

# Soviet changes likely to rock Indian economy

**NEW DELHI, Sept 8:** The revolutionary changes in the Soviet Union following the collapse of communism in East Europe are likely to rock India's battered economy, President Ramaswamy Venkataraman said on Saturday, reports Reuter.

The far-reaching changes in Eastern Europe and the Soviet Union are bound to send shockwaves to our own economy, Venkataraman told a meeting of the Federation of Indian Chambers of Commerce and Industry (FICCI).

The barrier and Rupee trade instrument, which had been of considerable assistance to us in expanding trade with these areas, may no longer be available to us, the President said.

"We may have to change our pattern of external trade in consonance with the changes that are occurring in those countries," the 81-year-old Venkataraman said.

About 15 per cent of India's total trade is with the Soviet Union, a key ally which sup-

plies the bulk of India's defence equipment.

The two countries use the Indian Rupee as the currency to settle deals, which up to now have been arranged by bureaucrats rather than businessmen and are based on barter principles.

Trade had already all but collapsed before the Soviet Union began splintering after last month's failed coup, with both countries turning to other markets in search of desperately needed hard currency.

India in the past has bought about 4.5 million tonnes of crude oil a year — a fifth of its oil imports — under the Rupee trade agreement.

Indian economists have said moves by the Soviet republics to a free-market economy and to create their own currencies will be the death knell for the Indo-Soviet trade agreement.

Venkataraman said in his speech to the FICCI, one of India's leading private sector business lobbies, that while the country was suffering through an unprecedented fiscal crisis, the 'real' economy has done quite well.

Good monsoon rains have insured record harvests for the past three years. Industrial production grew at an 8.5 per cent annual rate over the past five years. The gross domestic product grew at an average

rate of 5.5 per cent in the 1980s.

But during the same period, India's external debt spiralled to 71 billion Dollars — third largest in the developing world, the treasury is nearly depleted of foreign exchange and the government is negotiating a multi-billion Dollars rescue package with the International Monetary Fund.

"Thus, we confront a somewhat contradictory situation. The productive and real sectors seem to be doing well. But at the same time, we have externally a financial crisis and domestically a fiscal crisis of an unprecedented magnitude," the President said.

## AL asked to help end UN embargo on Iraq

**CAIRO, Sept 8:** Iraq on Saturday appealed for support from the Arab League to help bring an end to the UN imposed trade embargo, which it has said is causing huge shortages of medicine and food, reports AFP.

The appeal made here by its Arab League Representative Nabil Nejm came as Yemen and Sudan pledged to lobby support for Baghdad among the international bodies for an end to the 13-month-old embargo.

Both countries had supported Iraq during the Gulf crisis and are also partners in the 21-member Arab League.

Nejm told a news conference here that the League's Economic and Social Council which met Wednesday and Thursday in Cairo had failed to reach a 'formula to support Iraq's request' at the United Nations for an end to the embargo.

He reiterated that his countrymen were suffering from food and medicine shortages and recalled that a clause of UN Security Council resolution 687 which imposed the embargo last year authorised the dispatch of food and medicine for 'humanitarian' reasons only.

Nejm accused Kuwait of blocking efforts to end the embargo by alleging that Iraqis had last month tried to infiltrate Bubiyan Island. A United Nations investigation said it was a 'minor' incident.

## Chinese bank manager to die for corruption

**BEIJING, Sept 8:** A Chinese Bank Manager has been condemned to death for taking some 3,500,000 Dollars in bribes keeping three mistresses and going to Hong Kong every weekend to philander, according to a newspaper seen here Saturday, reports AFP.

Gao Sen Xiann, 50, was sentenced to death Tuesday by the Intermediate People's Court in Shenzhen, a special economic zone in southern China bordering Hong Kong, the zone's official daily reported.

He told the court he would appeal the sentence, the newspaper said.

Gao was Shenzhen Branch Manager of the China International Trust and Investment Corp (CITIC), industrial bank for two years until July last year.

During his tenure, he took bribes worth 3,450,000 Dollars in Hong Kong, Chinese and US currencies in exchange for approving 52 loans for 14 companies in the zone, the newspaper said.

In a lengthy report on the case the newspaper said Gao used his ill-gotten wealth to keep three mistresses within a year, renting or buying houses for them fitted with modern home appliances and deluxe furniture.

He paid one of the women 2,300,000 Yuan (43,000 Dollars) in cash money when she threatened to report him, the report said.

The case was an especially big corruption one in China's commercial circles, the newspaper said adding that he had a very 'bad influence'.

