

Recession reaching Germany?

FRANKFURT, Dec 30 : Germany is starting to worry about recession now that almost nine years of uninterrupted growth and the boom triggered by unification have come to an abrupt end, reports Reuters.

Talk of recession, which has dogged both the US and British economies this year, is now cropping up regularly in economic commentaries in Germany.

"Is the recession coming?" shouted the front-page of the business weekly *Wirtschaftswoche* in a gloomy Christmas edition.

Most economists are optimistic the economic slowdown does not have to signal the onslaught of a major slump. But they say the line between a gentle return to normal from the unity boom and a hard landing could be a thin one.

The latest half-point rise in German interest rates could make the difference.

Also crucial to the economy in 1992 will be moderate wage rises, success in cutting public sector deficits, the ability of the United States to haul itself out of its own recession and the absence of major turmoil in Eastern Europe.

Leading German banker Wolfgang Roeller raised the spectre of recession in a commentary published on Friday criticising the Bundesbank's latest interest rate rise to post-war highs.

"Does the Bundesbank think that inflationary tensions in Germany can only be solved via a recession?" asked Roeller, the chief executive of Dresdner Bank.

According to the usual Anglo-Saxon definition—two successive quarters of economic decline—the German recession has already arrived. In the second and third quarters of 1991, Gross National Product in Western Germany fell by 1/2 per cent.

The Bundesbank vehemently rejects this definition of recession, stating firmly in its latest monthly economic report: "There can be no talk of recessionary trends."

But signs of pessimism are clear. The industry-backed Institute for the German Economy said in December: "The mood in the West German economy has not been as bad for many years."

Gloom has hit the German chemicals sector in particular. Profits have plunged because of the world slump and dividend cuts on 1991 results are likely for at least two major firms.

The export-driven machine tool sector is also experiencing

huge problems because of plunging foreign orders.

Those orders will be crucial to Germany's economic performance in 1992, because the dramatic surge in domestic demand from German unification is now slowing down sharply.

West German industry had previously been able to compensate for falling demand from slowing economies in North America and Europe by funneling goods to eastern Germany as people there rushed to make up for four decades of economic deprivation.

But the Organisation for Economic Cooperation and Development (OECD) has predicted a sharp decline next year in "exports from West to East Germany."

In its latest economic report, the Paris-based think tank also would back forecasts for 1992 West German economic growth to only 1.8 per cent, from a previously predicted 2.2 per cent.

That compares with growth of over three per cent in 1991, the ninth year of expansion since recession in the early 1980s.

In a December report, Paribas capital markets group predicted a sharp weakening

of West German capital spending and said company profits were under considerable pressure.

"Overall... the West German economy is expected to brush close to recession in the latter part of 1991 and early 1992," the report said.

Other economists worry that even the latest one percentage point cut in US interest rates might be enough to straighten out the American economy.

While less than 10 per cent of Germany's exports go to the United States, the knock-on effects of a sustained recession there on the rest of the world would exacerbate any German slowdown.

A tough conflict in the 1992 (German) wage round could have significantly more dramatic consequences," Bank of Liechtenstein economist Andrea Koop said.

Despite repeated calls for wage moderation from the government and the Bundesbank, positions are hardening in talks, especially in the steel sector which plunged Germany into industrial chaos in 1984 with lengthy strikes.

Recalling this dispute, Koop wrote: "Conflicts of this magnitude would mean zero growth for the West German economy next year."

Dollar beats yen

TOKYO, Dec 30: A surprising action by Japan's central bank to ease credit boosted share prices in early trading Monday and sent the US dollar higher against the Japanese yen, reports AP.

The Bank of Japan cut its official discount rate by 0.5 percentage points to 4.5 per cent Monday morning to stimulate a weakening economy.

