USSR on Course Towards a Market Economy HE Soviet Union is implementing a retail price reform, the biggest since 1947. Most consumer goods prices up 100-300 per cent, and some even more. Prices will not

commodities (pharmaceuticals, coffee, vodka, synthetic fibre, articles, petrol, kerosene, coal, utility user electricity, and some other goods).

change for a small range of

Social guarantees are being introduced to protect the public from the growing cost of life. Most citizens are entitled to cost-of-living allowances to cover 85 per cent of the population's

aggregate reform-related losses. In other words, the state is looking for a way out by undercutting living standards, low as they are with too many Soviets.

With the exception of Lithuania, Latvia and Estonia, all other republics have agreed with federal policy.

By taking such unpopular steps, national political leaders and 12 republics hope to slash down the budget deficit, improve finances in general, and return commodities to shops now almost empty. Of some 1,100 staples, you can but only 20 and the rest is subject to severe rationing .

If the official hopes materials, it will be possible to continue the course towards a market economy model to several committed ownership plans. Some 25-30 per cent of commodities will sell at free prices. This free market segment is to be expanded to boost consumer

However, consumer sector is very small. As President Gorbachev told Der Spiegel magazine recently, only 6-8 per cent of Soviet production capacities cater directly for consumers. This necessitates a major structural reform in favour of the consumer sector.

produce-processing industries, which is unthinkable without fast defence industry reconversion.

The structural reform will

take time which the top Soviet echelon is lacking Also, the authorities are exposed to heavy grass-root pressure (miners' strikes, for example) centered on economic and, often, also on political demands. The authorities cannot agree to a large pay rise which boost inflation. We do not have commodities to offset issue of more paper money. With billions of consumer roubles

including agriculture and seeking commodities, all reserves should be used to harmonise demand supply.

> we do have reserves. To eliminate the paper money overhand, economists Shatalin and Yavlinsky proposed, among other things, privatising allotments. garden encouraging owner-financed housing, and selling of military equipment which can be used for civilian purposes.

Does Premier Pavlov have a programme to stimulate the reforms? We will learn this early in April when Pavlov makes his programme public.

New Trade Winds Across the Pacific

ANILA - A decade before the dawn of the so-called Pacific Cen tury, there are signs that the countries of Latin America and East Asia are ready to step up economic ties.

But while Asia's economic powers are increasingly look ing across the Pacific for new trade and investment opportunities, South-east Asia's poorer developing countries are competing with each other and Latin America for foreign investment.

For their part, debt-trapped Latin American states are looking westwards to Japan, South Korea, Taiwan and Singapore for an alternate source of investments and trade to counter a closed Europe.

This new climate for trans-Pacific trade was most vividly displayed at the annual meeting of the Inter-American Development Bank (IDB) which ended in the Japanese city of Nagoya in April.

It was the first time that the 44-member Washingtonbased bank met in Asia since it was founded three decades ago. IDB president Enrique Iglesias said the meeting was intended to promote Latin America and the Caribbean among Asia's emerging economies.

"Latin America wants to dynamically insert itself in the world economy through expanded trade, greater absorption of technology and more foreign investment," Iglesias told the meeting.

Japan is the only Asian

Despite doubts and a sense of competition, conditions are favourable for the growth of trade and investment between the countries of Asia and Latin America, writes Kunda Dixit of IPS.

goods.

member of the IDB, but for the Taiwanese and South Korean first time this year China, Taiwan and South Korea took part as observers.

Although Japan's new commitment to help ease Latin America's debt burden was vague, delegates were enthusiastic about the future participation of Asia's 'dragon' economies in injecting new capital into Latin America.

At present, trans-Pacific commerce with Asian countries accounts for only five per cent of Latin America's total trade, but this figure is growing. And so is trade in the other direction - Japanese,

businessmen are going in increasing numbers to explore ventures in Mexico, Chile and

East Asia is eyeing the 400 million people of Latin America and the Caribbean as a potentially lucrative market for consumer goods, and Latin American countries see rapidly industrialising East Asia as a rich market for their raw ma-

But there is some skepticism in some business circles in Asia about Latin America's potentials. They cite drawbacks: lack of infrastructure,

volutile economies and the huge distances involved - Rio de Janeiro is 24 hours by jet from Singapore, and you lose a day crossing the international date line. Some developing South-east

Asian countries like Thailand, Indonesia. Malaysia and the Philippines are now competing with Latin America for exportoriented foreign investment. Japanese manufacturers are

producing electronic goods in Malaysia and Mexico and closely observing which country is more cost-effective as a spring board for their Western European and North American markets.

