

Rice, meat still not a regular fare in "workers' paradise"

TOKYO, Jan 1: North Korean President Kim Il-Sung admitted that rice and meat soup were not yet regular fare in his self-proclaimed "workers' paradise" in a policy-guiding New Year address, reports AFP.

The major goal we must attain at the moment in socialist construction, Kim said, is to fulfill our people's long-cherished desire that all people might equally eat rice and meat soup regularly, wear silk clothes and live in a house with a tiled roof.

The address, carried by the Korean Central News Agency (KCNA) and monitored here, made no mention of North Korea's seven-year economic plan, which is due to end in 1993 amid signs of shortcomings in most sectors of the country's command economy.

Kim, who has ruled North Korea since its founding in 1948, called on the nation of 20 million to "satisfactorily solve the problem of providing the population with food,

clothing and housing in keeping with the requirements of socialism".

He also urged the nation to expand electricity and coal production and upgrade rail transport, sectors long seen by outside analysts as bottlenecks in North Korea's economy, which is beset by short capital and technology and huge foreign debt.

The most important and urgent task to be fulfilled in socialist economic construction this year is to increase the production of electricity and coal and to develop the rail transport, Kim said.

Analysts say North Korea is under increasing pressure to open up its reclusive state, especially now that the Soviet Union — whose role as the country's traditional supplier of aid and arms had already diminished — has ceased to exist.

But when North Koreans learn South Koreans earn five times their per capita income and "they have been led to and

have suffered for no purpose, they will eventually question the worth of Kim Il-Sungism", Aidan Carter Foster of Britain's Leeds University told a seminar in Seoul in October.

Kim and his eldest son, Kim Jong-Il, who took over the military command from his father last month, have been calling for improvement of people's living standards in recent years.

"In order to solve the problem of providing the population with food, clothing and housing more satisfactory and steadily improve the people's living, great efforts must be continuously put into agriculture and light industry", Kim said in his address.

North Korea, believed to be hit by food and energy shortages, has rarely admitted its economic failures while refusing to release credible data.

In late 1990, KCNA made a rare report on slow progress in the seven-year plan. The official news agency,

monitored here, put annual output of electricity at just over half the official target, coal output at 85 million tonnes instead of a planned 120 million tonnes, and steel production at seven million tonnes instead of a planned 10 million tonnes.

Following the Soviet Union's switch to hard currency for foreign trade deals, oil shipments to North Korea fell to 410,000 tonnes in 1990. In 1987, shipments were 800,000 tonnes.

But North Korea, whose foreign debts estimated at more than six billion dollars, is embarking on a yet another project to lure foreign capital and technology following its 1984 law on joint ventures.

The North Korean cabinet announced last week it will establish a 620 square kilometer free trade zone along the border with Russia and China, in a project the UN Development Programme estimates will cost 30 billion dollars over 20 years.

Turky raises tax to bridge budget gap

ANKARA, Jan 1: Turkey raised vehicle and fuel taxes as part of government plans to collect more tax to narrow chronic budget deficits, reports Reuters.

Vehicle purchasing taxes went up by between 40 and 75 per cent Value Added Tax on petrol, diesel and liquid petroleum gas rose to 13.5 per cent from 12, the official gazette said.

The 1991 budget deficit is expected to total 32 trillion lira (6.3 billion dollar) nearly double the 17.1 trillion lira (3.4 billion dollar) forecast at the beginning of the year.

Prime Minister Sulayman Demirel said Tuesday the government was studying tax reforms, but gave no details.

The government will unveil its new economic package in mid-January. It will include some taxation measures to raise the government's revenues which are quite far from meeting its expenditures", a government official told Reuters.

The package may involve investment incentives and reform of ossified state economic enterprises which recorded a deficit of 34 trillion lira (6.7 billion dollar) this year.

The government has pledged to give state firms more autonomy by reorganising them into holding companies, some of which may later be privatised. The sale of 11 state companies generated revenue of two trillion lira (393 million dollar) in 1991.

Tourism Minister Abdul Kadir Ates said last week the government's main strategy was to cast the tax net wider rather than increase existing taxes. Tax payers will not shoulder an extra tax burden. We will abolish some tax exemptions.

