OECD forecasts for G-7 economies

All but US, Germany look better

PARIS, Dec 20: Following are the main forecasts for the economies of the Group of Seven leading industrialised nations made by the Organisation for Economic Cooperation and Development (OECD) in its half- yearly outlook issued on Thursday, reports Reuter.

United States: The OECD **slashed its forecast for US growth next year to 2.2 per cent and said recovery from recession might be weak and fragile. But it said the world's largest economy should avoid a renewed downturn.** In November, OECD economists expected growth next year to be about half a percentage point below 3.1 per cent projected in June. A 0.5 per cent contraction is expected for this year. Unemployment might rise before starting to fall in mid-1992. But inflation could drop to 3.6 per cent next year from four in 1991 and the current account in 1992 from almost twice that rate this year but rebound to 3.5 per cent in 1993. Its trade and balance of payments surpluses, having fallen steadily from 1986 to 1990, are expected to rise and provide a potential source of friction. Consumer price inflation should slow to about 2.5 per cent in 1992 from 3.25 this year, while unemployment is likely to stay at current low levels of 2.2 to per cent through to 1993.

Germany: Western German **growth will slow sharply in 1992 as tax rises to pay for unification slash demand. Interest rates and inflation will stay high and unemployment will grow. Eastern German recovery will be patchy. In the West, Gross National Product (GNP) growth will be 3.2 per cent for 1991, above 2.8 forecast in July before slowing to 1.8 next year and reviving in 1993 to 2.5.** Consumer prices could rise four per cent in 1992 and 1993, up from this year's 3.4 and the jobless rate may rise to 5.9 per cent 1992 and 5.1 in 1993 from 4.6 this year.

France :- Economic recovery has started but its pace will be no more than gradual next year and the ranks of the jobless will remain swollen. Gross Domestic Product (GDP) could grow 2.1 per cent in 1992 and 2.7 in 1993 after 1.4 per cent this year.

Inflation is expected to slow to 2.9 per cent in 1992 and 2.7 in 1993 from three per cent in 1991. The jobless rate, now 9.7 per cent, could breach 10 per cent next year.

Italy:- Italy's economy should pick up speed in 1992 but inflation will remain significantly higher than in its main European partners. The public sector deficit for next year will probably exceed the government's forecast. Economic growth is put at two per cent in 1992, double this year's rate, and 2.5 in 1993. Inflation could slow to 5.4 per cent next year and 4.9 following year from 1991's 6.4.

Britain :- The economy should grow 2.2 per cent in 1992 after shrinking 1.9 per cent this year. A modest recovery, led by consumption and exports, seems to have begun in the third 1991 quarter. Growth will be kept in check next year but demand could exceed industry's ability to produce goods fast enough by early 1993. Economic growth in that year could reach 3.2 per cent. Inflation could average 3.7 per cent in 1992 and 3.5 in 1993, down from 5.8 in 1991. Unemployment is expected to continue rising into 1992 to hit a peak of 2.7 million.

Canada :- Recovery will be slow but the risk that the economy will slip back into recession appears small. The OECD forecasts 3.1 per cent growth in GDP next year and 4.1 per cent in 1993 after a contraction of 1.1 per cent this year. Unemployment is expected to drop only slowly. Average inflation is projected at 2.9 per cent next year and 2.5 per cent in 1993 after an estimated 5.4 per cent this year.

Another copy adds: High debts, slow money supply growth and the chilling impact that US economic sluggishness is having on business confidence worldwide suggest that economic growth in 1992 will be tepid, the OECD said on Thursday.

Although lower interest rates should lay the basis for the industrial world's growth rate to double to 2.2 per cent from 1.1 per cent this year, the rebound will still be below average, the organisation for economic cooperation and development said.

David Henderson, the **OECD's chief economist, also cited weak money growth and told a news conference these influences damping growth might turn out to be stronger than the OECD anticipates.**

The Organisation expects a pick- up in growth to 3.3 per cent by 1993 but that is cold comfort for US President George Bush and British Prime Minister John Major, who hope for a quick economic rebound to help their 1992 re-election campaigns.

Rick Imai, a senior OECD economist, said there was a 30 to 40 per cent chance of a double-dip recession in the United States —a second economic downturn before a real recovery from the first one — and added that the underlying trend in Britain had also weakened slightly in the past month.

On the bright side, the OECD expected quicker growth to spark a steady revival in world trade and said inflation should continue to slow in 1992 and 1993.