Asian financial experts say that Latin America has long suffered from a crippling reliance on import-substitution which meant that the region missed the bus on nurturing new export markets.

NOPETH Y ATLANTIC OCEAN

SOUTH ATLANTIC OCEAN

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But they see a new economic pragmatism sweeping Latin America, represented by the leaderships in, for instance, Mexico, Brazil and Peru. They say Latin America has gone over the hump in dealing with its debt, and economic reforms augur well for

Brazil is the Latin American country with the closest ties with East Asia. Its large ethnic Japanese population has made Brazil attractive for Japanese joint ventures.

Last year, about eight per cent of Brazil's exports went to

And Brazil sold more commodities to Asian countries in 1990 than it did to other countries in the continent.

Japan, emerging as a key financier for Latin America, has a headstart. Japanese banks hold about US\$46 billion of Latin America's long-term commercial debt. Japan is also at the forefront of US plans to resuscitate Latin American economies.

Mexico has emerged as a major target for Japanese investments.

The prospect of a North American free market and the proximity to the United States has prompted Japanese electronic giants to site assembly plants along its 'maquiladora' export processing zones.

Chile has been the darling of international creditors because of its emphasis on export-led growth, and there has been a flood of Australian and New Zealand investment there in mining and related activi-

Nations in Debt: No Improvements

by Alan Chalkley

HE international debt

eight years old.

Mexico announced that it was

unable to pay off its foreign

debts on time. Have things

The answer, unhappily, is

The indebtedness of the

world's developing countries

has mounted by nearly 50 per

cent - from US\$850 billion to

some US\$ 1,250 billion now.

Talks on the reshaping of debt

are slow, and often break

down. Meanwhile the interest

on the debt piles up com-

pounded, while payments,

reductions and forgiveness are

Last September, soon after

the onset of the Iraq-Kuwait

crisis. Mr. Michel Camdessus,

managing director of the In-

ternational Monetary Fund, is-

sued a gloomy overview at a

UN conference discussing the

problems of the least devel-

He pointed out that these

last eight years had been a

time of uninterrupted world

growth in fact - but the most

indebted counties seem not to

have been benefited at all.

Worse still, the outlook for

these nations, even, now, was

not favourable. They still face

high interest rates, bad terms

for many of their exports. And

meanwhile, bank financing for

implied, were the only way out

for them. On the brighter side,

he did add that several nations

had adopted such reforms, and

come through their worst

approach is required. The

shape of that new approach is

analysed in some depth by two

World Bank economists, Stan-

ley Fischer and Ishrat Hussain,

in a recent issue of "Finance

and Development" magazine,

published by the Fund and the

on now is what will give

In that capsule phrase, what

"sustained economic growth."

they mean is long-term goals,

What we must concentrate

So, it all looks as if a new

times.

Courageous reforms, he

them has effectively dried up.

of trade, and falling demand

improved since then?

"not at all".

few and small.

oped countries.

It began in 1982, when

crisis is now more than

instead of the year-to-year patchwork repairs that are the result of many of the debt negotiations. The first question they address is : "How did some countries escape getting

into a debt mess anyway?"

These sunny-side nations are no fewer than 61 number. and they are concentrated in Asia. The authors say: "They have enjoyed continued access to voluntary international capital flows" from both private and government sources. Their economics have grown rapidly. What did they do right?

*** Some were less dependent on raw material exports, so they could withstand the bad slump in commodity prices in recent years. They developed manufactures—high quality ones -for export.

*** They made adjustments, some of them very them quickly. They avoided the easy way out - when money runs short, just borrow some more".

*** They followed cautious policies in the 1970s, keeping local inflation down and making sure that borrowed money productively used. We now know that, in the heavily indebted countries of today, billions of dollars were wasted, and even stolen.

*** They did not neglect the infrastructure — the roads, railways, power, telephones, water supply, seaports and airports — and they did not allow public enterprises to rum massive deficits.

any country. No country is perfect, but unless a country can tick "yes" against these four, then it is no wonder it is in trouble.

But enough of the past. What of the future? The two economists sketch in the kind of mechanisms which the problem countries must adopt in the 1990s. First, they point out that

some debt solutions have not been very successful. The debt buy backs," where old debts are repaid at a heavy discount (as little as half the original value), have eased only small amounts off the debt schedules.