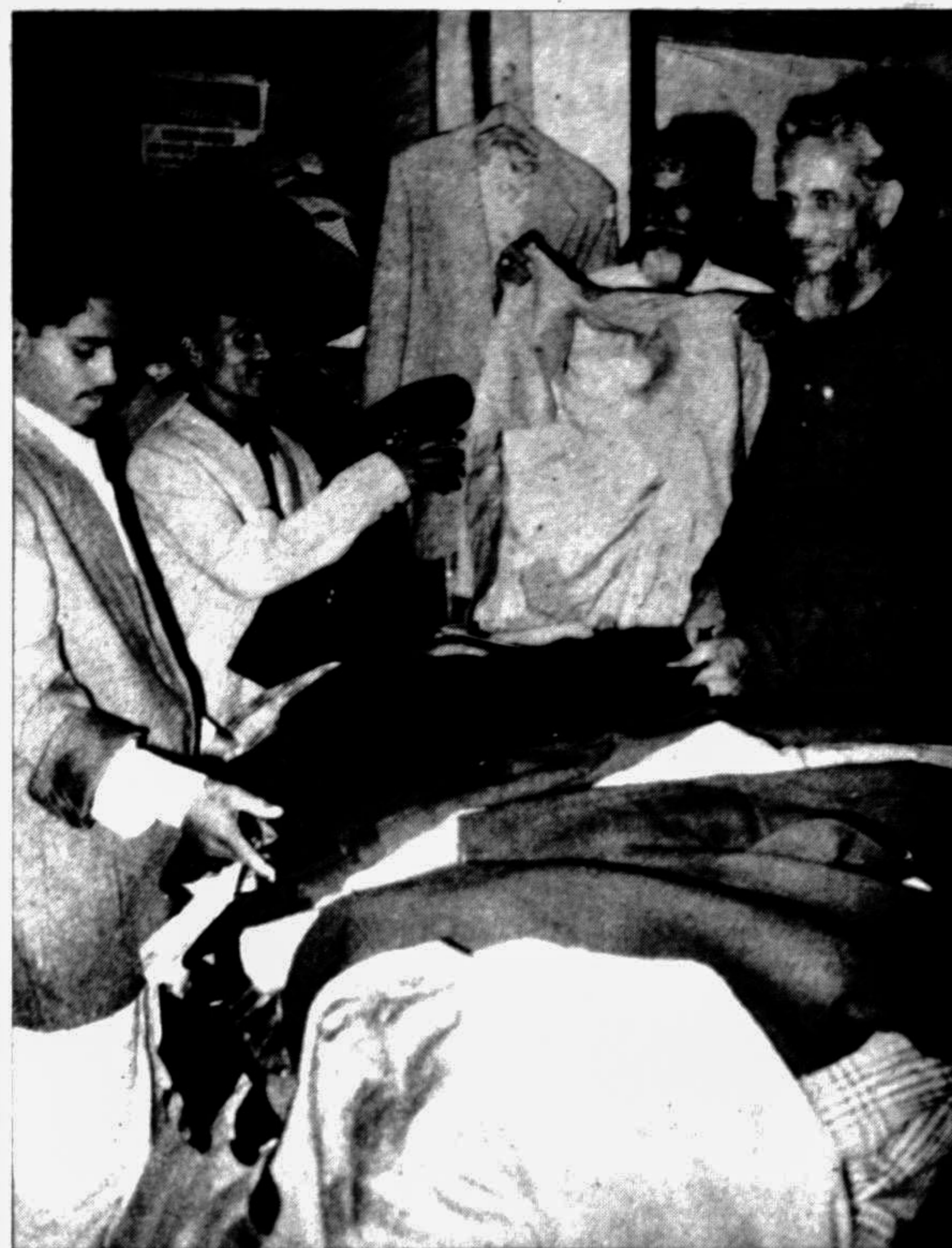
"The action was taken earlier than expected before the nation's economy enters a recession, and I think it will be effective," said Yukio Takahashi, an analyst with Wako Securities.

Takahashi said many players thought the bank would act next month, but the central bank "moved quickly now to avoid the impression of having yielded to foreign pressure."