MOSCOW : A Muscovite swings his shopping bag in frustration at a salesman after he was told that state-owned shop had run out of eggs Thursday. The food situation in Russian capital remains precarious and involves queuing up for long hours for basic food staff. — AFP photo

Yeltsin wins $ 1.2b from Italy

ROME, Dec 20 : Russian President Boris Yeltsin, who has already secured a 1.2 billion dollar Christmas present from the Italian government, urged top businessmen Friday to support his moves to create a market economy, reports Reuter.

Private investment in Russia — a market of 150 million people — was vital, he told them.

Yeltsin started the second day of a two-day visit to Rome by meeting Franco Nobili, head of state Conglomerate IRI, Italy's largest company, and Gianni Agnelli, boss of the Fiat Automobile Company.

The Russian leader, on his first overseas trip since declaring the Soviet Union defunct earlier this month, set out an array of incentives for investors in Italy, the Soviet Union's second-biggest western trading partner, officials said.

He has pledged to liberalise prices next month but promises overseas investment capital will be protected against inflation and exchange rate turbulence.

Businessmen were also assured they would be able to repatriate profits and enjoy hefty tax breaks.

Yeltsin outlined a plan to set up an international institution to act as an insurance agency for foreign investors if Russian partners failed.

It would work closely with national export-guarantee agencies like Italy's sace, which on Thursday, unblocked a 1.2 billion dollar line of credit to the Soviet Union and transferred it to Russia.

Yeltsin also met Defence Minister Virginio Rognoni Friday — shortly after announcing that he wanted Russia eventually to join the NATO alliance — and was due to visit Pope John Paul.

In a message to a landmark meeting in Brussels of NATO Foreign Ministers and their former Warsaw pact foes, Yeltsin said: Today we are raising a question of Russia's membership in NATO, however regarding it as a long-term political aim.

Russia, which has most of the Soviet nuclear arsenal on its soil and is by far the biggest republic, was not invited to the conference.

Yeltsin has been given virtually full head of state treatment in Italy and implicit promises of diplomatic recognition by Prime Minister Giulio Andreotti.

As the red, white and blue, Russian flag flew over the presidential Qirinale Palace. Where Yeltsin's kept in the imperial suite, Russia was tightening its grip on power by co-opting key parts of the former Soviet apparatus in Moscow.

It took over the Soviet foreign and interior ministries and the Kremlin on Thursday.

Yeltsin has won Italy's backing for Russia's application to become a full member of the International Monetary Fund (IMF), whose Managing Director, Michel Camdessus was also in Rome Friday addressing a symposium. There were no plans for a meeting with Yeltsin, officials said.

Andreotti has also agreed to support Yeltsin's request for the West to set up a 4.5 billion dollar fund to underpin Russia's transition to market economy.

Yeltsin leaves this evening for Alam-Ata in Kazakhstan where more republics are due tomorrow to join the commonwealth founded by Russia, Ukraine and Byelorussia on December 6.

Business Briefs

Kuwait to buy bad debt : Kuwait's cabinet put the final seal on a controversial government plan to buy about 20 billion of domestic bad debt from 11 commercial banks and investment firms, reports Reuter from Kuwait.

Ministers, headed by Crown Prince Sheikh Saad Al-Abdullah Al-Salem Al-Sabha, approved purchasing the debt by issuing bonds with a maximum 20-year maturity.

Dari Abdullah Al-Othman, Minister of State for Cabinet Affairs, told reporters the move was in response to economic damage created by the Iraqi invasion.

Talks to reschedule Soviet debt payment : Creditor-government officials met in Paris on Thursday to negotiate with Soviet representatives the implementation of an agreement reached last month in Moscow to reschedule the Soviet debt, officials said, reports AFP from Paris.

The announcement of the dissolution of the Union has raised a host of new problems, including the authority of the creditors' Soviet interlocutors themselves, the officials said.

The Group of Seven (G-7) industrialised countries had agreed in Moscow to suspend payment of both interest and principal on Soviet debts contracted before January 1, 1991.

Manila can win lawsuit : Officials expressed confidence Friday that the Philippines can win a lawsuit against Westinghouse Electric Corp, despite a ruling the company did not bribe former President Ferdinand Marcos, reports AP from Manila.

The International Chamber of Commerce in Geneva concluded Thursday that there was insufficient evidence to support Philippine claims that Westinghouse bribed Marcos to win a contract to build a nuclear power plant west of Manila.

A lawsuit filed by the government of President Corazon Aquino in federal court in New Jersey accuses Westinghouse and a subcontractor, Burns and Roe Enterprises, of paying Marcos more than 16 million dollar in bribes.

The lawsuit is scheduled to go to trial Feb. 6.