To support his kind of enjoyment he became corrupt and began to take chances, his nerve became bigger and bigger and his crimes grew worse and worse until he became tried in corruption, the newspaper said.

It explained that Gao was born to a poor peasant family and said he was an intellectual nurtured by the party and state who went to university on a state scholarship.

The newspaper presented him as an example of a strayed Communist official who defied socialist values in name only.

## G-7 urged for \$5b loan to USSR

**BONN, Sept 8:** A leading German banker has urged Group of Seven (G-7) industrialised nations to give the Soviet Union bridging loans of around five billion Dollars to prevent a default on its 50-billion-Dollar foreign debt, reports Reuter.

Hilmar Kopper, Chief Executive of Germany's biggest bank, Deutsche Bank AG, told journalists late on Friday the bridging loans could be issued by the bank for international settlements and should mature in three to five years.

The alternative is a moratorium, Kopper said, adding that a cutoff of Western funds could result in the collapse of the emerging new Soviet political structure.

"If we want to help the Soviet Union survive, then we have to be ready to support in its new organisational form."

Kopper's remarks followed a similar appeal from Fridel Neuber, Chief Executive at West Deutsche Landes Bank

Girozentrale in Frankfurt last week.

Both bankers stressed that the Soviet Union faced a liquidity crisis due to political upheaval and a massive slump in its hard currency reserves, but there was no need to restructure or reduce its external debt.

Any funds given to tide Moscow over the mounting liquidity crisis would need full backing from Western nations. In light of the uncertain future of the Soviet Union, commercial banks are unwilling to increase their exposure.

Banks were watching developments with great interest and concern, Kopper said, appealing to the Soviet leadership to ensure the continued existence of the country's central state bank and the bank for foreign trade, despite decentralisation of its political structures.

"This (the Bank for Foreign Trade) is the Soviet Union's

umbilical cord to the international financial community," Kopper said. Dismantling it would jeopardise the country's ability to get Western credits.

The bank for foreign trade is an established, solid institution and its relationship to the West has been very good so far," he said.

Maintaining the existence of this institution would ensure that Western public and private lenders need not worry about Soviet borrowers defaulting on their loans.

Kopper said the Soviet central bank could be restructured into a federal institution, with each republic's representation weighted according to its economic strength.

One model might be the US Federal Reserve Bank, which had representatives from all 50 states. The planned European Community Central Bank could also serve as a model.

## Rouble's free trade likely in '92

**MOSCOW, Sept 8:** The Russian Federation's Economics Minister pledged Saturday to allow free trading of the Soviet Rouble on world markets next year, the Interfax news agency reported, says AP.

"No matter how hard and painful the move will be, the Rouble will be made convertible in 1992," the independent news service quoted Evgeny Saburov as saying.

Saburov, speaking to Western business leaders and economists, said he could not give a date for the conversion.

At the same meeting of the World Economic Forum, former Soviet Foreign Minister Eduard Shevardnadze warned that demagogues might exploit economic hardship, resulting in more threats to democracy, Interfax said.

Shevardnadze quit President Mikhail S. Gorbachev's government in December, saying he feared the country was sliding toward

dictatorship under pressure from hard-liners opposed to Gorbachev's reforms. Those reforms include efforts to change the Soviet Union's centrally run economy to a market system.

The Rouble is worthless outside the Soviet Union. It is not freely traded on international currency markets for so-called 'hard' currencies such as US Dollars, German Marks and Japanese Yen.

Changing this would reduce the value of the Rouble, as artificially set exchange rates in the Soviet Union would be eliminated and currency traders would pay whatever they thought the Rouble really was worth.

The result would be higher costs for Soviet consumers and businesses buying goods of equipment from the West, which are already in short supply and very expensive for Soviets.

The collapse of the Soviet economy already has reduced the rouble's buying power and spawned a complicated system of exchange rates. The official rate, used for much international commerce, is 1.77 Dollars per Rouble.

Saburov appeared to be speaking on behalf of the Soviet government. Although his Russian Federation is one of 12 republics in the Soviet Union, it is the largest republic and has played an increasingly strong role in setting national policy since its President, Boris Yeltsin, emerged a hero after the failed Aug 18-21 coup against Gorbachev.

Saburov and Shevardnadze addressed the closing session yesterday attacked a government plan to rescue financial cooperatives embroiled in a multi-million Dollars scandal, reports Reuter.

Farooq Leghari told a news conference he objected to plans to give a one billion Rupee (41 million Dollar) loan to rescue two financial cooperatives owned by members of Prime Minister Nawaz Sharif's Islamic Democratic Alliance (IDA).

