for this development.

Korea's overseas constructors faced another difficult year. New orders in 1984 dipped to US$ 6.5 billion, down from US$ 10.5 billion and less than half the new deals of US$ 13.4 billion signed in 1982. Much of the decline has been due to the slump in the Middle Eastern construction market which in itself was a reflection of falling oil revenues. Smaller firms were hit the hardest and a few of them have been put under the management of larger companies.

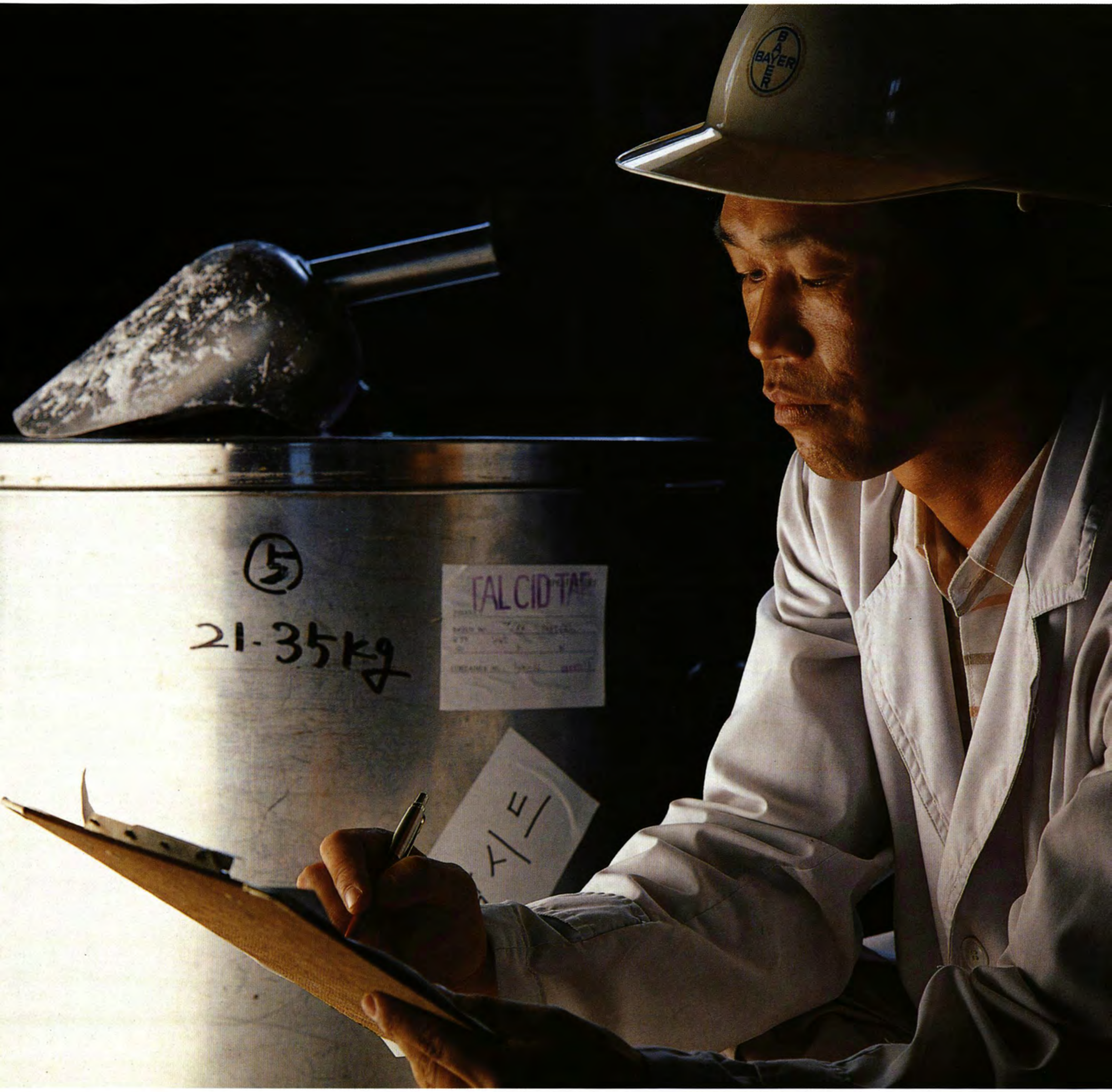
Shortfalls of foreign exchange earnings such as those from the construction industry must be seen in the context of Korea's considerable foreign debt, the largest in Asia. According to estimates it exceeded US$ 43 billion by the end of 1984, with a relatively high short-term component. Korea's position however is different from those countries currently suffering from an over-borrowed situation. Korea has a more balanced economy with a strong export sector able to switch into new areas of industrial exports. Nevertheless the still pursued policy of constraint in foreign borrowings again drew support from its lenders.

Approved foreign investment applications amounted to a record US$ 419 million in 1984 demonstrating continuous investor confidence. The 1984 total, involving 103 projects, compares with the previous year's US$ 268 million. Until the end of the seventies the bulk of foreign direct investment had come from Japan, a role which was then taken over by the United States. By industry, the most striking feature in 1984 was the significant increase of investment earmarked for the machinery sector. In order to attract more foreign direct investment instead of resorting to overseas borrowing, new provisions were introduced in July 1984 so that now 66 per cent of the 660 types of businesses identified in the Korean Standard Industrial Classification system are open to foreign investors.

On the domestic front one of the government's noteworthy successes was in reducing inflation. In 1980, the consumer price index had risen by nearly 30 per cent, whereas in 1984, with an increase of 2.3 per cent, price stability was almost achieved. This development was supported by weak energy prices and the won's moderate depreciation of 4 per cent against the US dollar.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = won 827.40 (795.50)

An educated, motivated and industrious labour force has been the backbone of Korea's rapid economic progress.

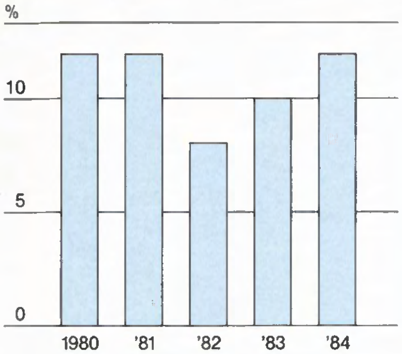


Macau

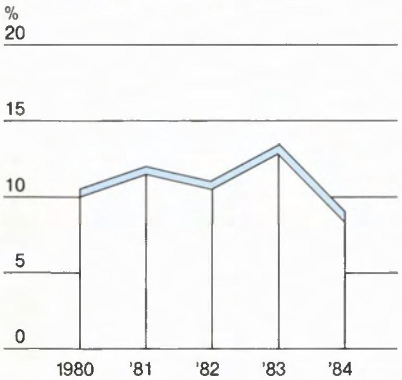
Selected economic indicators

AREA:
16 sq.km
POPULATION:
0.4 million
GDP:
US$ 1.0 billion (1983)*

Economic growth (real)*

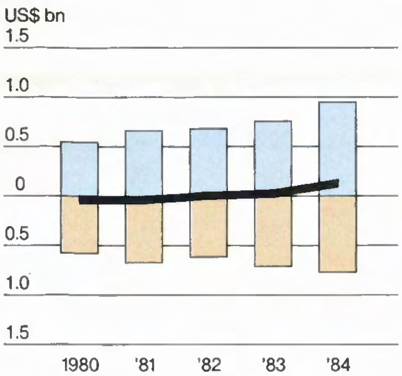


Consumer price inflation*



Foreign trade

Exports



Imports

▬ Trade balance

*Tentative estimates

For Macau, the small Portuguese-administered territory located on China's southern coast, 1984 was a year marked by further progress in improving infrastructural facilities and diversifying exports away from their heavy reliance on the textile sector. At the same time there was a tendency of increasing economic co-operation between Macau and the Zhuhai special economic zone, just over the border in Guangdong province. An area of development which underlines the growing links with China is the much discussed project of an airport for Macau. Negotiations finally started with the Chinese authorities on the joint construction of an airport in Zhuhai, to service both places. With a view to reducing the territory's dependence on nearby Hongkong, the Macau government is also planning to build a deep-water port on the outlying island of Coloane.

Macau's foreign trade continued to expand strongly in 1984. Exports rose by an estimated 25 per cent in US dollar terms, with non-textile products already accounting for almost 30 per cent of overall shipments. In 1980 their combined share had reached only 13 per cent. A significant contribution to the diversification process was again made by the toy, artificial flowers and electronics sectors.

The two main outlets for Macau's goods were the EEC and the United States, each absorbing approximately one third of the total. A certain reorientation of the export flow to the American market was due to the new textile agreement signed with the United States in late 1983, and the marked depreciation of the pataca against the US dollar registered in September–October 1983. However, in line with the Hongkong dollar to which the local currency is practically pegged, the pataca remained relatively stable vis-à-vis the US dollar during the year under review. This exchange rate development in turn had a positive impact on the domestic inflation rate which dropped under the 10 per cent mark for 1984.

In spite of the notable increase in public investment expenditure, the public accounts of the territory are still in a comfortable position. With tax income from the tourism sector as the number one source of revenue, the state budgets have shown successive surpluses, and servicing costs for the negligible public borrowing do not exceed 1 per cent of budget expenditure.

Rates of exchange at the end of December 1984 (1983): .... US$ 1 = Ptc. 8.056 (8.004)
HK$ 1 = Ptc. 1.033 (1.030)

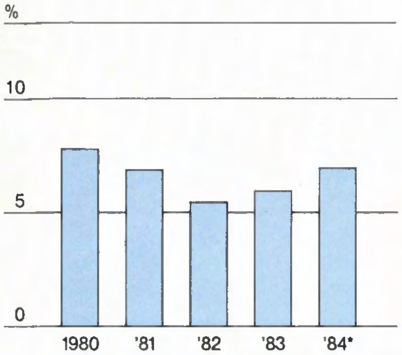
Macau – a place where Europe and Asia have met over the centuries.