New UN post to coordinate aid : The U N General Assembly voted Thursday to step up its role in relief efforts by creating a high-level post charged with coordinating worldwide humanitarian aid, reports AFP from New York.

The U N resolution said the new aid chief would be responsible for coordinating emergency aid with both UN special agencies, member governments and other international organisations.

But the text stressed that any humanitarian aid efforts would require the cooperation of the affected country and could in no way infringe on the nation's sovereignty.

The General Assembly also placed primary responsibility in disaster relief with the government of the stricken country.

Cambodia needs $ 74m in aid : A UN official said Cambodia needs at least 74 million dollar in aid over the next six to nine months as it begins to recover from decades of war and chaos, the Cambodian news agency SPK reported, says AP from Bangkok.

"We have no money for TB (tubeculosis) drugs, we have no money for malaria pills,. If nothing is done, the food supply will run out in March 1992," said Dennis McNamara, Deputy to the UN special representative for Cambodian aid programmes, according to SPK.

Speaking Wednesday to reporters in the Cambodian capital of Phnom Penh, McNamara said he was frustrated by richer countries refusal to offer aid to Cambodia, SPK reported. He said donor countries will meet next month at the United Nations in New York to pledge funds for Cambodia's rehabilitation.

New wells to be drilled

Iraq plans 6m BPD

BAGHDAD, Dec 20 : Iraq, its oil wealth frozen by UN sanctions, said it plans to boost its oil output to six million barrels per day (BPD), mostly by developing its southern fields, reports Reuter.

The Iraqi government newspaper Al-Jumhouriyah quoted Oil Minister Usama Al-Hiti as saying Iraq would drill thousands of new wells by the year 2,000, mainly in fields in Majnoun and west of Qurna and Halfaya.

"The Oil Ministry has drawn up comprehensive plans aimed at boosting production from its giant southern fields to reach six million barrels per day," the newspaper quoted him as saying.

It said Iraq pumped 3.25 million barrels of crude per day from its southern fields before the Gulf War erupted over its invasion of Kuwait in August last year.

Hiti said the plan would improve revenue "to serve the national economy."

Iraq, which was the second-biggest oil exporter in the world, has been barred from the world market, since the United Nations imposed a trade ban on Baghdad over the invasion.

Baghdad, whose pre-sanction oil income was more than 20 billion dollar a year, is now having trouble feeding its people.

Iraq has rejected UN proposals which would allow it to sell limited amounts of oil under supervision but has indicated it wants to renegotiate the terms.

Hiti said that on January 17, the anniversary of the start of the Gulf War, the government planned to reopen strategic oil installations at Mina Al-Bakr in the Northern Gulf.

Iraq is seeking approval to use the port to avoid millions of dollars in charges it would have to pay to export oil through twin pipelines across neighbouring Turkey. Hiti said two platforms being rebuilt at the terminal would be ready next month, giving Mina Al-Bakr a capacity of 800,000 barrels per day.

He said production capacity in the southern oilfields was expected to reach 1.1 million BPD next month.

Basr's lubricating oil refinery would be back to 70,000 tonnes annual capacity by February 8.

Dollar falls in Europe

LONDON, Dec 20 : The US dollar was lower against major foreign currencies in European trading late Friday morning following the hike in German interest rates on Thursday, reports AP.

Gold prices were also lower.

In Tokyo, the dollar fell 0.38 yen to a closing 128.32 yen. Later, in London, it was quoted at 128.35 yen.

Other dollar rates at mid-morning compared with late Thursday : 1.5551 German mark, down from 1.5730; 1.3806 Swiss franc, down from 1.3940; 5.3165 French franc, down from 5.3760; 1.7525 Dutch guilders, down from 1.7723; 1,177.00 Italian lire, down from 1,188.50; 1.1550 Canadian dollar, up from 1.1467.

In London, the British pound was quoted at 1.8375, dollar, compared with 1.8253 dollar late Thursday.

London's major bullion dealers fixed a recommended gold price of 356.25 dollar per ounce at mid-morning, down from 357.90 dollar bid per ounce late Thursday.

In Zurich, the bid price was 356.10 dollar down from 357.40 dollar late Thursday.

Earlier, in Hong Kong, gold fell 1.94 dollar to close at a bid 357.93 dollar.

Silver traded in London at a bid price of 3.84 dollar a troy ounce, down from day's 3.85 dollar.

Little Dragons hardly hit

PARIS, Dec 20 : Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand have stood up well to the slowdown in the developed world, but their average growth rate will moderate slightly in 1992, the OECD said, reports Reuter.