Holiday

Stock and bond markets will be closed Tuesday through Sunday because of the New Year holiday, and trading on January 6 will be limited to the morning session.

Foreign exchange markets will be closed Wednesday through Sunday for the holiday. Commodity markets will be closed Tuesday through Sunday, and January 6 trading will be limited to the morning session.



With the cold wave fast sharpening buyers crowding old clothes markets. — Star photo

Money circulation up by Tk 200 cr

External balance rises further

Star Economic Report

The balances held outside Bangladesh by the Bangladesh Bank rose further by Taka 66 crore in the week beginning from November 28, according to the latest statement of the Bank.

The balance was Taka 4396.36 crore on December 5. It was Taka 4330 on November 28.

However, the assets value of the Banking Department of the central bank decreased by Taka 250 crore during the week. It stood at Taka 8065 crore on December 5.

The breakdown of the assets excluding the balances held outside Bangladesh is as follows: Notes — Taka 59.11 lakh, subsidiary coin — Taka one thousand, government treasury bills — Taka 484.66 crore, investments — Taka 685.52 crore, other loans and advances — Taka 854.09 crore and other assets — Taka 1644.06 crore & the Special Drawing Rights (SDR) this week was nil.

On the liabilities side of the Banking Department, deposits totalled Taka 6023.87 crore, allocation of SDR — Taka 91.74 crore, bills payable — Taka 90.29 crore, Agricultural Credit Stabilisation Fund — Taka 175 crore, Export Credit Fund — Taka 53 crore, Industrial Credit Fund — Taka 51.78 crore, Rural Credit Fund — Taka three crore.

The report of the Issue Department shows that the notes in circulation increased by Taka 200 crore during the week. It reached Taka 3576 crore. The notes held in the Banking Department stood at Taka 59.11 lakh.

Against the liabilities of the Asset Department, gold coins and bullion holdings of the asset side stood at Taka 83.10 crore.

The foreign exchange holdings approved amounted to Taka 200 crore. Holdings of Taka-coin stood at Taka 12.62 crore, security holdings of the government stood at Taka 255.20 crore and internal bills of exchange and other commercial papers amounted to Taka 3026.08 crore.

Bush may find Tokyo hard to crack

WASHINGTON, Dec 30: It's certainly not as dramatic as the fall of the Berlin Wall, but in its own way George Bush's trade mission to Japan and other Asian nations also symbolises the end of the Cold War, reports AP.

By choosing for the first time to take a delegation of American businessmen on a presidential trip, Bush is emphasising that what confronts America — now that its ideological enemy is vanquished — is the challenge from its economic rivals in Asia.

But it's unlikely the trip will go beyond symbolism and actually reduce the trade imbalance with Japan.

While Bush's trade mission to Japan is the first by an American President, it is hardly the first time the US government has tried to open Japan's market.

In 1853, Commodore Matthew Perry sailed into Tokyo Bay to try to break three centuries of Japanese isolationism. He thought he had succeeded, but when the United States sent an envoy to implement Perry's market-opening agreement, the Japanese wouldn't let him off his ship.

Japanese critics say Bush could suffer the same treatment as Perry and countless other trade negotiators: kind words and handshakes followed by disputes over just what was in the agreement. All the while, the trade deficit keeps growing.

That has certainly been the recent history.

Despite more than a decade of talks, the United States finds itself facing a trade deficit with Japan running at an annual rate of 42.6 billion dollar this year. That represents nearly two-thirds of the deficit with the entire world.

And while America's total trade deficit has declined a dramatic 34 per cent this year, the deficit with Japan has been rising.

October's imbalance was the largest in almost three years.

Three-fourths of the US-Japan trade gap is accounted for in autos and auto parts. Thus, it's not surprising that Bush is taking with him the heads of General Motors, Ford and Chrysler.

There is no question that with a lingering recession at home and heavy Japanese

competition, US automakers are facing hard times. General Motors announced Dec 18 that it would eliminate 74,000 jobs and close 21 plants over the next four years.