*Then there are the new-forold debt agreements. But "none of the negotiations has gone smoothly," the writers note, and they have been applied to only four countries

the Philippines, for instance). The conditions for lasting solutions of the global debt problem arc. expectedly, strict. They may well involve some bitter medicine for both creditors and debtors.

The two economists do not mention this point, but the Fund and the Bank come under criticism from some quarters when they prescribe this medicine, which is like blaming the doctor for the disease. It is very human to try to shift blame - debtors even try to blame creditors for their predicament, as if the loans were forced upon them.

However, when the recriminations are all over, there are painful ones, and they made some logical measures which must be applied. First is a favourable trading system. All nations should aim for more "outward-looking" policies, and fewer barriers against trade.

And one of the most serious obstacles to national solvency is a chronic series of government budget deficits (as Amer ica has discovered to its cost) Government must live within their means, just like families. Reducing deficits will mean

higher domestic savings and those savings are the soundest basis for future production. How shall the savings be used? More in the form of risk

shares which earn profits rather than loans which earn interest. There are now many So there is a checklist for ingenious variations of bonds an shares for which markets should be encouraged, the economists urge. In other words, local an foreign investors should be given a bet ter choice of investment in struments.

> Despite the slow progress in improving the global debt situation, the economists end on a hopeful note. "An important corner has been turned, they write. "There is forward momentum. The international community and debtor countries must now keep up the

> We all must hope that their optimism is not misplaced. Depthnews Asia.

Nanjing Ups Sails on Mighty Yangtze

HE port of Nanjing started international container transport service three years ago. That was when a Sino-American container company started operation there.

The rapid expansion of the port's container transport has attracted considerable attention at home and abroad.

Transport officials now say that, in a few years, Nanjing will become a vital sea-river container transit centre linking China's vast hinterland with foreign ports. Nanjing is the biggest port on China's 6,300-kilometre Yangtze River.

Located 350 kilometres to the west of Shanghai, Nanjing (in Jiangsu province, East China) currently handles 44 million tons of cargo a year, it is the fifth biggest of all Chi nese ports, coastal or inland.

Its throughput consists mainly of crude oil, coal, mineral one, building material as well as general merchandise for import and export. Containerised cargo, which still accounts for a small percent age, is on the rise.

Container transport at Nanting has been handled exclusively by the Sino-American joint venture - Nanjing International Container Terminal Services Co. — a partnership. Set up in 1987, it is joint venture between Nanjing and Encinal Terminals of the United States.

"We expect the volume of container transport to exceed 40,000 TEU by year end, dou bling that of 1989," says Wu Deming, deputy director of the Nanjing Port Authority. At present. Nanjing's container transport service has expanded to more than 40 ports in a dozen countries," Wu says.

Nanjing's favourable loca tion, Wu says, is the key to the port's fast business growth in container transport.

It is in the centre of East China, economically the country's most developed area comprising Jiangsu. Zhejiang. Shandong and Anhui provinces. The port is assured abundant sources of foreigntrade cargo.

Trunk railways link Nanjing with Beijing and Shandong province to the north, Zhejiang and Fujian provinces to the south, and Anhui and Jiangxi provinces to the west.

A Sino-American container company does brisk business. by Tang Zhimin

AUSTRALIA

a port on the Yangtze River. Ships from Nanjing can reach a string of ports on the river, up to Chongqing in Sichuan province in the extreme west.

CEEPS DEFINA MACUN

However, because of the height limit of a bridge spanning the Yangtze river at Nanjing, vessels of 10,000-ton class can go no further upstream than Nanting, making it a vital reloading transit point on the Yangtze.

The port also has favourable conditions for accommodating big vessels, with a main course as wide as 1,000 metres and a

F you think all college-

going youths indulge only

in fast cars, pastimes and

sex in addition to their

studies, you haven't been to

most industrialised city.

college boys and girls are

heavily into stock exchanges.

Where other young people

elsewhere in the world go gaga

Over 50 per cent of college

students, a survey showed, are

taking time out to train or

One student, Dhiraj Desai,

in 18-year-old taking a

commerce degree, told me:

"In addition to learning a trade

for my future, it is also the only

with finance — and the thought

of making a pile - which

perhaps account for so many

Bombay students putting their

money in blue chips instead of

engineering and medicine.

indeed, it is the fascination

way I can gamble legally."

slot machines.

trade on the stock exchange.

and stock quotations.