Malaysia

Selected economic indicators

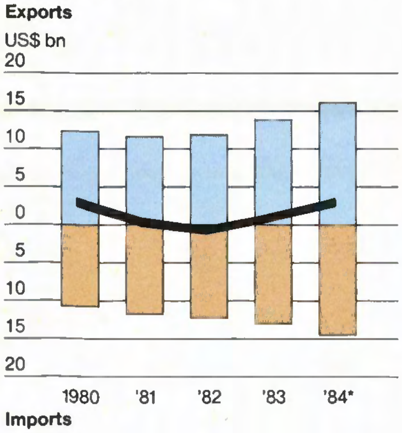
AREA:
330,434 sq.km
POPULATION:
14.8 million
GDP:
US$ 29.1 billion (1983)

Economic growth (real)



Consumer price inflation

Foreign trade



*Estimates

Following two years of slower expansion, the trade-dependent Malaysian economy benefited in 1984 from stronger external demand and a subsequent pickup in private sector spending. Although the public sector again played a reduced role as a component of domestic demand, overall economic growth accelerated to an estimated 6.9 per cent during the year under review. In anticipation of continued resource constraints, the government had decided in mid 1982 to abandon its counter-cyclical fiscal policy. After a 15.8 per cent reduction in 1983, the allocation for development expenditure in the 1984 budget was trimmed by a further 4.4 per cent. Construction activities therefore became less buoyant. Apart from the further cutback in infrastructural projects, new investment in commercial buildings is also expected to gradually taper off in 1985 in view of the emerging glut in office space.

Agriculture rebounded from its disappointing performance in 1983 on the strength of a positive turnaround in palm oil and pepper production as well as the robust increase in cocoa output. By contrast rubber, for which Malaysia is the world's leading supplier, only showed a marginal production rise. Following the continued conversion of rubber estates into oil palm holdings in order to take advantage of better prices and higher returns on investment, the total area under rubber cultivation has stagnated.

During 1984, mining continued to be the most dynamic sector of the Malaysian economy. Production increases in oil – about 15 per cent – and in liquefied natural gas (LNG) – over 100 per cent – more than compensated for the slight fall in tin output. Whilst the crude oil industry has provided the major impetus to recent growth in the country's mining sector, its role is expected to diminish in 1985. In the face of the decline in world oil prices the government announced in December 1984 that it would cut crude oil production in 1985 by 40,000 barrels per day from the 1984 production level of approximately 440,000 barrels per day, as a mark of solidarity with Opec.

During the year under review growth leaders in manufacturing included several export-oriented industries such as electrical and electronic products. The government however, fosters an industrialization drive beyond the existing base of light industries and is promoting the development of steel, cement, pulp and paper industries and last but not least, domestic car production. To lure more foreign direct investment, the government has signalled a certain relaxation of its New Economic Policy, enacted in 1970, which calls for at least 70 per cent local ownership of all companies by 1990.

The strong export performance of palm oil, LNG and manufactured goods helped to raise the 1984 trade surplus substantially, but this was not sufficient to offset the worsening trend of the invisibles account. There was a sharp increase in interest payments on external borrowings which have built up rapidly since 1981. Nevertheless the current account deficit in terms of GNP decreased to about 7.3 per cent against 11.1 per cent in 1983. To redress the problem of the deteriorating services account, fiscal incentives were provided to promote tourism and to expand the domestic shipping and insurance industries.

The overall easing of import prices as well as the careful management of monetary aggregates kept inflation under control. The average increase in the consumer price index for Peninsular Malaysia – which has some 80 per cent of the country's total population – is estimated at about 5 per cent for 1984.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = M$ 2.425 (2.338)

New Zealand

Compared with other OECD countries, New Zealand's economic development had been somewhat slower in recent years. However, in the last fiscal year on record which ended in March 1984 some improvements became visible. The current account deficit narrowed to US$ 1,060 million after having reached US$ 1,460 million in the previous 12 months. A wage and price freeze, introduced in 1982, squeezed consumer price inflation down to 3.5 per cent by March 1984. Economic growth picked up rather vigorously in the final quarter of 1983/84 so that even after the lacklustre beginning real Gross Domestic Product (GDP) showed an annual average growth of 4 per cent.

1984 may prove to be for New Zealand a year where the groundwork was laid for better economic prospects and where the upturn in the first few months could lead into a period of sustained growth. In particular, a long-term stimulus is expected from the more market-oriented policies adopted by the new government, elected mid 1984. Its first measure was to devalue the New Zealand dollar by 20 per cent on 18th July – the culmination of a hectic month on the local foreign exchange market during which the Reserve Bank of New Zealand spent millions of its foreign exchange reserves to support the currency. After the adjustment, the reserves recovered as funds flowed back into the country. Some controversial decrees of the more interventionist former government, such as interest rate controls, were also eventually revoked. Additionally, a phased removal was ordered for export tax incentives and for a string of subsidies. A programme eliminating import licences was accelerated and charges for state supplied services were raised.

A number of the above liberalization measures, as well as the intention to curb budget deficits, were announced with the 1984/85 budget belatedly released in November. Consequently, the government's objective is to keep the deficit at 7.2 per cent of GDP, down from 9 per cent in the previous fiscal year when funds to finance the gap between expenditure and revenue were mainly obtained from domestic sources. This was in contrast to previous practice and resulted in a conflicting policy as the lower interest rate target could simultaneously only be pursued with introducing, the now obsolete, interest controls.

Before 1983/84 the government had resorted to a greater extent to overseas borrowing in order to sustain consumption levels and to promote the development of New Zealand's energy resources. Thus, employment and income were kept at higher levels than otherwise would have been the case. The cost of servicing New Zealand's total overseas debt, which is estimated to have reached some US$ 10 billion at the end of 1984, is substantial and the Economic Monitoring Group of the New Zealand Planning Council regarded it therefore as unadvisable to rely on foreign borrowing much longer. The same view is reflected in the modest lowering of New Zealand's credit status in some published banking indices.

For the time being no immediate relief from the external sector of the economy can be expected. In the six months up to September 1984, the trade balance gap in US dollar terms grew considerably over the comparable period in 1983.
A positive impact of the devaluation was not yet felt as export expansion (4.4 per cent) lagged behind that of imports (21 per cent).

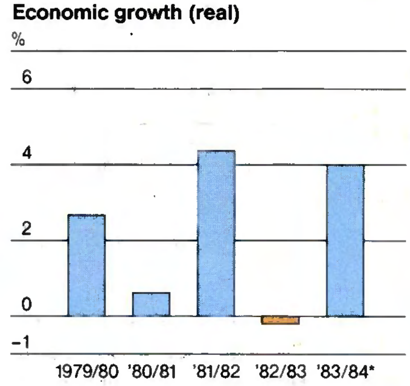
Real growth of about 4 per cent has been forecast for the fiscal year 1984/85. This is likely to be achieved in spite of the price which has to be paid for the far-reaching reorientation of economic policy. The devalutation, the lift of the price freeze and other controls mean that inflation, as well as interest rates, are set to rise before more favourable trends can be observed.

Rate of exchange at the end of December 1984 (1983): . . . . NZ$ 1 = US$ 0.477 (0.655)

Selected economic indicators

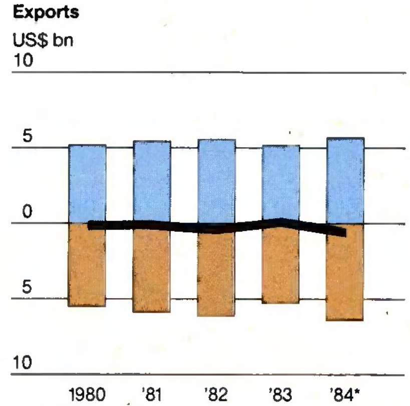
AREA:
269,057 sq.km
POPULATION:
3.2 million
GDP:
US$ 22.6 billion (1983/84)*

Economic growth (real)



Consumer price inflation

Foreign trade



Imports

▬ Trade balance

*Estimates

Lahore: our local Branch Manager, Qamar Khan, inspecting the facilities of Newage Cables, one of the largest cable manufacturers in Pakistan.

Pakistan

Judging from the standards over the last few years, Pakistan's economy in the fiscal year ended June 1984 performed less favourably. The rate of economic growth slowed to 4.5 per cent from the previous five years' average of 6 per cent, and strains on the country's balance of payments re-emerged. The domestic price level, as measured by the wholesale price index, recorded an increase of 10.5 per cent in 1983/84 against 3.5 per cent in 1982/83. Inflationary pressures were accentuated by the decline of the Pakistani rupee against the US dollar. Between 8th January 1982, when the rupee was unpegged from the parity of Rs. 9.90 : US$ 1, and the end of December 1984, the local unit depreciated some 35 per cent vis-à-vis the American currency.

The main cause for the deteriorating economic situation in 1983/84 was a 4.6 per cent fall in the overall output of the vital farming sector. Agriculture still accounts for nearly 30 per cent of Gross Domestic Product, employs over half the labour force, and generates directly or indirectly about 70 per cent of total export earnings. The three major crops – cotton, wheat and rice – suffered from adverse weather conditions and pest attacks. The worst hit crop was cotton whose production decreased from 4.84 to 2.98 million bales.

Even though the shortfall in cotton production affected the local textile industry, one of the pillars of the manufacturing sector, total industrial growth for 1983/84 decelerated only to 7.7 per cent from 8.9 per cent in the previous year. Among the major industries with significant gains in production was cement, where the opening of four new factories helped raise output from 3.9 to 4.5 million tons. 1984 also saw the completion of Pakistan's first integrated steel complex at Pipri, 40 kilometres east of Karachi. With its current capacity of 1 million tons the plant, which depends on imported coal and iron ore, does not yet reach full economies of scale. Nevertheless it is expected to further the setting-up of downstream industries.

In contrast to the previous administration, the present government is committed to enlarging the role of private business. The ratio of private sector fixed investment to total gross fixed investment improved slightly in 1983/84 from 36 to 38 per cent. To accelerate the pace of industrial development, the government also encourages foreign private investment. Special interest in investing in Pakistan has recently been shown by German, Japanese and Korean companies.