Bankers fear the government may raise taxes on government bond and treasury bill earnings, which contributed substantially to their end-year profit figures.

"It would be better to reduce yields on government securities than to increase taxes on the yields. If the taxes are raised, it will reduce returns on our outstanding lending due next year," a banker said.

In 1991, banks were buying government bonds at auctioned annual rates of up to 77 per cent, about 15 percentage points higher than average Turkish lira overnight rates on the central bank-brokered interbank market.

The annual inflation rate was 66.8 per cent last month. The government, in office since November, has said it aims to cut public borrowing to curb inflation.

Total domestic borrowing jumped to 80.9 trillion lira (16 billion dollar) at end October, a 42 per cent increase over the end 1990 figure.

Major sees recovery

LONDON, Jan 1: Prime Minister John Major said Wednesday the British economy was showing the first signs of recovery from a recession and he ruled out any short-term measures to stimulate growth, reports Reuters.

Major, in a New Year's Day message released by his ruling Conservative Party, said he expected growth to resume in the coming year.

"We are now seeing the first signs of recovery, and all forecasters expect to see our economy growing again in the coming year," he said.

He added: "I will never take short-term action that I know to be wrong, simply because it might be popular."

Major did not elaborate but Chancellor of the Exchequer Norman Lamont has ruled out a realignment of the European Community's Exchange Rate Mechanism (ERM) to devalue the pound sterling and open the way for interest rate cuts.

Lamont told the Financial Times in an interview published on Tuesday that devaluing sterling would be "fool's gold."



Australian Prime Minister Paul Keating (R) received US President George Bush in Sydney Tuesday. — AFP photo

US won't remove subsidy from wheat exports: Bush

SYDNEY, Jan 1: President George Bush Wednesday ruled out changes in Washington's policy of subsidising American wheat exports, despite vigorous opposition from Australian farmers who say the United States has grabbed their markets, reports AFP.

He acknowledged there were "a few difficulties" in the relationship between the two countries, but said they were outweighed by the strength of their alliance.

Speaking during a morning jogging session on the first full day of his three-day visit to Australia, Bush said he understood the worries of the country's farmers.

But he added, "We're not talking concessions, we're talking about eliminating differences where possible."

At the same time, two-way trade is weighted heavily in favour of the United States, with exports to Australia totalling 11.9 billion dollars (9.0

billion US in 1990, against 5.7 billion dollars, 4.3 billion US) the other way.

Bush said he hoped the farmers understood that US policy was not aimed at Australia. "But if they don't, they will by the time I get through," he added.

Washington says it intends to reduce its agricultural subsidies, but only in the context of a global accord under the General Agreement on Tariffs and Trade (GATT).

Differences between Washington's and Canberra's requirements for such an accord will also be covered during Bush's talks in Australia, and the farmers have agreed to await the outcome of the lengthy GATT negotiations before stepping up their pressure for a cut in US subsidies.

"What we're going to do is talk openly as friends do with each other and move this relationship forward," Bush said Wednesday.

"I don't think it is a ques-

tion of concession. What we do is tell them our problems and they are very frank with us."

"We have a few difficulties, but any difficulty is outweighed a thousand fold by the common purpose, by the strength of this alliance that has endured for a long, long time," Bush said.

An AFP adds: United States President George Bush was told by Australian Prime Minister Paul Keating today of Canberra's fear that the world trading system could degenerate into three major trading blocs.

As the two leaders prepared for detailed talks Thursday, trade and in particular the US Export Enhancement Program (EEP), was already dominating the president's whistle-stop tour.

Bush received a 21-gun salute as he arrived here with his wife Barbara from Sydney on the second leg of the three- and-a-half day visit to Australia on his way to Asia.

Russians puzzled over price plan

MOSCOW, Jan 1: Russians are having nightmares about what will for them be a leap into the dark of the market economy on Thursday when controls on prices are removed, reports AFP.

Western officials, who have watched authorities here debate and delay for months about how best reform the economy as it collapsed further, fear that the medicine of the market might provoke serious social unrest among the population of 147 million people.