In Bombay, which is India's

Bombay.

water depth of over 10 metres. More important, Nanjing is its container wharf is able to receive vessels of up to 25,000

dead weight tons.

"The need for large riversea transit transport and the favourable conditions at Nanjing for handling transit transport services led to the establishment of the Sino-American container company." says Wu Deming, who is also chairman of the company board.

Nanjing International Container Services Co., the first cargo-handling joint venture in China, has a registered capital of US\$3 million. The Chinese side provides a container

wharf, stacking yards and and two sailings to Japan each warehouses, while the American side provides advanced container handling facilities and computer management

The company has estab-Hehed long-term business refations with big domestic elients engaged in import and export such as the Nanting Television Plant and the Nanjing Automobile Plant.

Taking advantage of the Yangtze River, it has also woven a canvassing network. which includes more than 100 foreign-trade companies in six nearby provinces.

Since last November, the joint company has offered reg ular container transport services : six sailings to Hongkong

month. Meanwhile, container feeder services have been extended tot he domestic ports of Shanghai and Hankou.

in the next couple of years. Wu says, the company will open regular routes to South Korea, Singapore, Taiwan, Bangkok and Karachi. Regular transport service will also be opened from Nanjing to the ports of Jiujiang and Hankou up stream on the Yangtze.

In the coming decade China's development priorities will be shifted from Guangdong Industries, Inc. province in the south to Shanghai, and, by extension, to areas along the Yangtze river. Container transport service at Nanjing port is expected to benefit immensely from this shift in years to come. -Depthnews Asia

They closely monitor the fundamentals of stock trading and the balance sheets of various companies. One is almost tempted to believe that these youngsters are more interested in the vital statisties of industry rather than of girls.

over Madonna or simply watch Senior brokers say: If you TV, teenagers belonging to the meet some of these boys and upper middle class here bury girls, they impress you as their noses in financial sheets extraordinary clear-headed. Their self-assurance is so Simply put, these young frighting, so much so that you students are determined to hate to think what would make as much money as they happen if they push their luck can as quickly as possible too much." through the money market.

Most of them come from professional who have large families live well. and Obviously, these students are not worried about femorrow. Take one of them

Jarnesh Moorjani, 18, He is a commerce student of Sydenham College, He has been into stocks and shares since he was 13. He says he reads everything he can find on the stock market, including all the financial papers. He explains that it was only after a long spell of notional

trading on paper that he began Said Manu Kothari to me: actual trading "As a senior broker, I am really He says: 'I borrowed my surprised that so many of them initial capital of 8,000 rupees are well and truly hooked on (US \$640.00) from my father the bourses." Most of them are and began investing in lowstudents of economics. priced shares which I, business management. obviously, sold at higher

pricer. From the returns. bought blue chips. Initially, I consulted my father who is a businessman but after one year, I started taking my own investment decisions.

As of today, the value of this teenager's portfelio is about 100,000 rupees \$8,000.00). Clearly, he has the making of a good businessman, for he never speculates and takes actual delivery of shares for a short period of about stx Many students are being

hired by brokers. And some are making some 5,000 rupees (US \$400) a month. They are taking the opportunity to learn about trading as an insider, An interesting aspect of the

current situation is that their interest in the stock market has been encouraged at the college level by discussions organised by the International Association for Students of Economic and Management based in Paris. However, there are some

who think the students are chewing more than what they Privakant Dala, of Dalai &

Broacha Stockbrokers, feels that students should spend more time training rather than trading and should never go to "small" brokers, as they could be cheated. Some students admit: "We

often get cheated by these

brokers. A friend of mine lost 40,000 rupees recently."

The scare of studies being messed up and money being lost are only two of the issues that prevent many more freshfaced teens from trading on the stock exchange. The single most important factor is lack of ready cash.

Collegians are also perplexed by the male-female ratio among teens playing the stock exchange. It's like 90:10 or 80-20, or anything that shows that there are hardly any gals out there. Flona Young , 19, who is one of the few. says that "it's probably innate caution, or something. I really don't know.

She says that even though she indulges in "some minor trading," she prefers to invest most of her money in fixed deposits, where she knows for sure that it's safe. Adds Floria: Stocks and shares have always been considered a very male preserve for a long while, you know, probably that's why not many girls are interested.