Largely because of lower shipments of cotton and cotton-based products, the aggregate value of exports rose only marginally by 1.5 per cent to US$ 2.7 billion during 1983/84. The sluggish growth in total exports, however, concealed notable export gains in some non-traditional items such as sports goods and surgical instruments (up over 40 per cent each). Following a 2.7 per cent decline in 1982/83, imports (fob) went up 6.9 per cent to US$ 6.0 billion. As a result, the trade deficit widened from US$ 3 billion to US$ 3.3 billion.

After the strong upward trend during the last 10 years, the flow of home remittances by Pakistani workers abroad began to level off somewhat in 1983/84. The importance of these remittances for the national economy is indicated by the fact that even at this reduced level they were still higher than the earnings from merchandise exports. With the slowdown of economic activities in the Middle East, where an estimated 1.9 million Pakistanis are presently based, a further slide in remittances seems likely.

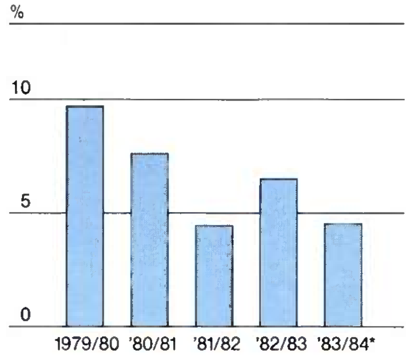
In the field of money and banking the central bank continued to rely chiefly on direct control measures. The Finance Minister announced in his budget speech for 1984/85 that the government planned a wide-ranging Islamization of the banking system, including the local branches operated by 17 foreign banks. According to a compulsory programme all financial institutions will have to switch to interest-free lending and borrowing activities in three main stages between 1st January and 1st July 1985. This move, which raises a number of unresolved issues as far as practical handling is concerned, will however, not apply to foreign currency deposits in Pakistan and to on-lending of foreign loans.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = Rs. 15.3678 (13.5078)

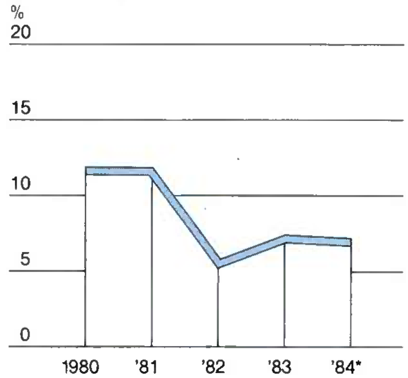
Selected economic indicators

AREA:
803,943 sq.km
POPULATION:
89.7 million
GDP:
US$ 30.6 billion (1983/84)*

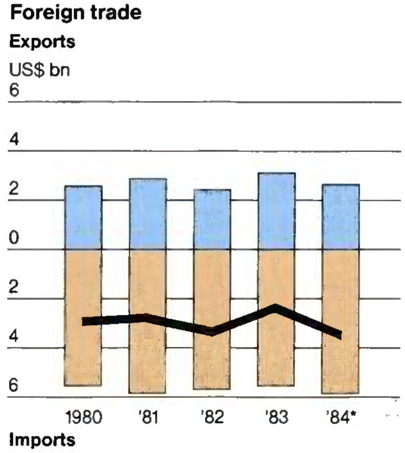
Economic growth (real)



Consumer price inflation



Foreign trade



*Estimates

Philippines

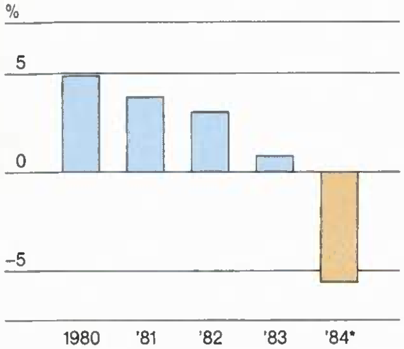
Selected economic indicators

AREA:
300,000 sq.km

POPULATION:
52.0 million

GDP:
US$ 34.6 billion (1983)

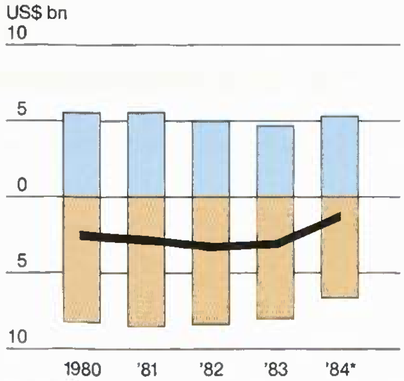
Economic growth (real)



Consumer price inflation

Foreign trade

Exports



Imports

▬ Trade deficit

*Estimates

In contrast to most other countries in the region, the Philippines has not been able to capitalize on the recovery in the Western industrial world. Its economy continued to suffer under long-standing structural weaknesses and a confidence crisis which was underscored by the standstill on external debt repayments since October 1983.

Faced with an acute foreign exchange scarcity and tight credit, many industries failed to secure adequate finance to pay for imported raw materials or components, one of the major exceptions being semi-conductor producers. Although import compression did have a beneficial impact on the country's external accounts, it contributed – together with severely curtailed government expenditure – to a sharp contraction of domestic economic activity. According to preliminary estimates, real Gross National Product fell in 1984 by as much as 5.5 per cent. Ministry of Labour figures indicate that some 2,130 firms laid off 86,190 workers (up 14 per cent from 1983); of those who were dismissed, about two thirds came from the Manila region.

Inflation averaged 50.3 per cent in 1984 exceeding the 33.5 per cent high posted during the 1973–74 oil crisis. It was fuelled by materials shortages, increases in administered prices and the peso's steep decline against the US dollar (a cumulative 29 per cent from year-end 1983).

One relatively bright spot in the economy remained agriculture which witnessed a 1.2 per cent output growth despite damage caused by several typhoons. Sugar planters and millers in the Negros region however, were hit hard by the global oversupply of sugar. This commodity which was once the Philippines' prime foreign exchange earner, now only ranks fourth among leading exports, overtaken by semi-conductor devices, coconut oil and garments. Helped by a 33 per cent surge in electronics exports, overall exports increased by 7 per cent in 1984 against a 20 per cent cutback in imports. As a result the country's trade gap narrowed significantly, more than compensating for a simultaneous widening of the invisibles deficit. Consequently the current account shortfall was reduced to approximately US$ 1.1 billion, from US$ 2.7 billion in 1983.

A central element of the government's adjustment programme for financial stabilization and economic recovery constitutes debt restructuring. The Philippines has reached a preliminary agreement with foreign commercial banks and the Paris Club of official lenders on the rescheduling of about 40 per cent of its outstanding US$ 25 billion debt. The envisaged aid package includes the provision of new commercial credits of about US$ 925 million and the creation of a revolving trade facility of approximately US$ 3 billion. In addition, the International Monetary Fund approved in December 1984 a stand-by arrangement for the Philippine government, authorizing drawings up to the equivalent of SDR 615 million over the next 18 months.

Repercussions of the country's deep-rooted economic difficulties were also felt in the banking system. The central bank assisted certain financial institutions which experienced substantial deposit withdrawals, and in some instances closed or liquidated financially distressed and insolvent companies. One of the main conditions set by the creditor banks and the IMF is that the Philippines must keep a tight hold on its money supply. Reflecting corresponding measures by the monetary authorities, Treasury bills offered unprecedented returns of nearly 50 per cent.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = ₱ 19.760 (14.002)

Singapore

The Singapore economy continued to turn in another creditable overall performance. Real Gross Domestic Product (GDP) grew by 8.2 per cent in 1984 and inflation remained at a low 2.6 per cent. The average income of the Singaporean was up S$ 1,074 from 1983 reaching S$ 12,353.

The annual economic growth rate however masks a notable loss of momentum during the second half of the year under review. First quarter growth was 10.1 per cent, but as the economic upturn in the United States – Singapore's dominant trading partner – moderated, the city state followed suit and the final quarter showed a growth of only 5.5 per cent. More worrying than the overall slackening in GDP expansion were the mixed sectoral trends. Changing conditions in the regional economic environment and greater competition generally also caused a rising number of company failures. Total bank loans, including bills financing, increased at an annual rate of only 8 per cent, the lowest advance of this decade. Lending to manufacturers dipped by 4 per cent, after an increase of 10 per cent in the previous year.

Although foreign demand for Singapore's goods and services improved its share of total demand to over 60 per cent, domestic construction still retained its role as the fastest growing sector of the economy, followed by financial and business services. Nevertheless, all indicators point to a considerable slowdown in the construction sector's expansion, notwithstanding the public housing programme and the government's metro project. Private building activities in 1984 were largely confined to the continuation of work started on condominiums, hotels, offices and shopping complexes. There were hardly any new major projects since the oversupply of private commercial and residential properties was expected to last several years.

In spite of the strong local currency and stagnant oil refining for neighbouring countries, Singapore ended 1984 with its lowest trade deficit since 1979. The improvement in the foreign trade sector mirrored higher demand from the United States and, to a lesser degree, from other industrialized markets for the output of the manufacturing sector. This effect was most evident among the subsidiaries of US multinational corporations producing electronic and other articles for their parent firms. The second largest absolute contribution to total export growth came from shipments to Japan, and the third largest from those to India. Singapore's exports to India soared by over 50 per cent in 1984.

The city state's foreign reserves were again boosted by a significant amount as the balance of payments posted an overall surplus of S$ 3.2 billion, compared with S$ 2.2 billion in 1983. The surplus was attributable to a pickup in foreign direct investment and continued large capital inflows, with foreign banks bringing in substantial funds to strengthen their capital base.

For the year as a whole, the gross size of the Asian Dollar Market in Singapore expanded by 15 per cent to US$ 128 billion, again due largely to increased interbank activities. Loans to non-bank customers accounted for about one quarter of total assets, whilst deposits of non-bank customers constituted only one sixth of total liabilities.