## 'Lankan strife won't hit investment'

**COLOMBO, Sept 8:** A senior Japanese business leader said on Sunday that political strife in Sri Lanka would not affect the investment climate on the Indian Ocean island, reports Reuter.

"I don't think political problems and differences within a political party will seriously affect policy and the climate for investment," Kikuo Ikeda, Special Assistant to the Japanese Foreign Minister, told a news conference.

Ikeda, who is leading a Japanese economic and business delegation, said it was unlikely that Japanese investors would postpone decisions because of the current political crisis.

Sri Lankan President Ranasinghe Premadasa is fighting a revolt from members of his ruling United National Party who are trying to impeach him.

The party's highest body, the working committee, on Saturday expelled eight dissi-

dent government parliamentarians who have openly supported the impeachment motion, given to the Speaker two weeks ago.

The Japanese delegation discussed trade, investment promotion and cooperation with government and private

## Prices rise by 75 pc in Yugoslavia

**BELGRADE, Sept 8:** Retail prices in Yugoslavia rose by 75.2 per cent between December and August, Yugoslav Vice Trade Minister Branko Mrlicic said yesterday, Tanjug news agency reported, says AFP.

The situation in September was likely to be difficult and lead to a burst of inflation, the Minister said noting that in some regions of the country people are working under conditions of warfare.

sector officials, Ikeda said. They also met President Ranasinghe Premadasa, Prime Minister Dingiri Banda Wijetunga and other Ministers, he said.

He said an eight-year-old revolt by Tamil guerrillas, fighting for a separate state, was confined to the North and East of the country and did not deter investment. "Of course it would have been better if there was no violence at all."

Ikeda said he was impressed by Sri Lanka's rapidly growing economy but it was unlikely that Japanese aid to Sri Lanka would be increased because of the needs of other countries.

"In the same context, aid would not be decreased either," he said.

Japan is Sri Lanka's biggest aid donor and investor.

# France holds up EC accords with Eastern Europe

**BRUSSELS, Sept 8:** French objections to imports of Polish and Hungarian meat into the European Community (EC) were holding up an agreement to extend EC links with Eastern Europe diplomats said here yesterday, reports AFP.

They were speaking during a meeting of EC Foreign Ministers, the agenda was headed by a proposal from the EC's Executive Commission to accelerate negotiations towards giving Poland, Hungary and Czechoslovakia associate membership of the Community.

A French government spokesman said France was not prepared to accept the Commission's proposal to lower import tariffs on Eastern European beef and shipment by 50 per cent over the next five years.

He cited discontent among

French farmers because of poor meat prices.

France offered a counter proposition to help Eastern European farmers export their surplus meat that the Soviet Union should be obliged to use food credits granted by the EC to buy from the three Eastern European countries.

A British diplomat said such triangular trade was useful but was no substitute for opening up EC markets to Eastern Europe.

He said the EC was not helping stability in Eastern Europe by urging the region to apply free market principles then closing off the lucrative Western European Market to it.

One Dutch diplomat frustrated at the lack of progress at the meeting, said we'll all have to bleed a bit," this was a reference to trade conces-

sions.

The Ministers were considering a proposal from the European Commission which also urged that all barriers to textile imports from the three Eastern European countries be phased out over five years.

It also proposed an end to restrictions of coal imports within four years, various forms of financial aid to the three countries and an institutionalised political dialogue with them.

The Association agreement is considered a halfway step towards full membership of the EC which many community members consider is at least a decade away.

The negotiations have dragged on for over a year, mainly because of the reluctance of some EC governments to anger their agricultural and



Shamsul Islam Khan, Minister for Industries speaking at the inaugural function of a month-long training course on "Financial Management" organised by the Dhaka Chamber of Commerce and Industry (DCCI) with technical assistance of UNDP-Dhaka, ITC (Geneva) and ZDH (Germany)/TA (Singapore) on Sunday at DCCI office. Mahbubur Rahman, President, DCCI and Shafiqul Alam, Secretary, Ministry of Industries are seated beside him, among others.

## Argentina's inflation falls to its lowest level

**BUENOS AIRES, Sept 8:** Argentina's inflation rate fell to 1.3 per cent in August, one of its lowest levels in two decades, government officials announced yesterday, reports AFP.

The wholesale price index, meanwhile, declined by 0.4 per cent, Economy Minister Domingo Cavallo said at a press conference.

Data collected by the Statistics and Census Institute (INDEC) showed that inflation stood at 144.4 per cent in the past 12 month period, and at 68.2 per cent to date for 1991.