And so, here's one field where gender seems to be the gauge for gumption, all else being equal. Or bullish or bearish, forward or backward or any way you say or play it.
It doesn't look like it's

going to make much of difference. For, they are looking to make a quick buck and chant money mantras loud and clear. Bullish or bearish? The certainly don't care. -ARJUNA

where there are joint ventures. American companies would be interested in collaborating, says J. Matheson of the US

Mongolia Takes Hesitant Steps to Free Markets

ULAN BATOR: Woolen and knitted clothes could make Mongolian-American relations

The thaw between both countries has started with a toint venture between the Mongol Temeenii Noos firm and the US-based Amicale

Both have agreed to build a factory for woolen and knitted wars which will be mostly exported to the United States. And the government is quick to point out that joint ventures are welcome in the manufacture of export goods or the exploration of mineral deposits.

"We are adhering to the course of developing all-round cooperation with the US," says Davaagiv, a spokesman for the Foreign Ministry. "If both sides display common interests, nothing can hinder the approach to Mongol-American cooperation."

Indeed, Mongolia is showing an eagerness to shed its socialist past. In an extraordinary congress last January, the Mongolian Democratic Party (MDP) declared a policy of liberalism, instead of Marxist-Leninist ideology.

It was the first time in recent Mongolian history that a major party discarded the Marxist-Leninist path, an "ideology of the revolutionary coercion," as MDP leader E Bat-Uul called it.

"Our methods to achieve economic goals are different," said G. Boshigt, a leader in the

As Mr. Davaagiv is quick to point out, "in 1990 we continued to build the so-called pillars supporting the legal basis for Mongol-American cooperation," signing a number of agreements, including one stimulating the flow of American capital into

> "As soon as we start getting sense of the structures

Department of Commerce. "Perhaps one of the biggest problems is the ability to repatriate profits."

Ms. Matheson says that American companies are interested to know provisions for repatriating profits, the percentage of ownership protection of intellectual property, and so on.

"They want to know, for example, that whatever they sell, or their licence, is not pirated or the ability for the company to make certain management decision in joint ventures," she says. "Those are some of the main things the companies look for, regulations that are obvious, that are not going to change because the government has a hidden regulation. They want transparency, to see what the regulations are."

Ms. Matheson says it would help if a legal system is in place which would allow American companies to seek legal recourse in case of problems. It is also very important that state run organisations sign and abide by contracts.

For a start, Mongolia has passed a law allowing any foreign company starting a joint venture to have tax-free status for three years. But as incentives come. Mongolia needs all the trimmings it can get to lure foreign investments.

As it is, the economy doesn't look so well. "The country's economy in 1990 has not justified our hopes," says one observer. "For the first time it was declared that the Mongolian economy has been bogged down in a severe cri-

inflation is rising and consumer goods are running short. Industrial production was underfulfilled by 5.5 per cent. Every second enterprise in 1990 produced less output than in 1989. Empty shops and foodstores caused disturbances in some areas. Against 1989, gross agricultural output went down by 1.5 per cent.

Mongolia does not produce fuel. Its fuel imports eat up almost half of the earnings Mongolia gains from exports. It consumes about 760,000 tons of oil-based products a year. Specialists have said it would take 20 years to set up an oilgenerating enterprise in the country

Still, there were pluses as well. The first steps have been made in opening the national economy to market forces. Cooperatives have proven workable. Financial markets, auction and specialised banks have been set up. The first Mongolian private firms have emerged. Expenditures for defence are expected to be cut down. Investments in unprofitable state enterprises were reduced

"Mongolia is finally beginning to live within its means," says one observer.

And Mongolia's infant steps towards the free market have finally turned to cattle, or more precisely the privatisation of what is called "publicowned cattle." This is no small thing, as the number of livestock reached 25.5 million heads in 1990.

Cattle may not be anybody's idea of a day in the free market. Anyhow, the privatisation of cattle is not the best way of reforming the country's agriculture," says Professor O. Shagdarsuren, a member of the Mongolian Academy of Sciences and a leading specialist in biology and agriculture.

So he proposes various forms of ownership in agriculture — for example leasing cattle to small farms or distributing livestock through cooperatives.

"The farmers themselves will find out ways to organise their economies and arrange production on an enlarged scale," he says. "This way, Mongolians could become genuine farm owners."

Private ownership is again spoken in Mongolia, hopefully spurring the economy - including cattle - towards increased profits.

— Depthnews Asia