Rate of exchange at the end of December 1984 (1983): .... US$ 1 = S$ 2.178 (2.127)

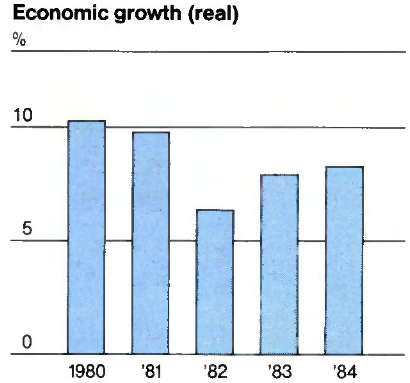
Selected economic indicators

AREA:
618 sq.km

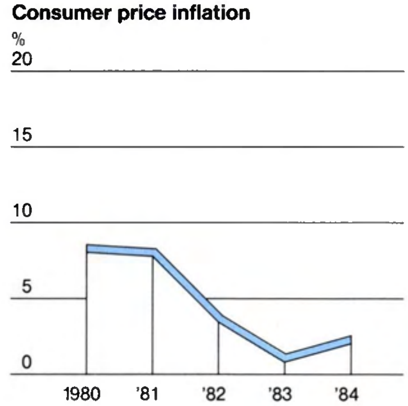
POPULATION:
2.5 million

GDP:
US$ 16.6 billion (1983)

Economic growth (real)

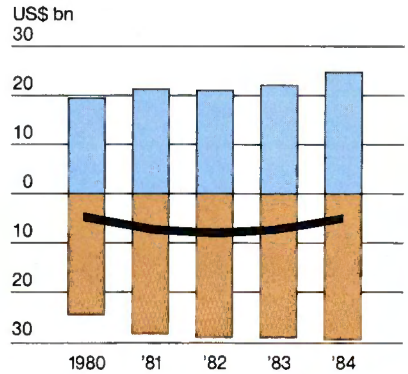


Consumer price inflation



Foreign trade

Exports



Imports

▬ Trade deficit

View from a cable car of the World Trade Centre nestled within the Port of Singapore facilities. During 1984 the city state emerged as the top exhibition centre in Asia. The WTC complex also houses the Singapore International Monetary Exchange (Simex) which commenced trading in financial futures in September 1984.

Sri Lanka: Dial Textile Industries Limited, the subsidiary of a German textile company, is one of the major garment factories which have been established in the free trade zone near Colombo.

Sri Lanka

Production gains and surging international prices for its main export crop – tea – helped the Sri Lankan economy to sustain its overall growth at a rate of about 5 per cent during the year under review. Tea prices reached record levels at the London auctions, following moves by India, the world's largest tea producer, to curb exports in order to meet rapidly growing domestic demand. For Sri Lanka, a doubling of its tea export earnings in 1984 more than offset the simultaneous decline in tourist revenues, providing the country with its first substantial balance of payments surplus since 1977.

In the wake of the ethnic disturbances which broke out in July 1983, Sri Lanka's major tourist industry had suffered a severe setback and was only able to recover at a slow pace. Tourist arrivals in October 1984, for example, still lagged 15 per cent behind the corresponding figure for October 1982. Although the political scene in 1984 continued to be dominated by efforts to reach a long-term accommodation and reconciliation of the interests of the Sinhalese majority and the Tamil minority communities, a solution to the conflict was no closer to realization by the end of the year. Whilst government recurrent expenditure under the 1985 budget is scheduled to rise only by an average 5 per cent, the allocation to the Ministry of Defence has been raised by an estimated 35 per cent.

In addition to the tea boom, the national economy in 1984 was underpinned by a stronger performance of the industrial sector. State corporations which still account for roughly two thirds of industrial output, registered an overall production increase of 12 per cent in the period January to October, 1984. The main contributory factor to this growth was a 28 per cent rise in the output of the local petroleum refinery which has a heavy weight in public sector output and operated without any shutdown during 1984.

After six years in existence, the free trade zone north of Colombo continues to be one of the most dynamic centres of modern industrial activity in Sri Lanka. By October 1984 there were 61 factories in commercial production employing approximately 30,000 workers. Total industrial exports in terms of Special Drawing Rights grew by 44 per cent in the first ten months of 1984, led by overseas sales of textiles and garments (up 61 per cent in SDR terms). Because of Sri Lanka's high rate of inflation relative to its trading partners since 1978, the rupee has depreciated steadily against all major currencies except the French franc. In 1984, the slide of the local currency vis-à-vis the US dollar was restricted by the authorities to slightly under 5 per cent in order to avoid the inflationary effects of a larger downward adjustment. Inflation as measured by the outmoded Colombo Consumers' Price Index (1952 = 100) was still running at an annual rate of close to 20 per cent until the third quarter of the year.

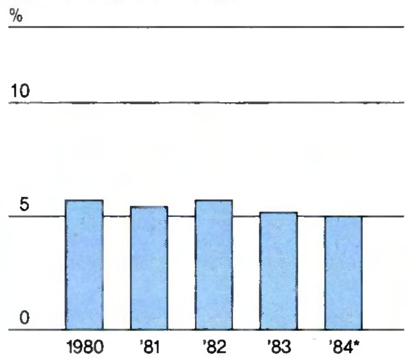
The fortuitous circumstances of high tea prices have narrowed Sri Lanka's trade and budget deficits significantly but can only be considered a temporary palliative which disguised a number of structural imbalances. However, the unexpected strength of the tea market has given the government at least some more breathing space to tackle economic problems, provided that political stability is ensured.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = Rs. 26.28 (25.00)

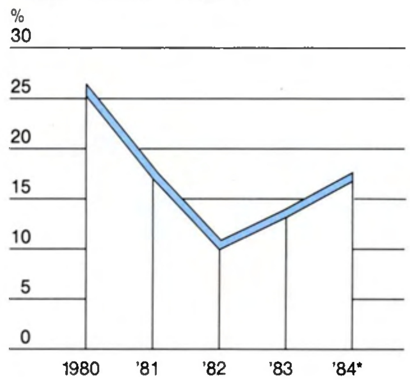
Selected economic indicators

AREA:
65,610 sq.km
POPULATION:
15.4 million
GDP:
US$ 5.2 billion (1983)

Economic growth (real)

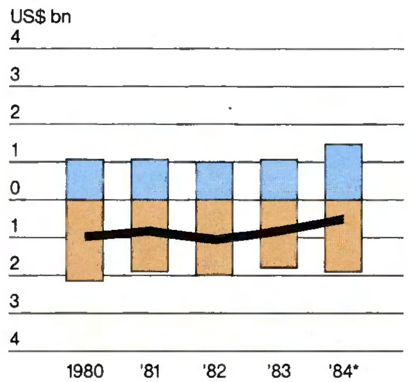


Consumer price inflation



Foreign trade

Exports



Imports

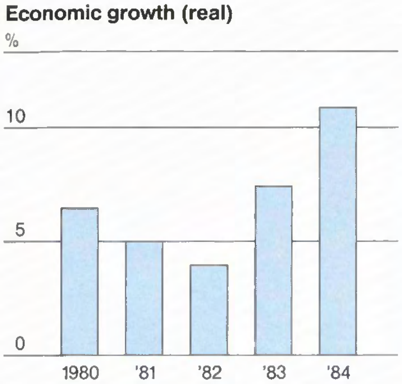
▬ Trade deficit

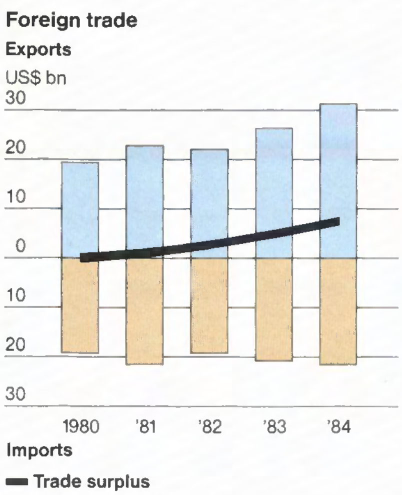
*Estimates

Taiwan

Selected economic indicators

AREA:
35,981 sq.km
POPULATION:
18.6 million
GDP:
US$ 49.8 billion (1983)





Increased spending in the Western consumer markets, particularly in the United States, enabled Taiwan to achieve a remarkable economic performance in 1984, recording the highest growth rate in the Asia-Pacific region. Real Gross National Product expanded by 10.9 per cent – ahead of its closest rivals Hongkong, Korea and Singapore, all of whom together with Taiwan belong to the group of newly industrializing countries in Asia. In the course of the year under review however, the economic boom lost some of its vigour: whereas in the first two quarters a growth of over 12 per cent was registered, it fell off to some 8 per cent in the last quarter.

This development somewhat resembles that of the US economy in 1984, not really surprising since Taiwan's economy remains a product of its export success based mainly on purchases by the United States. Total exports reached US$ 30.5 billion (up 21.2 per cent) while imports amounted to US$ 22.0 billion (up 8.3 per cent). Industrial goods topped the export list accounting for some 94 per cent of the total. The mainstay were electronic products soaring by 37 per cent over 1983 followed by garments and footwear. In spite of efforts to diversify markets, shipments to the United States further surged by 31 per cent absorbing almost 50 per cent of overall exports. This underscores the considerable dependence on the well-being of the US economy and the readiness of its government to tolerate a trade deficit of some US$ 10 billion, a readiness which seems to be diminishing. The comparatively sluggish increment of imports – some 61 per cent of them consisted of raw materials – reflected low investment levels as usually the bulk of machinery and equipment stems from overseas sources.

Domestic fixed capital formation increased by approximately 5 per cent in real terms during 1984, not much in view of the contraction in the two preceding years and the strong expansion of industrial production (up 12 per cent). A possible explanation for the relatively low rate of investment has two components. Firstly, local businessmen are not convinced that the strong US growth will continue and consequently suspect that receding exports might even affect the long-term viability of established industries. Secondly, precariousness persists in view of a move into the industries of tomorrow. Structural changes however, are a prerequisite for Taiwan's future growth and competitiveness because other countries in their efforts to catch up are making inroads into hitherto Taiwanese markets.

By contrast, foreign investors appeared to give the economy a vote of confidence. In 1984, the government approved a total of 174 foreign investment applications, including those from overseas Chinese. Foreign direct investment earmarked for the island reached a new record of over US$ 550 million. Investors clearly favoured electrical and electronics as well as chemical products manufacturing. On the other hand, the government authorized a total of US$ 39 million worth of outward-bound investment projects, a hefty rise over 1983 figures.