While officials in the administration of President Carlos Menem called the August inflation rate the lowest in the past 25 years, excluding the period of price freezes in 1973 implemented during the third administration of the then-President Juan Domingo Peron, INDEC's statistics show fully 36 months between 1967 and 1977 with monthly inflation rates at 1.2 per cent or lower.

Health, domestic and food costs each climbed by 2.1 per cent in August, officials said.

INDEC statistics showed Argentina's total cost of living had risen by 16.3 per cent since free convertibility of the Argentine Austral, set at 10,000 per one US Dollar, was implemented.

## Pak opposition blasts rescue plan for scandal ridden finance cos

**LAHORE, Sept 8:** A Pakistani opposition leader yesterday attacked a government plan to rescue financial cooperatives embroiled in a multi-million Dollars scandal, reports Reuter.

Farooq Leghari told a news conference he objected to plans to give a one billion Rupee (41 million Dollar) loan to rescue two financial cooperatives owned by members of Prime Minister Nawaz Sharif's Islamic Democratic Alliance (IDA).

Sharif's ally, Punjab Chief Minister Ghulam Haider Wyne, announced on Thursday he would help secure the loan so that two of the biggest cooperatives could repay angry depositors who have so far been promised only part of their savings.

Leghari, Deputy Parliamentary leader of Benazir Bhutto's Pakistan People's Party, accused the government of using public funds to help its own allies.

The biggest borrowers from the Cooperatives should be forced to sell their property to repay their loans, he said.

Opposition Leader Benazir Bhutto last week accused Sharif's Industrial group Ittefaq and Interior Minister Shujaat Hussain of taking big loans from the cooperatives.

Ittefaq said it had repaid its loan, while Hussain said he was arranging the money to return the loan.

## China eager to import more from Pakistan

**ISLAMABAD, Sept 8:** China has expressed its willingness to increase imports from Pakistan as a joint economic ministerial commission began a three-day meeting here Saturday, an official statement said, reports AFP.

The statement quoted Chinese Vice Minister for Economic Relations and Trade, Ou Yongjiang, as saying that China wanted to correct a trade imbalance with Pakistan by enhancing imports from its biggest trading partner, in south Asia.

He called for concerted efforts to raise the volume of bilateral trade, asking Pakistan to recommend new commodities that could be imported by China.

Pakistani Finance Minister Sartaj Aziz stressed the need

for "more balanced" growth in trade relations, saying Pakistan had been persistently running a trade deficit with China.

Aziz said China had assisted the completion of many Pakistani projects including a heavy mechanical complex, heavy foundry and forge, a sugar mill and the Islamabad sports complex.

To further enhance this co-operation, Pakistan was making "serious efforts" to associate Chinese firms with projects funded by international agencies like the Islamic Development Bank and the World Bank, Aziz said.

The commission is to identify new avenues of cooperation in different fields in addition to discussing measures to promote mutual trade and economic assistance, the statement said.

## Kuwait's oil output likely to rise

**BUERGENSTOCK (Switzerland), Sept 8:** OPEC Secretary General Subroto expects Kuwait's crude oil output to rise to between 250,000 and 300,000 Barrels Per Day (BPD) by the end of this year, he said on Friday, reports Reuter.

He also estimated Iraq's output would climb to around one million BPD by the end of the year.

"We will use these estimates when we talk about production ceilings at the Geneva meeting on September 24," he told Reuter, referring to the planned gathering of the Organisation of Petroleum Exporting Countries (OPEC) monitoring committee later this month.

Subroto, in Buergenstock for a futures and options conference, said current Kuwaiti output was 170,000 BPD,

while Iraq's was 350,000 to 400,000 BPD.

Asked how Iraq might be affected by a UN resolution effectively restricting its output to 500,000 BPD, he replied, "we don't know when this resolution starts."

He estimated world oil demand, excluding Eastern Europe and the Soviet Union, would run at 53.72 million BPD in the fourth quarter.

Addressing the conference later, Subroto repeated previous comments that OPEC would have to pump around 30 million BPD to meet rising world oil demand by the year 2000.

If crude prices fell to below 21 Dollars per Barrel then world oil demand was expected to increase and might reach some 57 million BPD by 1995, Subroto said.

## Taiwan's trade team to visit USSR

**TAIPEI, Sept 8:** Taiwan's General Chamber of Commerce (GCC) is to send a 30-member trade delegation to the Soviet Union next week to explore markets there, GCC honorary Chairman Y.T. Wang said Wednesday, reports AFP.