Detroit wants Japan to remove barriers keeping American cars and, more important, US auto parts out of Japan.

The trade theme of Bush's trip is a reflection of the bad economic times in America and the President's plunging voter approval ratings. Bush hopes that by emphasising American jobs during his foreign travels he can counter Democratic attacks that he's too attentive to foreign affairs and lacks a plan to end the US recession.

House majority leader Richard Gephardt and Democrats from Michigan have unveiled legislation that would slash Japanese car imports to the United States by nearly one-third in retaliation for Japan's closed markets.

Autos aren't the only source of trade friction. The administration is unhappy with Japan's lack of support for a successful conclusion to a five-year effort to liberalise world trade rules

under the auspices of the General Agreement on Tariffs and Trade (GATT).

The talks, known as the Uruguay Round, are in danger of collapsing over the issue of reducing farm subsidies. Bush is likely to pressure Japan and South Korea to make concessions on opening their rice markets to break the agricultural logjam.

For all the attention given trade on Bush's trip, economists see little but bad news for trade in the near term. While this year's deficit is expected to fall to around 67 billion dollar its first time below 100 billion dollar since 1983, economists forecast it will begin rising again in 1992 and 1993 as weaker world economies reduce the opportunities for American companies to export.

David Wyss, an economist at DRI-McGraw Hill, forecast that the deficit will climb to 114 billion dollar in 1993. Since by one rule of thumb, every 1 billion dollar increase in the trade gap costs 23,000 American jobs, such forecasts are certain to increase the pressure on Bush to do something.

Singapore bans chewing gum

SINGAPORE, Dec 30: In the latest assault in its war against littering, the government announced Monday that the import, manufacturing and sale of chewing gum is to be banned effective Friday, reports AP.

Convicted litterers are to be sentenced to clean up public areas, the same announcement said.

In the last major campaign in 1989, fines were announced for those who failed to flush public toilets after use.

Bush to promote tourism on British TV

WASHINGTON, Dec 30 : President George Bush is to go on British television in a promotional bid to lure tourists to the United States, the Washington Post reported Saturday, says AFP.

"So what are you waiting for, an invitation from the president?" Bush asks in the first of the television spots to be aired next month.

The newspaper said it was the first time a US president had taken part in such a promotional campaign for the United States.

In it, Bush strolls on a California golf course extolling the virtues of the United States, "from rolling green fields to sandy white beaches to red-hot Disneyland jazz."

"You'll find great lakes and a grand canyon," he adds. The television images meanwhile switch from a cowboy to the Statue of Liberty and a jazz band.

The spots entitled "America yours to discover" are being sponsored by a corporate group called Goussa Coalition which includes companies such as American Express, Stouffer Hotels and Resort, Northwest Airlines and AT and T.

Yeltsin's price plan opposed

MOSCOW, Dec 30: Russian President Boris Yeltsin is pressing ahead with radical economic reforms, starting with swinging price rises next week, despite growing protests from his parliament, people and vice-president, reports Reuters.

Yeltsin insists that almost all consumer prices will be freed on Thursday, saying the move will jolt Russia into a market economy. His critics fear the resulting price increases will cause suffering and perhaps violent unrest.

Other members of the new Commonwealth of Independent States, proclaimed on December 21 to replace the Soviet Union, have

asked Yeltsin to delay the price reform by two weeks to give them time to adjust their own economies. He has refused.

In Georgia, the only former Soviet republic not to join the Commonwealth, rebels and forces loyal to the government agreed a ceasefire after a week of fighting which has claimed 51 lives.

Leading Russian cabinet members on Saturday delivered a brisk sermon on reform to mutinous parliamentary deputies leaving Moscow for the New Year recess, Tass news agency said.

"Our credo is the irreversibility of reform and we will work to a victorious conclusion," first Vice-Premier Gennady Burbulis told the deputies.

But opposition deputies called for the radical cabinet to resign and for Yeltsin to form a new government.

"Stop this experiment against the people," Deputy Vladimir Isakov said in a statement read out to his colleagues.