Domestic demand remained relatively weak and with the slackening of economic dynamism a number of marginal manufacturing firms were forced out of business. Moreover, some major fraudulent bankruptcies strained the financial system. Despite a surging money supply resulting from the conversion of export receipts into local currency, the central bank managed to keep inflation in check by issuing Treasury bills to soak up excess liquidity. Thus consumer price inflation was virtually squeezed out of the economy, supported also by the remarkable though slight appreciation of the New Taiwan dollar against the US unit which provided for lower import prices. Foreign exchange reserves rose to over US$ 15 billion exceeding by far the country's total external liabilities.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = NT$ 39.47 (40.27)

German cars enjoy a rising popularity among status-conscious consumers in East Asia.

East Asiatic Company (Thailand) Limited recently celebrated "One Hundred Years Young". In front of the company's office building, one of Bangkok's landmarks situated on the Chao Phya River, are C. D. Nielsen (left), Managing Director of the company, and R. Mueller, Manager of Eurasbank Bangkok.

Thailand

On the whole, the Thai economy fared reasonably well in 1984. Giving priority to stability over growth, the authorities implemented a number of restrictive monetary and fiscal measures following the previous year's record trade deficit of US$ 3.7 billion. These measures included a central bank directive instructing banks to keep the issuance of import letters of credit to 1983 levels, plus a subsequent order limiting total banks' lending growth to 18 per cent. This latter credit ceiling affected medium- and small-sized businesses in particular and was lifted in August 1984 after it became clear that imports had slowed considerably and some overheated sectors of the economy were cooling off.

Although the combined impact of these restrictions and the firmer overseas demand produced a substantial improvement in the country's external accounts during the first nine months of 1984, the government apparently felt that this was not yet sufficient. It therefore decided in early November to devalue the baht by 14.8 per cent against the US dollar and to cut the link with the American currency in favour of a managed float. To promote exports and curb imports, the baht had previously been devalued by 8.7 per cent in mid 1981. The size of the latest down-grading roughly corresponded to the baht's average appreciation against the currencies of the country's major trading partners (except the United States), which was approximately 15 per cent during the past three years.

Despite the restrictive government policies curtailing consumer spending and investment outlays, real Gross Domestic Product (GDP) registered about the same increase as the 6.0 per cent achieved in 1983. Overall economic growth was sustained by relatively buoyant agricultural production which expanded by an estimated 3.8 per cent against 3.2 per cent in 1983. Agriculture remains the leading sector of the Thai economy, accounting for around one quarter of GDP, two thirds of employment, and provides the base for a substantial portion of the country's industrial output. Non-agricultural production rose by an aggregate 6.7 per cent during the year under review, only slightly less than in 1983. Whilst export-oriented and agro-based industries experienced significant growth, the production of vehicles and certain construction materials slackened.

The government has continued with its ambitious programme to industrialize the country's eastern seaboard with the use of natural gas piped ashore from the Gulf of Thailand. A gas separation plant which is considered a core industry for the supply of raw materials to all other industries planned for this area, was completed in early November after two years of construction.

As the devaluation took place close to the end of the year, its full impact on foreign trade will not be felt before 1985. Nevertheless, exports already increased by 16 per cent to US$ 7.3 billion in 1984, led by such items as rice, textile products, integrated circuits and canned food. This was a sharp reversal from the disappointing development of exports during 1983.

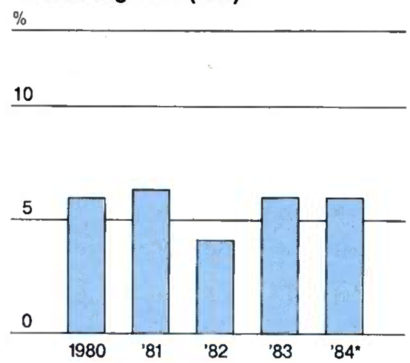
Stringent price controls on 26 basic commodities as well as frozen oil prices helped to counter devaluation-related inflationary pressures in late 1984. However, it is expected that some price and wage adjustments will become inevitable during the course of 1985 thus raising the inflation rate to a projected 6.7 per cent, after a mere 1 per cent for 1984 as measured by the official consumer price index.

Rate of exchange at the end of December 1984 (1983): . . . . US$ 1 = baht 27.15 (23.00)

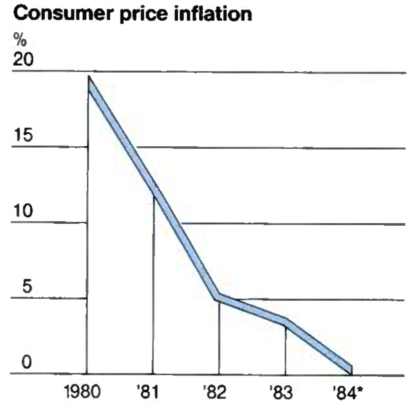
Selected economic indicators

AREA:
514,000 sq.km
POPULATION:
49.5 million
GDP:
US$ 40.4 billion (1983)

Economic growth (real)

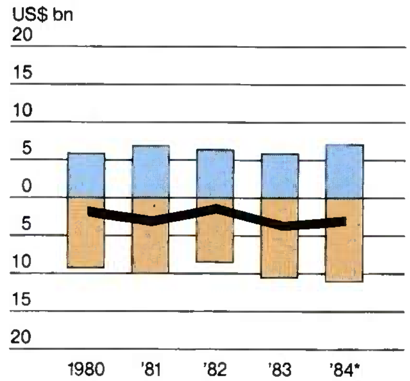


Consumer price inflation



Foreign trade

Exports



Imports

▬ Trade deficit

*Estimates

Review of Business

As a result of widely differing sectoral performances within the Asia-Pacific economies and as a consequence of a deliberate policy of restraint on growth, the Bank's business volume in 1984 developed at a more moderate pace than in previous years. The nominal increase by DM 0.9 billion or 8.2 per cent to DM 11.6 billion was largely caused by the weakness of the German mark rather than by additional business throughout our branch network. Our aim for 1984 was one of consolidation of the substantial growth of business volume achieved in preceding years.

The Bank's activities were again concentrated on short- and medium-term lending to the non-bank sector. Our advances served principally to finance trade between Europe and Asia and between countries within the Asia-Pacific region. Additionally, we provided working capital facilities to locally based customers and subsidiaries of European companies, although to a lesser extent. Due, however, to a combination of a limited availability of suitable matching refinance opportunities and a level of interest margins which we regarded as less than satisfactory, the Bank largely abstained from participating in long-term credit business.

A positive trend was observed in the growth of customer deposits, which advanced to DM 3.5 billion, and was achieved despite the fact that local regulations all too often restrict deposit-taking by foreign banks. This increase of DM 562 million (18.9 per cent) more than covered the expansion of short-term advances, thereby enhancing our customer funding ratio.

Volume of interbank claims remained basically unchanged. Our securities portfolio, however, was substantially increased to a level of DM 1 billion, mainly in US$- and DM-denominated instruments, thus maintaining an adequate liquidity position in our two major operating currencies.

Despite considerable hedging costs covering the capital employed in our branch countries, higher net interest income – with margins virtually unchanged – and the continuing strict control of administrative expense have contributed to a further improvement in operating profits. The completion of the Bank's EDP systems progressed on schedule.

Disparities in the performances of different sectors in some countries in which we operate, and the resultant inherent additional risks, were factors forcing us once again, to substantially increase provisions. All discernible risks have been fully provided for, and, to the extent that they exceed net earnings, with the assistance of our shareholders.

The total number of staff of the Bank increased slightly by 35 to 1,386. Due to constantly rising demand on the Bank's services and efficiency, special attention has been given to training and banking education. These requirements have been met both by internal and external training programmes. We take this opportunity to thank our staff for their dedication and commitment during the year. Co-operation with the staff representatives continued in the spirit of true and constructive teamwork.

Deutsche Bank Aktiengesellschaft, Frankfurt/Main, holds a majority interest in our Company.

The Bank maintained business relations with Deutsche Bank Aktiengesellschaft and its associated companies in the ordinary course of banking business.

Pursuant to § 312 AktG (Joint Stock Corporation Law) a report on relations with associated companies during the period 1st January until 31st December 1984 has been drawn up. In this report we declared that according to the circumstances known to us on each occasion when transactions were concluded within the meaning of § 312 AktG, we received an adequate consideration in every transaction.

The Stock Exchange in the City of Hamburg has a long tradition, dating back to 1558.
Inset: a Eurasbanker from Hamburg Head Office briefing colleagues from Indonesia and Singapore on trading practice in German securities. In addition to its principal activities as a commercial and foreign trade bank, European Asian Bank also offers its customers a selected range of investment banking services.

Notes on the Statement of Accounts for the Year

BALANCE SHEET

Liquidity

The cash reserve – cash in hand, balances with the Deutsche Bundesbank, foreign central banks and on postal cheque accounts – increased from DM 186.0 million to DM 194.0 million. Balances with the Deutsche Bundesbank and foreign central banks rose to DM 188.0 million.

The sum of liabilities to credit institutions and other creditors, including own acceptances in circulation and sundry liabilities, amounted to DM 8,538.5 million (DM 7,822.9 million last year). The relation of the cash reserve to this figure *(cash liquidity ratio)* was 2.3% (2.4% last year).

Total liquid funds – cash reserve, cheques on other banks, matured bonds, interest and dividend coupons, as well as items received for collection, bills rediscountable at the Bundesbank, demand claims on credit institutions, Treasury bills and non-interest-bearing Treasury bonds, bonds and debt instruments eligible as collateral for Bundesbank advances as well as foreign bonds of comparable quality – increased from DM 1,206.6 million to DM 1,638.5 million. The proportion of liabilities covered by liquid funds *(total liquidity)* was 19.2% (15.4% last year).

Securities

Treasury bills and non-interest-bearing Treasury bonds and debt instruments increased in total by DM 385.6 million. They served mainly to meet capital and liquidity regulations applicable to the Bank in Germany and in its various branch countries.

Securities with a face value of DM 247.3 million (DM 229.3 million last year) as well as DM 0.1 million of equalisation claims were pledged to the Deutsche Bundesbank.