The shock treatment, beginning with the liberalisation of prices, might have catastrophic effects on people who are already suffering from extremely difficult living conditions, before it has time to pump life into productive capacity.

"The liberalisation of prices is going to have the effect of an Atomic Bomb," one Western expert, who asked to remain anonymous, said. "Nobody really knows what the consequences will be."

The Russian authorities remain confident, however, they stress that reform cannot be delayed again. They express conviction that the people understand what is being asked of them.

Economy Minister Egor Gaidar said on Monday that the government did not expect widespread social unrest. Russian President Boris Yeltsin, in his New Year address, urged Russians to show patience and courage.

The liberalisation of prices is to be accompanied by wel-

fare. The minimum wage has been set at 342 roubles and will be reference for payments to the elderly, the sick, students and children.

The prices of all industrial products, manufactured and food products, services and restaurant facilities are to be freed.

The prices of some products will continue to be con-

trolled, but loosely. Particularly affected are energy products and electricity for enterprises, basic foods including bread, milk, sugar, oil and vodka, petrol and domestic gas and electricity.

But the controls will be relative since the government has allowed a big margin for increases. In most cases prices will be permitted to rise to

three or four times the previous official levels.

However, the official prices have in any case become somewhat theoretical. State shops often exceed them while practising prices lower than those charged in markets or by people who rent street stalls.

No-one knows how high prices will rise after January 2.

The government expects to see rampant inflation in January and February, and relative price stability in about April with inflation running at about seven per cent per month when supply outstrips demand.

But if the economy does not achieve some stability during this period the inflationary spiral might be resumed, experts have warned.

Consequently the Russian authorities have dropped an initial plan to begin privatising state-owned firms once prices had been stabilised, and have decided to begin this programme immediately.

On December 26 the government adopted a privatisation programme which was rushed through parliament the following day during the last day of the autumn session.

Under the plan there will be quick privatisation of shops and services and small and medium-sized enterprises. Foreigners, companies and individuals will be able to hold a majority stake in a company.

But the biggest problem will be the search for buyers. Apart from speculators, there is no business class in Russia with the financial means to invest. Foreigners are in no hurry to buy old enterprises which produce goods unfit for export.

Much pain, little gain

MOSCOW, Jan 1: As prices rise across Russia on Thursday, The Associated Press will be watching the cost of selected goods. Here is a look at current prices in the AP's "Moscow Market basket," reports AP.

The first price for each item is the subsidised state price; the second is the private market price; the third is the number of hours an average worker must labour to purchase each item at the private market rate, based on about 175 hours of work a month.

The average worker earns 350 roubles a month, equivalent to about three US dollar at the floating exchange rate, calculated on the basis of rouble actions.

Smoked sausage, 78 rouble per kilogram: 150 per kilo or 34 hours of work.

Chicken, 34 roubles per kilo 80 per kilo or 18 hours.

Butter, 10 roubles per kilo 120 per kilo or 27 hours.

Macaroni, 2.50 rouble per kilo 20 per kilo or 412 hours.

White bread, 70 rouble per kilo not for sale.

Sugar (ration coupon required), 2.4 rouble per kilo not for sale.

Fresh fish (carp), 12 rouble per kilo not for sale.

Milk, 65 rouble per liter; 30 rouble per liter or 15 hours of work.

"Java" cigarettes, 55 rouble per pack of 20; 8 rouble, four hours.

Women's dress shoes, 420 rouble per pair; 1,500 rouble, or 750 hours.

Men's dress shoes, 250 rouble per pair; 1,000 rouble, or 500 hours.

Child's dress shoes, 15 rouble per pair; 300 rouble, or 150 hours.

Pantyhose, 15 rouble per pair; 120 rouble, or 60 hours.

Women's skirt, 200 rouble each; 1,500 rouble, or 750 hours.

Gasoline (92 octane), 40 rouble per liter; 3 per liter or 1/2 hours.

Ukraine seeks entry to IMF, World Bank

WASHINGTON, Jan 1: Ukraine has applied to join the International Monetary Fund, the IMF said in a statement, reports Reuters.

A World Bank spokesman said Ukraine has also lodged a membership application with the international lending organisation.