Vice-Premier Yegor Gaidar has said he expects prices to rise no more than 150 per cent in January. The opposition say that freeing prices without privatising monopoly producers will cause more drastic rises and encourage speculation.

Hungry shoppers in St Petersburg, who have been issued with ration coupons for basic foodstuffs, blocked the city's central avenue on Friday to protest that their coupons were not being honoured when they took them to empty state shops.

Russia has taken some steps to protect its population from shortages, Gaidar said. Russia planned to release its own small state food reserves and foreign aid.

Supplies to Moscow and St Petersburg have virtually dried up with the collapse of the old Soviet central distribution system.

France, Iran solve loan dispute

NICOSIA, Dec 30 : France and Iran signed an agreement on Sunday settling a 12-year-old dispute over a one-billion-dollar loan to France from Iran's pre-revolutionary government, the official Iranian news agency IRNA said, reports Reuters.

Francois Scheer, Director General of the French Foreign Ministry, signed the accord in Tehran with Iranian Deputy Foreign Minister Mahmoud Vaezi, it said.

Under the accord, initiated in Paris in October, France will end up repaying a total of 1.63 billion dollars, including the interest since Iran lent the money in 1974, IRNA said.

France had repaid 630 million dollars by 1988. It will repay 550 million within 48 hours and the remaining 450 million in three instalments during 1992, it added.

The agency did not mention French claims to about one billion dollar to compensate for contracts Iran cancelled with French firms after the Islamic Revolution in 1979.

France and Iran have been trying for two years to work out a solution to the dispute over the loan, which the Shah of Iran made to the French Atomic Energy Commission.

It was meant to pay for a nuclear plant in Iran, a project cancelled after the Shah was toppled in the revolution that brought the Ayatollah Ruhollah Khomeini to power.

The financial dispute was one of the last obstacles preventing normal relations between France and Iran, soured in the past by Middle East bomb attacks in Paris and the detention of French hostages by Iranian-backed groups in Lebanon.

After the accord was initiated in Paris, a final settlement was complicated by allegations Iran was involved in the August murder of former Iranian Premier Shapour Bakhtiar in Paris.

Tehran has always denied involvement in Bakhtiar's assassination, blaming it on infighting among dissident groups.

But Iranian exiles in Paris accuse the Iranian government of sending murder squads to assassinate dissidents abroad.

Bakhtiar, the Shah's last Prime Minister and leader of an exile faction opposed to Tehran's Islamic government, had been condemned to death by Tehran.

Business Briefs

Italian budget okayed: The Italian parliament approved Prime Minister Giulio Andreotti's 1992 budget bill, thus avoiding the need for emergency financing from next month, reports Reuters from Rome.

The final approval came after three months of political haggling over measures concerning healthcare costs and keeping public sector wage rises down to officially-predicted inflation levels.

Ukraine launches currency coupons: The government of Ukraine is to put currency coupons in circulation from Monday to gradually replace the Soviet rouble, it was reported Saturday, says AFP from Moscow.

The decision to introduce the coupons ahead of a new national currency was taken after a three day debate on measures to be taken in the face of price liberalisation due to take effect in Russia on Thursday, the Interfax agency said.

Orissa cotton mills in crisis: Lack of thrust on cotton cultivation in Orissa has resulted in a piquant situation pushing the dozen spinning mills in the state to the throes of a crisis, according to official sources, reports PTI from Bhubaneswar (India).

"The cotton we produce is not enough to feed the requirement of even one mill forcing the government to purchase cotton from Punjab and Maharashtra at high costs," the sources told PTI.

Spain coal miners continue strike: Coal miners in the northern Spanish region of Asturias voted on Sunday to stage a second week of strikes in protest at plans to cut thousands of jobs, reports Reuters from Oviedo (Spain).

Nearly all of the region's 25,000 miners walked out last week to back a stoppage begun by miners at Hunosa, Spain's biggest mining company, who face the loss of some 6,000 of a total of 18,000 jobs by 1993 in a planned restructuring.