Total credit extended

The volume of credit grew by DM 217.0 million (3.2%). The increase in claims on customers was DM 397.3 million (10.6%). Discounts decreased by DM 15.3 million (3.0%).

The breakdown of the volume of credit as at the end of 1984 and 1983 is given on page 37.

Of bills in hand, DM 67.3 million were eligible for rediscount at the Deutsche Bundesbank. The remainder were, without exception, bills of undoubted quality for which the regulations governing rediscountability at the Bundesbank do not apply as far as they are held by our foreign branches.

Besides the above credits we extended *guarantee facilities and letters of credit* amounting to DM 2,238.6 million to our customers (DM 2,121.6 million last year).

Adjustments and provisions were made, partly with the assistance of the shareholders, for all discernible risks in the lending business.

Trade investments

The trade investments involve obligations to pay up a maximum of DM 5.1 million and a contingent liability for the obligations of other partners in the Liquiditäts-Konsortialbank GmbH, Frankfurt/Main.

The liabilities for calls on shares, arising from trade investments, amounted to DM 0.4 million.

Fixed assets

The item *land and buildings* decreased to DM 3.9 million after ordinary depreciation of DM 0.1 million.

Office furniture and equipment rose to DM 17.7 million, after additions of DM 8.9 million, disposals of DM 0.4 million, ordinary depreciation of DM 5.6 million and special depreciation of DM 0.7 million.

Other asset items

The item *sundry assets* amounting to DM 36.0 million includes DM 16.0 million collateral security acquired for the purpose of resale, refundable taxes, rental and other security deposits.

Transitory items of DM 23.2 million essentially consist of advance interest and rent payments.

Funds from outside sources

Total funds from outside sources rose by DM 790.8 million (10.5%) to DM 8,351.5 million during the year under review. The proportion of deposits from non-bank customers increased to 42.3%.

An analysis of developments in funds from outside sources during 1984 is given on page 37.

Own acceptances and promissory notes in circulation decreased by DM 75.2 million to DM 185.2 million. The amount includes mainly acceptance credits of our foreign branches to finance customer credits in accordance with foreign money market practices.

Provision for special purposes

Provisions for pensions were increased by DM 1.1 million in accordance with the actuarial computation.

Other provisions shown at DM 86.5 million (DM 74.8 million last year) include, besides provisions for loan related contingent liabilities, tax and other liabilities of uncertain magnitude, that part of the statutory general provision for credit losses which cannot be offset against asset items.

Volume of credit	– DM millions – End of 1984		– DM millions – End of 1983	
Claims on customers				
short and medium term	**DM 3,539.7**	**= 51.2%**	DM 3,172.9	= 47.4%
long term	**DM 591.0**	**= 8.6%**	DM 560.5	= 8.4%
	DM 4,130.7	**= 59.8%**	DM 3,733.4	= 55.8%
Discounts	**DM 496.0**	**= 7.2%**	DM 511.3	= 7.6%
Lending to credit institutions	**DM 2,284.2**	**= 33.0%**	DM 2,449.2	= 36.6%
Total volume of credit	**DM 6,910.9**	**= 100.0%**	DM 6,693.9	= 100.0%

Funds from outside sources	End of 1984		End of 1983	
Liabilities to credit institutions				
demand deposits	**DM 752.7**	**= 9.0%**	DM 555.7	= 7.4%
term deposits	**DM 4,062.6**	**= 48.7%**	DM 4,027.0	= 53.3%
customers' drawings on credits opened at other institutions	**DM 0.7**	**= 0.0%**	DM 4.4	= 0.0%
	DM 4,816.0	**= 57.7%**	DM 4,587.1	= 60.7%
Liabilities to non-bank customers				
demand deposits	**DM 600.1**	**= 7.2%**	DM 501.5	= 6.6%
term deposits	**DM 2,925.3**	**= 35.0%**	DM 2,461.1	= 32.6%
savings deposits	**DM 10.1**	**= 0.1%**	DM 11.0	= 0.1%
	DM 3,535.5	**= 42.3%**	DM 2,973.6	= 39.3%
Total funds from outside sources	**DM 8,351.5**	**= 100.0%**	DM 7,560.7	= 100.0%

Trade investments with book values exceeding DM 0.1 million	Others
European Asian of Australia Ltd., Sydney	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt/Main
European Asian Finance (HK) Ltd., Hongkong	Credit Guarantee Corp. Malaysia Berhad, Kuala Lumpur
European Asian Capital B.V., Amsterdam	Deutsch-Indonesische Tabak-Handels-GmbH, Bremen
P.T. Euras Buana Leasing Indonesia, Jakarta	Deutsch-Indonesische Tabak-Handels-GmbH & Co. KG, Bremen
Export Credit Insurance Corporation of Singapore Ltd., Singapore	Society for Worldwide Interbank Financial Telecommunication S.C. (SWIFT), Brussels
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	European Asian Bank (Hongkong) Nominees Ltd., Hongkong
	European Asian Bank (Singapore) Nominees Priv. Ltd., Singapore
	European Asian Nominees (Malaysia) Sdn. Bhd., Kuala Lumpur
	Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt/Main
	Malaysia Export Credit Insurance Berhad, Kuala Lumpur
	Privatdiskont AG, Frankfurt/Main

Other liability items

Sundry liabilities amounting to DM 1.6 million and *transitory items* totalling DM 18.9 million cover liabilities outside the banking business such as sundry accounts payable, payroll taxes, social security contributions and rent, commission and interest payments received in advance.

The *special items including reserves* were written back in accordance with the Developing Countries Tax Law by DM 1.2 million to DM 6.5 million.

Contingent liabilities

Endorsement liabilities on rediscounted bills rose by DM 10.2 million to DM 230.4 million.

Liabilities arising from guarantees given, bills of exchange, cheques guaranteed and warranty contracts increased by DM 117.0 million to DM 2,238.6 million (5.5%).

PROFIT AND LOSS ACCOUNT

Earnings from the volume of business

Interest revenue from lending and money market transactions and current revenue from securities increased from DM 727.8 million to DM 1,002.9 million. Against this revenue was *interest and similar expense* of DM 792.9 million (DM 547.2 million last year). The net interest income, which increased to DM 210.0 million, was – on translation into DM – positively affected by the strengthening of major operating currencies of the foreign branches.

Earnings from services

Net commissions and other revenue from service transactions dropped by DM 4.5 million to DM 38.4 million.

Other revenue

Other revenue, shown at DM 3.5 million, *including that from the writing back of provisions for possible loan losses,* is compensated in accordance with the relevant regulations by the depreciation and adjustments on claims and securities and allocations to provisions for possible loan losses. This also includes revenue from rentals and taxes repaid in respect of previous years.

Depreciation and adjustments on claims and securities, and allocations to provisions for possible loan losses

The amounts set aside to cover further increased risks in the loan business were raised considerably.

Staff and other administrative expense

Staff expense rose by DM 10.7 million to DM 63.9 million (20.1%) due to additional staff in connection with the further expansion of the Bank as well as both collectively agreed and voluntary increases in payments. The number of employees grew by 35 to 1,386 in 1984.

Expenditure on material for the banking business increased from DM 33.2 million to DM 40.4 million (21.7%).

The increase in both cost items was essentially affected by the strengthening of major operating currencies.

Taxes

Taxes on income, earnings and property amounted to DM 32.2 million; the same level as last year.

Other taxes amounting to DM 3.8 million include turnover tax on interest levied in foreign countries.

Remaining expense

Total remuneration of the Board of Managing Directors including payments in respect of prior years amounted to DM 971,265.––. Payments to former members of the Board of Managing Directors or their surviving dependants aggregated DM 158,084.––. Emoluments of the Supervisory Board totalled DM 45,500.––.

Hamburg, February 26, 1985

THE BOARD OF MANAGING DIRECTORS

Report of the Supervisory Board

During the course of the year the Supervisory Board was regularly informed, also at numerous discussions and meetings, about the development of the Bank's business, as well as its liquidity and profitability situation.

Matters which by law and under the Bank's Articles of Association require the approval of the Supervisory Board were duly submitted to us and discussed with the Board of Managing Directors. Substantial transactions, principally major loans, were regularly discussed with the Board of Managing Directors.

The Report and Accounts for the year ending 31st December 1984, as well as the Bank's books, have been audited by TREUVERKEHR AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, the auditors appointed by the Annual General Meeting, and were found to satisfy the statutory requirements as well as to conform with the Bank's Articles of Association. The Supervisory Board has approved the auditors' report which contains no qualifications.

The Supervisory Board has received the Report and Accounts and has raised no objections.

The Supervisory Board has approved the Accounts presented to it by the Board of Managing Directors and they are thus confirmed.

TREUVERKEHR AG Wirtschaftsprüfungsgesellschaft have also audited the Report of the Managing Directors on Relations with Associated Companies and issued the following statement in respect thereof:

"Upon having made a professional examination and review we certify that
1. the statements of fact in the Report are correct,
2. with regard to the transactions discussed in the Report, the consideration paid by the Company was not disproportionately high."

The Supervisory Board has taken notice of, and assented to, the Report on Relations with Associated Companies and the accompanying audit report of TREUVERKEHR AG Wirtschaftsprüfungsgesellschaft. Based on the final result of its own review, the Supervisory Board raises no objections against the concluding statement of the Managing Directors in the Report on Relations with Associated Companies.

At the meeting on 13th March 1985, Mr. Hans Henning Offen and Mr. Alfred Steffen were appointed Members of the Board of Managing Directors replacing Mr. Michael Boehm and Mr. J. Nikolaus Korsch.

Hamburg, March 22, 1985

THE SUPERVISORY BOARD

Chairman

Old Chinese printing block for preparing payment instructions. The blank spaces were intended for insertion of name and date.

