

Rich coldshoulder free trade

PARIS, Jan 4: The former Soviet Union is risking social unrest by abruptly abolishing most price subsidies, but rich industrial nations are giving a cold shoulder to free markets by refusing to dismantle trade barriers, reports Reuters.

Members of the General Agreement on Tariffs and Trade will meet in Geneva on January 13 amid pessimism about the chances of wrapping up the five-year-old Uruguay Round of trade talks.

Portuguese Foreign Minister Joao De Deus Pinheiro said he was gloomy about a quick breakthrough after EC trade ministers last week rejected a text proposed by GATT head Arthur Dunkel.

De Deus Pinheiro, whose country has just taken over the rotating EC presidency, told Belgian daily Le Soir the January 13 meeting, has little chance of achieving definitive results.

Even if a compromise is fi-

nally reached, many experts fear it will not fully reverse the trend of creeping protectionism.

Technical controls, anti-dumping actions, voluntary export restraints and other barriers multiplied in the 1980s as only four OECD states ended the decade with more liberal trade rules.

It is very unlikely that the current GATT round will roll back even half the new protection ushered in during the 1980s, the World Bank's Chief Economist, Lawrence Summers has said.

In the United States Japan's resurgent trade surplus is eroding politicians' traditional commitment to free trade.

Commerce Secretary Robert H. Rossbach said at the weekend that curbing Japanese car sales in the US was an option if Tokyo did not reduce the \$1 billion dollar surplus in its favour.

To former communist

countries, economically benighted by 40 years of central planning, such a warning must sound like a threat to kill the goose that laid the golden egg.

Desperate to make up for lost time they are rushing to embrace capitalism and the free trade that has underpinned the boom in living standards in the West since World War Two.

The paradox that ex-communist countries are hurtling toward market mechanisms just when rich industrial states are balking at freer trade is not lost on David Henderson, Chief Economist at the Organisation for Economic Cooperation and Development.

Henderson, a leading advocate of free trade, said he was struck by the fact that domestic producers in Poland and Czechoslovakia were now less protected from outside competition than their counterparts in most OECD countries. "In these matters the rest

of the world, or large parts of it, is moving faster than the OECD countries," Henderson said recently when presenting the agency's latest economic outlook.

Much of Latin America, led by Chile and Mexico, is also putting its faith in free markets.

"For the first time in economic history the main impulse to trade liberalisation is now coming not from the industrial countries which profess to accept liberal norms, but from countries whose past tradition has been to question or reject them," said Henderson, who steps down in April.

He said that the process of liberalising trade and investment had actually moved backwards. "The world economy at the end of 1991 is considerably further away from full integration than it was in the spring of 1914," he said.



A milad mahfil in observance of the 20th anniversary of Biman Bangladesh Airlines in progress at its Hanger Complex in Dhaka on Saturday. State Minister for Civil Aviation and Tourism Abdul Mannan and Biman officials and employees attended the function.

Japan plans 350 kph train

TOKYO, Jan 4: Japan railway institute plans to develop a low-noise superexpress train that can travel as fast as 350 kilometers per hour, Kyodo News Service reported Friday, says AP.

Kyodo, quoting anonymous officials of the Railway Technical Research Institute, said the project aims to wrest the speed record from France's Train a Grande Vitesse. TGV is the world's fastest train in operation with a maximum speed of 300 kph, it said.

The report could not be immediately confirmed due to a weeklong New Year holiday in Japan.

Japan's fastest bullet train currently in operation is called "Super Hikari" and can travel as fast as 270 kph.

Tripoli pulls billions from Euro-banks

TUNIS, Jan 4: Libya has transferred billions of dollar in assets from European banks in the Middle East in case US sanctions are stepped up, diplomatic sources said, reports Reuters.

It has also threatened delays in foreign payments to deter further economic sanctions, diplomats and Libyan sources said.

The central bank of Libya, commenting on the routine renewal of US sanctions last month, said they might make it impossible for Libya to pay foreign companies and workers.

But there was no sign of any delays yet.

The sanctions freeze Libyan assets in US banks and ban any trade with or travel to Libya by US firms and individuals.

The central bank, however, portrayed the renewal as an escalation in the dispute between Tripoli and Washington over the bombing of a Pan Am plane over Lockerbie, Scotland in 1988.