Ukraine is the first member of the newly formed Commonwealth of Independent States to apply for membership in the IMF and World Bank, others are expected to follow suit.

British Prime Minister John Major urged Russia on Monday to press for early full membership in both organisations.

International monetary sources said they expect the IMF to process Ukraine's membership application as soon as

possible, but added that it is still likely to take at least six months before the country can join.

Membership in the IMF and World Bank would give Ukraine access to hundreds of millions of dollar in loans in return for pursuing economic reforms.

The Soviet Union applied to join the two international organisations last July, but its formal dissolution earlier this month means that application has effectively lapsed.

The decision by the United States, the European Community and other countries to recognise Ukraine as an independent state opened the door for its membership applications to the IMF and World Bank.

GATT talks must not fail, says Miazawa

TOKYO, Jan 1: Prime Minister Kiichi Miazawa told a New Year's news conference the Uruguay Round of multilateral trade talks must not fail, indicating Japan should eventually change its long time policy of banning rice imports, reports Reuters.

At the same time, Miazawa said it was impossible to lift the ban immediately because of domestic political pressures.

We must scrutinise everything to the limit so that the Uruguay Round will not fail, the 72 year-old premier told the news conference held last Saturday for New Year's Day television and newspapers.

I believe the (Japanese) people have gradually come to realise that we would be to blame if we do nothing on this. Miazawa said the latest proposal for the General

Agreement on Tariffs and Trade (GATT) calling for all non tariff farm import barriers to be converted into tariffs was a rational idea.

The proposal came in a final draft proposal by GATT Director General Arthur Dunkel to end the five year old Uruguay Round of talks.

At the moment it is politically impossible to revise the food control law, which bans rice imports, because the major opposition Socialist Democratic Party opposed opening the rice market, Miazawa said.

We must not make an empty promise, Miazawa said. Last, week members of Miazawa's cabinet also said Japan had no plans to open up its rice market and said they would postpone a decision on the final GATT proposal until after the January 13 deadline.

Business Briefs

New market for US farm goods: The former Soviet Republics will become more important markets for US agricultural products as they move to freer economies, US Agriculture Secretary Edward Madigan said on Tuesday, reports Reuters from Washington.

Madigan, in a radio news conference, said the newly independent states should become stronger allies and more important markets in the future.

Debt worries Nigeria: President Ibrahim Babangida warned on Tuesday that Nigeria "cannot survive" if forced to meet repayment requirements this year on its 33 billion dollar foreign debt, quotes AFP from Lagos.

Presenting his government's budget proposals for 1992, Babangida said in a nationwide radio and television address that Nigeria would limit debt service payments to 30 per cent of export earnings in the coming year.

China's oil output up: China's oil production increased slightly this year to 139.6 million tonnes, an official of the China National Petroleum Corp (CNPC) was quoted as saying Tuesday, reports AFP from Beijing.

The figure was 1.3 million tonnes ahead of last year's output and 300,000 tonnes above the year's target, according to Zhou Yong Kang, CNPC deputy manager, as quoted by the China Daily.

Of this year's production, 2.3 million tonnes was recovered offshore, he said. Natural gas output reached 14.9 billion cubic metres, more than 200 million cubic metres above the year's target.

The two sides of the American coin

NOTE: This story comprises two parts. The first is an account by an AP reporter who went to a bar in Wall Street financial district, which is having its best year since the 1987 stock market crash. The second part is by another AP reporter who visited a bar in a laid-off area of Dallas to get patrons' year-end view on the US economy.

One side

NEW YORK, Jan 1: It's not quite a repeat of the wildly profitable mid-1980s, but Wall Streeters celebrating 1991 with an after-hours brew clearly were ebullient even as much of the rest of the country rang out a year of recession.

The optimism prevailed at a tavern in Manhattan's financial district, where young traders gathered to drink beer and

watch market wrap-ups on television.

"The mood's pretty good," said Michael Antolini, a stock trader with UBS Securities. "Guys are starting to spend money. People are starting to go out a little more."

Several patrons at the Water Street Tavern noted the conventional wisdom that asserts Wall Street is the first to display broader nationwide economic trends both good and bad.