Balance Sheet
as at December 31, 1984

Profit and Loss Account
for the period from January 1 to December 31, 1984

European Asian Bank AKTIENGESELLSCHAFT

ASSETS

		DM	DM	31.12.1983 in DM 1,000
Cash in hand			5,874,346.05	6,016
Balances with the Deutsche Bundesbank			62,322,862.91	61,720
Balances with foreign Central Banks			125,665,500.21	118,151
Balances on postal cheque accounts			113,127.06	150
Cheques on other banks, matured bonds, interest and dividend coupons, and items received for collection			1,535,968.99	3,209
Bills discounted			265,559,992.81	291,048
including: a) rediscountable at the Deutsche Bundesbank	DM 67,307,352.25			
b) own drawings	DM 393,979.30			
Claims on credit institutions				
a) payable on demand		345,637,149.39		301,033
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months		708,800,426.70		654,662
bb) at least three months, but less than four years		2,262,925,786.96		2,399,688
bc) four years or longer		21,348,847.39		49,566
			3,338,712,210.44	3,404,949
Treasury bills and non-interest-bearing Treasury bonds				
a) of the Federal Republic and the State Governments		-.--		–
b) others		19,518,158.37	19,518,158.37	24,039
Bonds and debt instruments				
a) with a life of up to four years				
aa) of the Federal Republic and the State Governments	DM -.--			–
ab) of credit institutions	DM 14,166,221.67			46,117
ac) others	DM 55,991,160.07	70,157,381.74		20,754
including: eligible as collateral for Bundesbank advances DM -.--; foreign bonds of comparable quality DM 70,157,381.74				
b) with a life of more than four years				
ba) of the Federal Republic and the State Governments	DM 311,041,898.57			187,035
bb) of credit institutions	DM 405,776,802.84			227,276
bc) others	DM 233,088,071.42	949,906,772.83		148,830
			1,020,064,154.57	630,012
including: eligible as collateral for Bundesbank advances DM 329,616,954.12; foreign bonds of comparable quality DM 610,798,553.04				
Securities, so far as they have not to be included in other items				
a) shares marketable on a stock exchange and investment fund certificates		10,907,080.85		3,249
b) other securities		-.--		–
			10,907,080.85	3,249
including: holdings of more than one tenth of the shares in a joint stock corporation or mining company, excluding investments in subsidiaries and associated companies	DM -.--			
Claims on customers with agreed life, or subject to agreed period of notice, of				
a) less than four years		3,539,731,572.41		3,172,912
b) four years or longer		591,024,153.--		560,447
			4,130,755,725.41	3,733,359
including: ba) secured by mortgages on real estate	DM 3,038,583.--			
bb) communal loans	DM 1,016,144.--			
Equalisation Claims on Federal and State authorities under the Currency Reform Laws of 1948			162,624.45	171
Loans on a trust basis at third party risk			18,446,395.43	300
Trade investments			26,906,711.50	26,907
including: in credit institutions	DM 22,962,384.95			
Land and buildings			3,917,571.38	4,061
Office furniture and equipment			17,672,029.56	15,513
Sundry assets			36,025,966.54	19,918
Transitory items			23,168,926.10	12,131
TOTAL ASSETS			9,107,329,352.63	8,354,903
The assets and the rights of reçourse in respect of the liabilities shown below the liabilities side include				
a) claims on associated companies			313,256,195.17	230,488
b) claims which arise from credits falling under Article 15, paragraph 1, items 1 to 6, and paragraph 2, of the Banking Law, so far as they are not shown in a)			31,268,651.80	26,985

BALANCE SHEET as at December 31, 1984

LIABILITIES

	DM	DM	DM	31.12.1983 in DM 1,000
Liabilities to credit institutions				
a) payable on demand		752,737,791.72		555,703
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	804,661,089.08			941,974
bb) at least three months, but less than four years	2,419,050,959.61			2,533,630
bc) four years or longer	838,921,421.90	4,062,633,470.59		551,380
including: due in less than four years .... DM 249,238,954.19				
c) customers' drawings on credits opened at other institutions		721,571.93		4,404
			4,816,092,834.24	4,587,091
Banking liabilities to other creditors				
a) payable on demand		600,102,729.76		501,525
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	1,190,063,163.54			1,149,315
bb) at least three months, but less than four years	1,502,050,913.43			1,035,948
bc) four years or longer	233,225,253.89	2,925,339,330.86		275,878
including: due in less than four years .... DM 74,161,702.74				
c) savings deposits				
ca) subject to legal period of notice	2,482,765.16			3,228
cb) others	7,615,355.63	10,098,120.79		7,720
			3,535,540,181.41	2,973,614
Own acceptances and promissory notes in circulation			185,198,580.87	260,375
Loans on a trust basis at third party risk			18,446,395.43	300
Provisions for special purposes				
a) for pensions		8,614,954.--		7,526
b) others		86,489,983.87		74,772
			95,104,937.87	82,298
Sundry liabilities			1,638,410.54	1,811
Transitory items			18,929,415.27	11,877
Special items including reserves in accordance with the Developing Countries Tax Law			6,527,797.--	7,686
Capital			196,000,000.--	196,000
Published reserves				
a) statutory reserve fund		209,750,800.--		209,751
b) other reserves (including DM 20,000,000.-- from 1983 profit)		24,100,000.--		4,100
			233,850,800.--	213,851
Disposable profit			-.--	20,000
TOTAL LIABILITIES			9,107,329,352.63	8,354,903
Own drawings in circulation			263,801,053.99	182,553
including those discounted for borrowers' account .... DM -.--				
Endorsement liabilities on rediscounted bills of exchange			230,427,040.79	220,251
Liabilities arising from guarantees of various kinds and warranty contracts			2,238,590,435.65	2,121,559
Savings premiums under the Savings Premium Law			509.20	1
Comprised among the liabilities are those (including those shown below the balance sheet) to associated companies			734,251,252.95	668,117

PROFIT AND LOSS ACCOUNT

EXPENSE

	DM	DM	1983 in DM 1,000
Interest and similar expense		792,862,951.61	547,183
Commissions and similar expense in respect of service transactions		2,829,154.96	1,229
Depreciation and adjustments on claims and securities, and allocations to provisions for possible loan losses		104,035,685.69	80,887
Salaries and wages		53,516,079.75	44,238
Social security contributions		3,863,805.55	3,329
Expenditure on retirement pensions and other benefits		6,502,301.23	5,650
Expenditure on material for the banking business		40,423,688.57	33,227
Depreciation and adjustments on land and buildings, and on office furniture and equipment		6,408,289.16	4,845
Taxes			
a) on income, earnings and property	32,226,988.67		32,245
b) others	3,783,109.15		3,944
		36,010,097.82	36,189
Other expense		2,573,064.07	1,068
Year's net earnings		-.--	20,000
TOTAL EXPENSE		1,049,025,118.41	777,845

Year's net earnings

Taken from published reserves

Allocations from the year's net earnings to published reserves

Disposable profit

In the year under review the Bank effected payment of DM 818,814.02 representing pensions and contributions to the German Bank Officials' Insurance Association in Berlin. The payments to be effected in the next five years will probably reach 105%, 110%, 116%, 122% and 128% of that amount.

Hamburg, February 26, 1985

EUROPEAN ASIAN BANK AG
Board of Managing Directors

Boehm *Korsch* *Woydt*

for the period from January 1 to December 31, 1984

REVENUE

	DM	DM	1983 in DM 1,000
Interest and similar revenue from lending and money market transactions		919,668,623.76	680,574
Current revenue from			
a) fixed-interest securities and debt register claims	82,972,901.39		47,133
b) other securities	258,340.63		36
c) trade investments	23,562.50		24
		83,254,804.52	47,193
Commissions and other revenue from service transactions		41,225,275.59	44,113
Other revenue, including that from the writing back of provisions for possible loan losses		3,468,108.--	2,193
Revenue from the writing back of provisions for special purposes, so far as it has not to be shown under "other revenue"		249,868.54	2,947
Revenue from the writing back of special items including reserves		1,158,438.--	825
TOTAL REVENUE		1,049,025,118.41	777,845

DM	1983 in DM 1,000
-.--	20,000
-.--	-
-.--	-
-.--	20,000

According to our audit, carried out in accordance with our professional duties, the accounting, the Annual Statement of Accounts and the Report comply with German law and with the Company's Articles of Association.

Hamburg, February 28, 1985

TREUVERKEHR AG
Wirtschaftsprüfungsgesellschaft

Fandré — Wirtschaftsprüfer (Chartered Accountant)

Brackert — Wirtschaftsprüfer (Chartered Accountant)

European Asian Bank *in Brief*

Background

The Hamburg-based European Asian Bank – or Eurasbank for short – stands in a continuous and independent tradition of banking in Asia which stretches back for nearly a century. It was incorporated in 1889 in Shanghai as the Deutsch-Asiatische Bank, and re-established under its present name in 1972 by the members of the Ebic Group (European Banks International). Other joint ventures of this banking group include European American Bank and European Banking Group.

Eurasbank's present capital is held as follows:
Deutsche Bank AG, Germany (60 per cent);
Creditanstalt-Bankverein, Austria (22 per cent);
Amsterdam-Rotterdam Bank, Netherlands (9 per cent);
Société Générale de Banque, Belgium (9 per cent).

As a specialist bank for business in the Asia-Pacific region, the Bank operates a network of branches, representative offices and affiliates in

AUSTRALIA	Sydney Representative Office (covering Australia and New Zealand) European Asian of Australia Limited, Sydney – Melbourne
HONGKONG	Hongkong Branch and 8 sub-branches European Asian Finance (HK) Limited
INDIA	Bombay Branch
INDONESIA	Jakarta Branch P.T. Euras Buana Leasing Indonesia, Jakarta
JAPAN	Tokyo Representative Office
KOREA	Seoul Branch Pusan Branch
MACAU	Macau Branch
MALAYSIA	Kuala Lumpur Branch
PAKISTAN	Karachi Branch Lahore Branch
PHILIPPINES	Manila Offshore Branch
SINGAPORE	Singapore Branch
SRI LANKA	Colombo Branch
TAIWAN	Taipei Branch
THAILAND	Bangkok Branch

Services

The Bank provides a wide range of local and international banking services, including:

- local currency financing in

  Australian dollar
  baht (Thailand)
  Hongkong dollar
  Indian rupee
  Pakistan rupee
  pataca (Macau)
  ringgit (Malaysia)
  rupiah (Indonesia)
  Singapore dollar
  Sri Lanka rupee
  New Taiwan dollar
  won (Korea);
- all types of documentary transactions;
- international trade finance;
- money transfers;
- foreign exchange facilities;
- local and foreign currency bonds and guarantees;
- onshore and offshore financing in Asia- and Eurocurrencies;
- medium- and long-term financing for projects in the Asia-Pacific region, also linked with European and US export finance;
- tailor-made export and import financing schemes;
- deposit accounts in local and foreign currencies;
- certificates of deposit (CDs) in local and foreign currencies;
- investment advice, securities transactions, portfolio and money management;
- contact and advisory services: international trade contacts, foreign direct investment advice.