The 24-nation Paris-based Organisation for Economic Cooperation and Development (OECD) took a special look at the six, nicknamed the "Little Dragons" because of their aggressive development in the 1980s, in its end-year-economic outlook.

"The dynamic Asian economies were hardly affected by the slowdown in the OECD area as government investment programmes and monetary policies sustained domestic demand," it said.

That had the unwelcome effect of pushing up prices and, while corrective measure had now been taken, progress on inflation would be limited by continuing tight labour markets.

Average real Gross Domestic Product (GDP) growth across the six countries looked likely to remain in the seven to eight per cent range in 1991 for the third year running, but would then fall slightly in 1992 and 1993.

Growth in South Korea in 1991 would be close to nine per cent, boosted by a massive 1989-91 government housing programme.

Inflation has raced up to nearly 10 per cent and the sharp rise in interest rates made to offset that would cut GDP growth back to between seven and eight per cent in 1992.

Inflation is also a problem in Hong Kong, where, at 12 per cent, it is at its highest level for a decade, the OECD said.

Tight labour markets due to the rapid growth of service industries and emigration were the main factors and the OECD forecast inflation would get worse as growth accelerated to between five and six per cent in 1992 from four per cent.

The new airport project that has finally got the go-ahead and the United States' extension of China's Most Favoured Nation status would both fuel growth, the OECD said.

Growth in Singapore would slow to about seven per cent this year from 8.3 per cent in 1990, keeping inflation below four per cent.

Inflation in Taiwan was stable at less than four per cent allowing the central bank to cut interest rates four times in the second half of 1991 to spur flagging private investment.

The government launched a six-year, 300 billion dollar public spending programme this year, which will help it hit its 1991 seven per cent growth target.

Thailand's central bank also cut its discount rate in September, despite six per cent inflation.

"The weakness of the transportation and communications infrastructure and political uncertainty contributed to a substantial decline in foreign investment in the first half of 1991," the OECD said, but growth of between seven and eight per cent was nonetheless likely in 1992.

Tight monetary policy in Malaysia would cut growth to between six and seven per cent in 1992 from between eight and nine per cent this year, while inflation would hold at about five per cent.

GATT brokers fail to agree

GENEVA, Dec 20 : Key world trade talks came to a halt on Thursday after an all-night push failed to solve long-disputed issues and left GATT trade watchdog Chief Arthur Dunkel to try to rescue a pact with his own draft agreement, reports Reuter.

Trade diplomats met in a wide range of negotiating sessions, at last one beginning at 3.30 A M (0130 GMT), in a mad rush to meet a self-imposed deadline after five years of what diplomats said was talking past each other.

Many points still lay unresolved as dawn broke and Dunkel called a halt to the negotiating sessions.

"Some may have liked to have continued, but it's too late. They had five years", one trade official commented.

Late on Thursday morning Dunkel began meeting with the negotiating group chairmen to write in their own proposed compromises where the negotiators had failed to agree.

Dunkel will introduce a 500-page text to the Uruguay Round's 108 participating states late on Friday in an effort to force the round JTO a conclusion early next year.

To do that he and the printers needed to end the negotiations on Thursday morning.

The end of the four-year Uruguay Round, launched in 1986 under the General Agreement on Tariffs and Trade (GATT) in an effort to free trade and stimulate growth and employment, is already one year overdue.

Delegates said progress was made on numerous points in the last-minute negotiations but differences remained in all seven negotiating groups.

"I think pretty well in all the groups there are gaps that the chairmen will have to fill", one North American diplomat said, confessing however that it had been difficult to get a complete picture because many meetings had been simultaneous.

The single area in which there appeared to have been most progress was textiles and clothing, on which delegates tacitly agreed to phase out import restraints over a 10-year period.

The most sensitive sector on which disagreement persisted was the cutting of farm subsidies and import barriers — a dispute between the European Community (EC) and major farm exporters led by the United States.

It was not for lack of effort, US Agriculture Secretary Edward Madigan and EC Farm Commissioner Ray Macsharry, joined by Dutch Prime Minister Ruud Lubbers, met in Brussels on Wednesday in talks that lasted until 0100 GMT on Thursday.

Madigan and Macsharry plan a further meeting for Friday afternoon. US Trade Representative Carla Hills and European Trade Commissioner Frans Andriessen were also expected to join the fray in Brussels on Friday.

Soviet uranium damaged US industry ?

WASHINGTON, Dec 20 : Imports of uranium from the Soviet Union at low prices likely have damaged a US industry, the US International Trade Commission ruled Wednesday, reports AP.