"Wall Street was sunk in 1988, 89, well before the rest of the economy," said Peter Barret, a securities trader for Credit Lyonnais, a big international bank. "Now we're seeing the flip side."

While high profile corporate giants like General Motors and IBM have announced major restructurings that will eliminate

tens of thousands of jobs, Wall Street has shown strong signs of recovery from a downturn that began with the stock market crash of October 1987.

After laying off more than 50,000 people, Wall Street firms began hiring again, though in small numbers. The stock market itself soared, with the Dow Jones average and other key barometers hitting record highs.

American companies issued new stocks and bonds in record amounts, generating enormous fees for investment bankers. Securities firms are projected to earn more than 4 billion dollars before taxes in 1991, the best year since 1986—the peak of a roaring decade.

The gray-suited traders at the Water Street Tavern one

recent night characterized themselves as survivors, wiser and tougher for having made it through the last four years.

Some who lost jobs through layoffs and the collapse of firms like Drexel Burnham Lambert Inc got jobs with other firms, they said.

Other side

DALLAS: Steve Brennecke's leading economic indicator is whether or not he has a job. He's working now, but the indicator has been higher.

The 34-year-old warehouseman at Dallas Semiconductor saw 75 of his 750 fellow workers laid off in October. Now, sitting over a pitcher of cold beer at the smoke-filled David's bar and grill on the eve of 1992, he frets about his future.

"I'm more worried than I've

compared to 1.5180/87 and 1.3585/95 Swiss franc and 1.1553/58 Canadian dollar at 1400 EST(1900 GMT) compared to 1.3555/62 and 1.1552/57 at the opening.

The Australian dollar traded at 75.92/99 US cent, compared to 75.93/00 cent at the opening. The Federal Reserve intervened twice, dealers said, buying Australian dollar at 75.95 and again at 76.0 US cent.

Around midday, Morgan Guaranty Trust Co quoted the dollar at 18.4 per cent below its 1980-82 trade-weighted average, compared to 18.2 per cent below the average Monday.

The yen looked strong against its counterparts with Bush's trip to Japan set for early in the New Year, said Tom Benfer of the Bank of Montreal. Foreign exchange dealers expect the trip to result in an agreement to seek a higher yen in order to reduce Japan's trade surplus.

The dollar traded at 1.5170/80 marks and 124.80/90 yen at 1400 EST(1900 GMT) in New York,

compared to 1.5180/87 and 1.3585/95 Swiss franc and 1.1553/58 Canadian dollar at 1400 EST(1900 GMT) compared to 1.3555/62 and 1.1552/57 at the opening.

The Australian dollar traded at 75.92/99 US cent, compared to 75.93/00 cent at the opening. The Federal Reserve intervened twice, dealers said, buying Australian dollar at 75.95 and again at 76.0 US cent.

Around midday, Morgan Guaranty Trust Co quoted the dollar at 18.4 per cent below its 1980-82 trade-weighted average, compared to 18.2 per cent below the average Monday.

The yen looked strong against its counterparts with Bush's trip to Japan set for early in the New Year, said Tom Benfer of the Bank of Montreal. Foreign exchange dealers expect the trip to result in an agreement to seek a higher yen in order to reduce Japan's trade surplus.

The dollar traded at 1.5170/80 marks and 124.80/90 yen at 1400 EST(1900 GMT) in New York,

compared to 1.5180/87 and 1.3585/95 Swiss franc and 1.1553/58 Canadian dollar at 1400 EST(1900 GMT) compared to 1.3555/62 and 1.1552/57 at the opening.

around the country, circuit manufacturer Dallas Semiconductor told workers the layoffs were a reaction to soft demand. Besides the layoffs, the company has cut overtime and Christmas bonuses.

Brennecke already has been scouting the job market, preparing for what he thinks might be inevitable, but he's found that times are tough everywhere. He tried to get a part-time job. He finally gave up.

Fortunately, he said, he's unmarried and has no children to support.

"I can't afford a family", Brennecke doesn't know who to blame for the recession, which President Bush only recently acknowledged but workers in this area have known about for months.

Like many employers