Directory

Management and Senior Officers – Head Office, Branches and Affiliates

Head Office
European Asian Bank AG
Business address:
Neuer Wall 50
D-2000 Hamburg 36
Postal address:
P.O. Box 10 19 20
D-2000 Hamburg 1
Fed. Rep. of Germany
Tel.: (0 40) 36 14 6-0
Telex: 2 15 224-0 ea d

Board of Managing Directors
Hans Henning Offen
Alfred Steffen
Tjark H. Woydt

Corporate Banking
Jan Imbeck
General Manager
Lutz-Henning Pabst
General Manager
Erika Bellstedt
Manager
Holger F. des Coudres
Manager
Rolf Doerges
Manager
Roland Framhein
Manager
Hans-Peter Hecker
Manager
Douglas T. Neilson
Manager
Heinz J. Pollender
Manager
Juergen Zieler
Manager

International Finance Dept.
John A. Miles
Executive Director

Correspondent Banking
Jan Imbeck
General Manager

Treasury
Manfred Schauer
Regional Treasurer
Friedrich von Nathusius
Senior Asst. Manager

Investment Advice/ Portfolio Management
Dieter Haarmann
Manager

Legal and Tax Affairs
Dr. Guenther Sattelhak
Senior Counsel
Gunnar Kaul
Counsel

Economic Research Public Relations
Michael Niss
Manager

Administration/Operations
Hermann Schellbach
General Manager
Klaus Hentschel
Manager
Christa Roehl
Manager

Personnel
Uwe Rummert
Manager

Accounting and Control
Gunnar Kruse
Chief Accountant and Controller
Heinrich Wende
Manager

Internal Audit
Archibald B. Davidson
Inspector

Hamburg Branch
European Asian Bank AG
Hamburg Branch
Business address:
Neuer Wall 50
D-2000 Hamburg 36
Postal address:
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D-2000 Hamburg 1
Fed. Rep. of Germany
Tel.: (0 40) 36 14 6-0
(0 40) 37 20 91 (forex)
Telex: 2 15 224-0 ea d
2 163 235 eur d (forex)
Manager:
Reinhold Hippel
Manager – Loans:
Peter Lang
Manager – Operations:
Heinz-Georg Moschkau
Senior Asst. Manager:
Peter Ruge
Senior Asst. Manager:
Helmut Fleischer
Senior Asst. Manager:
Juergen Jesse

Foreign Exchange/ Money Market Operations
Detlef Keitsch
Manager
Gerd Rollar
Senior Asst. Manager

Our office building in Hamburg is located beside one of the old narrow canals which run through the City.

Asia-Pacific Offices

AUSTRALIA & NEW ZEALAND

European Asian Bank
Representative Office for Australia and New Zealand
Business address:
1st Floor, 6 Bridge Street
Sydney, New South Wales 2000
Postal address:
P.O. Box N117
Grosvenor Street
Sydney, New South Wales 2000
Tel.: 241 38 67
Telex: eur aa 71 199
Senior Representative:
D. M. R. (Ray) Payne
Representative:
R. J. (Bob) Fawbert

Affiliate
European Asian of Australia Limited
Sydney – Main Office
Business address:
19th Level, Trans City House
15 Castlereagh Street
Sydney, New South Wales 2000
Postal address:
G.P.O. Box 545
Sydney, New South Wales 2001
Tel.: (02) 238 8000
(02) 232 1177 (forex)
(02) 235 1599 (money market)
Telex: eaal aa 74374
eaalfx aa 75387 (forex)
eadeal aa 74373 (money market)
General Manager – Australia:
Kevin H. Cain
Manager – Loans:
Erdmann R. G. Vogt
Manager – Administration:
John McGregor
Treasurer:
John R. Collier
Dealer – Foreign Exchange:
Karl Broecker

Melbourne Branch
Level 4, 34 Queen Street
Melbourne, Victoria 3000
Tel.: (03) 614 4288
(03) 61 2611 (money market)
Telex: eaal aa 136122
State Manager – Victoria:
Gregory S. Ficken

HONGKONG

European Asian Bank
Hongkong Branch
– Main Office –
New World Tower
16–18 Queen's Road C.
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Hongkong
Tel.: 5-843 04 00
5-26 30 60 (forex)
Telex: 73 498 euras hx
65 355 euras hx (forex)

Aberdeen Sub-Branch
Tel.: 5-54 64 27

Hung Hom Sub-Branch
Tel.: 3-63 93 52

Kwai Chung Sub-Branch
Tel.: 0-28 34 11

Kwun Tong Sub-Branch
Tel.: 3-41 13 84

Mongkok Sub-Branch
Tel.: 3-81 53 94

San Po Kong Sub-Branch
Tel.: 3-27 81 91

Telford Gardens Sub-Branch
Tel.: 3-757 16 11

Tsimshatsui Sub-Branch
Tel.: 3-66 43 57

General Manager:
Hans-Martin Konrad
Dep. Managers:
Edgar Heider
Peter Palmer-Barnes
Managers – Loans:
Michael Jones
Nicholas Pertwee
Manager – Investments:
Wolf-Peter Berthold
Manager – Bills:
Juergen Kaebe
Manager – Operations:
Kwan Kwong Hon
Manager – Sub-Branches:
Hau Hin Law

Regional Treasurer:
Manfred Schauer

Affiliate
European Asian Finance (HK) Limited
New World Tower
16–18 Queen's Road C.
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Tel.: 5-843 05 06
Telex: 63 841 eafhk hx
Managing Director:
Rogers D. LeBaron
Associate Director:
Thomas Pyle

INDIA

European Asian Bank
Bombay Branch
Tulsiani Chambers
Post Bag 9995
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Tel.: 223262
243237 (forex)
Telex: 11 4042 eura in
11 3313 eura in (forex)
Manager:
Heinz Poehlsen
Dep. Manager:
Harkirat Singh

International Finance Group for South Asia
Regional Director:
Vijay V. Meghani

INDONESIA

European Asian Bank
Jakarta Branch
Eurasbank Building
80 Jl. Imam Bonjol
P.O. Box 135
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Tel.: 331092
333035/331502 (forex)
Telex: 44114 euras ia
45841 euras ia (forex)
Manager:
Klaus Zeidler
Dep. Manager:
Budhy G. W. Budhyarto
Manager – Operations:
Bernd K. Sperber
Sr. Asst. Managers – Loans:
Mohammad D. Achberia
Bernd Lindner

Affiliate
P. T. Euras Buana Leasing Indonesia
Eurasbank Building
80 Jl. Imam Bonjol
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334309
Telex: 44114 euras ia
President Director:
Klaus J. Michels
Director:
Na'an Laurimba

JAPAN

European Asian Bank
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Tokyo 100-91
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Telex: j 23860 eurastyo
Manager:
Guenter F. Strauch

KOREA

European Asian Bank
Seoul Branch
51-1 Namchang-Dong
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Seoul 100
Tel.: 754-3071
777-9010 (forex)
Telex: k 26 353 euras
k 25 999 euras (forex)
Manager:
John Duthie
Dep. Manager:
Richard Schneider

European Asian Bank
Pusan Branch
44, 2-ka, Chungang-Dong
Chung-Ku
Pusan P.O. Box 789
Pusan
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Manager:
Kun Il, Chung

MACAU

European Asian Bank
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Tel.: 78 440-42
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Manager:
William Lam

MALAYSIA

European Asian Bank
Kuala Lumpur Branch
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20 16 81 (forex)
Telex: euras ma 30 464
euras ma 31 071 (forex)
Manager:
Gerd Riedel
Dep. Manager:
Wong Ah Meng

PAKISTAN

European Asian Bank
Karachi Branch
Unitowers
I. I. Chundrigar Road
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Tel.: 22 86 11-15
Telex: 2862 eur pk
Regional Manager – Pakistan:
Jost E. C. Hildebrandt
Dep. Manager:
Amin-ur-Rehman Khan
Manager – Foreign Dept.:
Irudiyanadan N. Francis
Manager – Customer Services:
Dhunji P. Randeria

European Asian Bank
Lahore Branch
Mall View Plaza
Roberts Road
Bank Square
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Manager:
Qamar Khan

PHILIPPINES

European Asian Bank
Manila Offshore Branch
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MCC P.O. Box 2286
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817 28 61 (forex)
Telex: 63 625 euras pn
63 931 euras pn (forex)
Manager:
Santiago S. Cua, Jr.

SINGAPORE

European Asian Bank
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Business address:
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rs 21 190 euras (forex)
General Manager:
Frederick J. A. Brown
Manager:
Bernd U. Timm
Dep. Manager:
Bobby H. G. Teo
Manager – Foreign Exchange:
Steven L. K. Tan
Manager – Operations:
Nicolaas S. A. Luijten

International Finance Singapore
Regional Director:
Edward W. Coll

SRI LANKA

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54 80 60 (forex)
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21 589 euras ce (forex)
Manager:
Andreas Veith
Manager – Operations:
Fried Schroeder

TAIWAN

European Asian Bank
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10 614 eurasfx (forex)
Manager:
Horst Kaiser
Manager – Operations:
Wolfgang Duermeyer
Managers – Loans:
Ernst-August Borchert
Maximilian G. Schuermann
Manager – Loans Dept.:
Wei-Heng Chang
Manager – Bills:
Huan Chang Chen

THAILAND

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233-8668 (forex)
Telex: 87 949 euras th
Manager:
Rainer Mueller
Dep. Manager:
Patrick D. O'Brien
Manager – Operations:
Egid Muehlbauer

European Asian Bank