ROK got \$ 3b construction orders in '90

SEOUL, Jan 4: South Korea received 3.03 billion dollar in construction orders from overseas last year, up 42 per cent from the previous year, officials said Friday, reports AP.

Officials at the Overseas Construction Association of Korea, a private group of contractors, attributed the increase to a rise in orders in technology-intensive projects such as petrochemicals and power generation.

Southeast Asia topped the list with 1.88 billion dollar, followed by 808 million dollar in the Middle East, 245 million dollar in North America and the Pacific, and 37 million dollar in Africa.

The association set this year's goal at between four billion and 4.5 billion dollar.

Major projects under negotiation this year include 1.8 billion dollar power plant being pushed by Daewoo, it said.

Meanwhile, Labyco Corp said Friday that it had won a one billion dollar highway construction contract in Pakistan.

Iraq-UN meet may sway oil prices

NEW YORK, Jan 4: Iraq's meeting next week with the United Nations to discuss its re-entry to the oil market could sway prices, which rose this week as technical factors overcame underlying fundamental weakness, analysts said, reports Reuters.

The major task still lies ahead," Singh told reporters.

The next two years are going to be crucial for curbing inflation, government expenditure and to give buoyancy to revenue collections.

The biggest challenge would be cutting the fiscal deficit to three or four per cent of GDP by fiscal year 1994/95 from an anticipated 6.5 per cent in the current year ending on March 31, he said.

India launched a series of fiscal reforms in July last year to bail out an economy burdened with a 71-billion dollar

Luxembourg BCCI liquidated

LUXEMBOURG, Jan 4: The Commercial Court of Luxembourg Friday declared the liquidation of Bank of Credit and Commerce International S.A. which has been closed down since last July for fraudulent activities, reports AFP.

Luxembourg-based BCCI S.A. was one of two subsidiaries of BCCI holding through which the BCCI network ran its activities in Britain and the United Arab Emirates, two countries where it was particularly well established, as well as in Germany, the Netherlands, Jordan and Yemen.

A second Luxembourg-based subsidiary, BCCI Overseas, dealt elsewhere in the world.

The court named three li-

quidators, Briton Brian Snodgrass, and two Luxembourg citizens, Georges Duden and Julien Roden.

The British High Court in London is due on January 14 to make a ruling on the liquidation of BCCI's British branch, having already twice postponed making a ruling.

The liquidation of BCCI S.A. was requested last month by the Luxembourgish Monetary Institute, the banking regulation authority in the Grand Duchy. The Institute's Director-General Pierre Jaans told AFP that the British court was expected to follow Luxembourg's lead in declaring liquidation.

Jaans said the liquidation of BCCI S.A. would allow main-

tenance of the "present state of protection" of the bank's creditors.

BCCI S.A. was placed under administration on July 5, but that status expires Sunday and it had been necessary to avoid a disorderly rush of creditors for the company's assets thereafter, he said.

The Luxembourg court decision should also allow the liquidators to take advantage of insurance deposits on behalf of creditors, Jaans added.

Eight national central banks, including the Bank of England, on July 5 suspended BCCI's activities in 70 countries following reports of numerous fraudulent activities by the bank.

Miyazawa goes to shrine to prepare for Bush

TOKYO, Jan 4: Days before he faces the challenge of answering President Bush's demands for trade concessions, Prime Minister Kiichi Miyazawa prayed at a Shinto shrine Saturday and asked his nation to help the Americans, reports AP.

The economic situation in the United States is very severe. Since the war, the Americans have helped us out all along. We have to return that long-term friendship with our own friendship," Miyazawa told reporters after he visited the shrine.

During their annual visit to the most important shrine in Japan's indigenous Shinto religion, Miyazawa and several members of his Cabinet, dressed in formal dark suits, clasped their hands and vowed in prayer to the Sun Goddess, perhaps seeking help in the ordeal that awaits them with Bush's visit.

The Ise shrine, in the city of Ise on the central Japan coast, houses a sacred mirror said to hold the spirit of the Sun Goddess, the legendary ancestor of the Japanese people.

Bush is facing increased pressure to talk tough with Japan in this US election year and has made it clear that he is expecting help in reducing the US trade deficit with

Japan, which totalled 41 billion dollar 1990.

"We're going there to talk about economic opportunity and jobs. There's no question about that," Bush said Saturday in Singapore.

Bush arrives on Tuesday, accompanied by 18 US business leaders including the chairmen of Ford, General Motors and Chrysler.