China exports 20m tons coal: China has exported more than 20 million tons of coal this year, according to the China Coal Import and Export Corporation, reports Xinhua from Beijing.

Included were 6.43 million tons from the Antaiyao coal mine in Pingshuo, Shanxi province which is China's leading coal producer.



MOSCOW : Russian officials directing the unloading of a France plane which brought 36 tons of medicine as part of the European Community's humanitarian aid programme for Russia, at Moscow's Sheremetyevo Airport. — AFP photo

Major and Lamont at odds

LONDON, Dec 30 : Prime Minister John Major plans a New Year message telling Britain that the first signs of recovery from recession are now evident, reports Reuters.

But coming days may test Major's nerve. Sterling has been under pressure. A new political row has broken out over the pace of the promised economic rebound. And the Labour opposition has taken a high opinion poll lead over

Major's Conservatives.

Major and his Chancellor of the Exchequer, Norman Lamont, had an uneasy run-up to Christmas.

Sterling, which should be buoyed by the forecast that Britain will emerge from recession in 1992, languished at the bottom of Europe's currency grid after a rise in German interest rates was followed by other nations in continental Europe.

Lamont preoccupied with getting the economy to revive before a general election, due no later than July, stayed cool. British base rates were kept at 10.5 per cent.

But scarcely was Christmas over than a Mori opinion poll in the Sunday Times put the opposition Labour Party six points ahead of the Conservatives up four since a month ago.

He said he did not have precise figures, but predicted an increase of "several tens of billions of yuan (several billion dollars). China has run deficits for 10 of the past 11 years.

Two years, despite severe flooding that hit wide areas of the country this summer. Good weather in the fall helped peasants recover.

However, spending for disaster aid and the loss of revenues to the flood will boost the government deficit far about the projected 13.3 billion yuan 2.45 billion dollar, Yuan said.

Foreign trade through November grew by 17.8 per cent, with imports up 18.2 per cent and exports up 17.4 per cent, Yuan said.

This year's grain harvest is expected to hit 435 million tons. He said China would see its second bumper harvest in

vestment was 956 million dollar up 70.9 per cent. However, that figure is in comparison to 1990, when foreign money was held back because of China's crackdown on pro-democracy activists the previous year.

Money actually invested by foreigners in 1991 was up 23.7 per cent.

Yuan made no mention of the potential problems, spending nearly a half-hour giving statistics showing economic growth.

Foreign exchange reserves doubled during the year, to 21 billion dollar, Yuan said.

Foreign investment also grew. By November, the total contracted value of foreign investment to be holding more than 200 billion yuan (37 billion dollar) in cash, the China Daily said.

"It is a big enough cash pool to set off runaway inflation," it said.

The China Daily commentator said an expansion in bank loans and a huge money supply in consumers' hands both are contributing to inflationary pressures.

New bank loans this year totalled 280 billion yuan (52 billion dollar) 19 per cent more than in the previous year, while bank savings increased five times in the first 11 months to nearly 900 billion yuan (166 billion dollar). In addition, consumers are believed to be holding more than 200 billion yuan (37 billion dollar) in cash, the China Daily said.

Economists have warned that China faces an overheated economy and renewed inflation next year if it does not control industrial growth.

"Efficiency should be the catch word, rather than speed," a commentary in the official China Daily said last Saturday.

Yuan said China would seek "an appropriate economic growth rate" of 6 per cent next year.

He said the price index in

China's economy grows 7 per cent this year

BEIJING, Dec 30 : The government said Monday its 1991 budget deficit will be billions of dollar higher than expected, but a spokesman painted a rosy picture of the year's overall economic performance, reports AP.

Economic growth and political stability "contrast sharply with the slow growth of the world economy and the instability and turbulence in some other countries and regions," spokesman Yuan Mu said at a year-end news conference.

The economy grew 7 per cent in 1991, a higher rate than the 4.5 per cent pro-