The fact-finding mission comprising the island's business leaders in banking, transportation, construction, textile and trading industries was expected to meet Soviet officials to discuss market situations, Wang said.

Wang, head of the Rebar Group which has interests in hotels, cement, textiles, flour, construction and banking, is to lead the group.

He said the delegates were scheduled to leave Tuesday for the trip which would take them to Soviet Union and six other East European nations in a bid to penetrate markets in the region.

"Given the big population in the east block, we expect many business opportunities there... especially those involving consumer products," he said.

Meanwhile, the government here is reviewing its economic and trade policies toward the Soviet Union in response to rapid-fire changes there following the demise of the Soviet Communist Party.

The board of foreign trade had targeted Russia, the Ukraine, Belorussia and the three Baltic states as new areas in which to improve business relations, economic officials said.

The quasi-official China External Trade and Development Council (CETRA) was planning to set up offices in Moscow and beef up its presence in other Soviet republics, they said.

## DCCI's training course on financial management begins

**Star Economic Report**

The month long training course on "Financial Management" organised by the Dhaka Chamber of Commerce and Industry (DCCI) with technical assistance of United Nations Development Programme (UNDP), International Trade Centre, ZDH and TA, was inaugurated on Sunday by Shamsul Islam Khan, Minister for Industries.

Mahbubur Rahman, the president of DCCI welcoming the Minister said the training was organised to equip the private sector to play a greater role in the country's economic development. The programme would promote trade and investment in private sector, he observed. The DCCI chief maintained that such course would help expand and diversify trade and industrial base and raise the level of efficiency and create new employment opportunities.

He said DCCI would regularly conduct training courses on topics which could provide immediate as well as long term benefits to the members of the business community.

Industries Minister Shamsul Islam Khan said the private sector was now the key factor in the industrial development of the country.

He stated that the private sector should be given more opportunities to play its due role to revamp the economy.

The Minister hoped that DCCI should take the leading role in strengthening the private sector through organising training programmes.

The Minister later formally opened the new training centre of the DCCI. The inaugural session was also addressed by Shafiqul Alam, Secretary, Ministry of Industry, Max J. Maldeker, 1st Secretary, German Embassy in Bangladesh, Azhar Rahman, representative of ZDH and TA.

## Crimean with goes on auction in Britain

**LONDON, Sept 8:** About 10,000 bottles of wine from the imperial vineyards of Masandra in the Crimea brought here with some difficulty during the Soviet coup in August are to be auctioned at Sotheby's next November 26, the firm announced yesterday, reports AFP.

Sotheby held an initial sale of 13,000 bottles from the Masandra collection in April last year.

The Masandra vineyards were established in the 1850s to supply the Russian imperial court when it stayed at Livadia palace in the Crimea.

The lot to be auctioned included three bottles of Livadia Red Port dated 1891, estimated at more than 2,000 Pounds (3,400 Dollars) each.

The auctions house will also put up 36 bottles of 1947 Alushata Bkacabernet Sauvignon, considered an exceptional wine. Sotheby's wine specialist Serena Sutcliffe said they are as good as certain great 1947 Bordeaux.

Some French wines from the Masandra Cellars will also be sold including 12 bottles of 1885 Chateau D'Yquem estimated at 2,000 Pounds each, and a single bottle of a Chateau Sudurirat 1896 bearing the Czar's seal.

Sale profits will be used by the Masandra Vineyards to renovate their equipment.

## \$12.36m Thai budget to fight AIDS

**BANGKOK, Sept 8:** Thailand has allocated 308.9 million Baht (12.36 million Dollars) to fight Acquired Immune Deficiency Syndrome (AIDS) during the 1992 fiscal year, the state-owned Thai News Agency (TNA) said Saturday, reports AFP.

The money will go to 14 government agencies for anti-AIDS projects during the fiscal year from October 1. INA quoted Bichai Wasannasong, spokesman for the National Legislative Assembly's Budget Scrutiny Committee, as saying.

The Prime Minister's office will get 100 million Baht (four million Dollars) for a media campaign aimed at raising public awareness of the disease, which kills its victims by destroying the body's immune system, Bichai said.

AIDS activist and Minister attached to the Prime Minister's office Meechai Viravadya will administer the grant, he said.

The Interior and Public Health Ministries were allotted respectively 2.55 million and 2.32 million Dollars.

The Population and Community Development Association (PDA) an independent non-governmental organization, estimates that there could be up to 300,000 carriers of the virus that causes AIDS in Thailand.