"There is a reasonable indication that a US industry is either materially injured or threatened with material injury by reason of imports of uranium from the USSR that are allegedly sold at less than fair value," the commission's announcement said.

Commissioners voted 3-0 to support the conclusion which could lead to special duties to discourage imports.

"Less than fair value" usually means a lower price than for sales in the manufacturing country or in other countries that imported from the supplier in question.

Uranium is used chiefly to fuel, electric power plants and has been used for centuries in colouring glass. It can be enriched for direct use in nuclear weapons or to make plutonium for use in weapons.

Half a million file new jobless claims in US

WASHINGTON, Dec 20 : Nearly half a million laid-off workers filed new jobless claims three weeks before Christmas, the government said Thursday, suggesting at best a stagnant economy and at worst a renewed decline, reports AP.

But in a rare bright spot in an otherwise gloomy picture, the Commerce Department said record exports shrank the nation's merchandise trade deficit by 2.9 per cent to a seasonally adjusted 6.73 billion dollar in October.

Goodbye mom-and-pop stores, hello Toy R Us

AMI TOWN (Japan), Dec 20: Goodbye mom-and-pop stores, hello Toys R Us. Consumers flocked by the thousands to the huge US discounter's opening Friday, the path cleared by years of US pressure on Japan, reports AP.

Nostalgia for the tiny family-run stores that fought to keep the revolutionary retail outlet out of Japan was left behinds as parents and grandparents marveled at nearly 4,085 square meters stacked floor to ceiling with goodies.

"For a consumer, this is great. I'm thrilled," gushed Mobuyoshi Katsumata as he pushed a shopping cart filled with stuffed animals and other toys for his 3-year-old daughter.

Japanese consumers have long been denied the deep price cuts and massive selection of huge discount outlets by a retail system stuffed with middlemen and small retailers who wielded their political clout to prevent large stores from opening.

US officials have argued that larger stores would be more likely to stock imports, thereby helping reduce Japan's 1990, 41 billion Dollar trade surplus with the United States, a source of worsening tension between the two countries.

More than 40 per cent of the 15,000 products in this Toys R Us are imported: Ken and Barbie, American games like "Twister," baby bottles, cribs, Pampers. Despite the abundance of US brand names, many of the imports are actually made in Third World countries.

Company officials say prices on some items are up to 30 per cent cheaper than elsewhere in Japan because Toys R Us buys many products directly from factories instead of following the local practice of buying from wholesalers.

Although the arrival of Toys R Us in the northeastern outskirts of Tokyo isn't going to wipe out the trade deficit overnight, the discount chain's success could revolutionise shopping in Japan, as other retailers try to catch up.

By the time the doors opened at 10 am, hundreds of shoppers stood in lines that snaked through the parking lot. Local children's groups performed and a band at the entrance played "Jingle Bells" while employees dressed as stuffed animals worked the crowd.

Larry D Bouts, President of Toys R Us international division, said some sections of the store — mainly the more expensive items — had sold more in the first few hours than they had expected to sell in a week.

"Some people said it was folly to open such a huge store here. I think they're going to have sad faces," Bouts said, "This is amazing."

The discount chain plans to open another store, in Western Japan, in early January and its third store in the southwestern suburbs of Tokyo in March. It hopes to eventually have at least 100 stores in Japan.

"I came to buy a Christmas gift for my daughter, but she wants everything. She's got to decide on one," moaned Emiko Endo as she trailed behind her 2-year-old.

Toys R Us' three-year campaign to do business here symbolizes Washington's effort to convince Japan to change business traditions, such as the labyrinthine retail system, that it says prevent Americans from selling their products here.

Tokyo agreed in trade negotiations to set an 18-month limit on applications for large retail outlets by revising laws that allowed small retailers to delay by up to a decade government approval for a store larger than 500 square meters (6000 square yards).

There has been little progress, though, on US requests to reform land laws to help case sky-high real estate prices and to enforce anti-monopoly rules to help wipe out price fixing and increase competition.

Toys R Us in Japan is 80 per cent owned by the American parent company and 20 per cent by the Japanese licensee of fast-food giant McDonald's Co, one of the few American retailers to have successfully challenged the Japanese market. It now has 860 stores here and plans to open another 90 next year.

The Japan Association of Speciality Toy Stores, a group of 2,000 retailers formed last year to counter Toys R Us, complains that allowing the discounter into Japan will hurt already declining family-run toy stores and the wholesalers who supply them.

It's getting no sympathy from bargain-shopping consumers.

I prefer to choose things for myself, I've heard all the news about this and I think it's about the Japan started fixing its distribution system," Katsumata said.