Miyazawa, whose ruling Conservative Party must also contend with parliamentary elections this year, faces what has become a routine challenge for Japanese leaders of satisfying both US presidents and domestic supporters.

"Aren't the leaders of the two economic giants... supposed to draw up a new world order for the post-Cold War era, instead of constantly discussing cars and rice?" a columnist for the Mainichi newspaper complained Saturday.

But Miyazawa, anxious to ensure a successful summit, has spent the week making conciliatory but vague statements on trade.

He said Saturday that while he knew Japanese auto manufacturers already were helping, they would have to go "to the absolute limit" in purchasing US-made parts and in holding down exports to the United States, news reports said.

Japan officials fear worse trade friction with US

TOKYO, Jan 4: Just ahead of a visit by US President George Bush, a majority of Japanese government and corporate officials say US-Japan economic friction will intensify in 1992, a poll by the daily Sankei Shimbun showed, reports Reuters.

The Japanese daily said it surveyed 200 officials from top government ministries and agencies and top companies doing business with the United States. The poll comes ahead of Bush's four-day visit here next week.

ADB cuts lending rate

MANILA, Jan 4: The Asian Development Bank (ADB) said it had reduced its lending rate on ordinary operations loans to 6.58 per cent per annum from 6.61 per cent effective January 1 to June 30, 1992, reports Reuters.

The pool-based variable lending rate is adjusted early in January and July.

It is determined by adding a spread, currently 0.40 per cent per annum, to the average cost of outstanding bank borrowings included in the pool, the bank said in a statement.

Price anarchy reigns Russia

MOSCOW, Jan 4: Price anarchy swept across Russia and surrounding former Soviet republics, the second day of free prices after 70 years of state control, reports Reuters.

Printing presses churning out cash around the clock failed to keep pace with the demand for money but with few exceptions shop shelves that have been empty for months failed to fill.

Opposition forces redoubled objections to what they saw as gathering chaos.

As if economic collapse did not provide enough problems for the new commonwealth of former Soviet republics,

Ukraine stoked a simmering row over the carve up of former Soviet forces.

It said it was going ahead with annexing the important Black Sea fleet, of which Russia claims part, and began to put pressure on troops loath to pledge an oath of allegiance.

In Georgia, the only one of 12 republics to shun the commonwealth, a bloody revolt intensified with the killing of two pro-government demonstrators in the capital, Tbilisi.

The beginnings of free pricing, initiated by Boris Yeltsin's giant Russian Republic and dragging others in its wake, brought forth res-

ignation rather than food supplies.

Yeltsin says Russian can only move from a Marxist to a market economy with free prices. Armenia and Kazakhstan said they would follow, joining Belarus, Moldova and Ukraine.

All fear goods could migrate onto the free Russian market if they do not keep pace with their giant neighbour.

But Moscow suburban shops were empty of goods and people, although a few shops in the centre drew short queues of affluent Muscovites to buy goods unavailable for months.

"Shops are notable for the size of the numbers on the price tags, not an abundance of goods," wrote a commentator for Tass news agency. "Where goods are selling, price anarchy reigns."

The price of sour cream, a staple of Russian cooking which last week sold for 0.60 rouble a kg, rose to 18 rouble in Tula, to the south of Moscow, and 69 rouble in Yaroslavl, to the north. The average wage is around 300 rouble a month.

The commentator said

shops could not explain how the prices were arrived at. "They are plucked from thin air," he said.

"Have you heard about free prices?" one Moscow shopper joked wryly. "You go into a shop, look at the prices and you're free to go."

In one factory Intecpol, Ukraine, resignation gave way to anger when workers staged a wildcat strike at the prospect of paying a mere 11.80 rouble for their sour cream.

Pressure for higher wages to keep pace with prices suggested hyper-inflation was here to stay.

Russian Parliamentary Speaker Ruslan Khasbulatov told deputies that money presses, already churning around the clock, could not keep pace with the demand for cash, despite the introduction of a new 500-rouble note a month ago.

A new 1,000-rouble note is already being prepared. Money began to lose not only value but also currency, and shoppers now face a bewildering array of payment methods.

Know-how and cash need of the hour

PARIS, Jan 4: Know-how as much as hard cash is what is most urgently required to save the republics of the former Soviet Union from an economic catastrophe, western experts said here as officials grappled with the issue of aid to the erstwhile superpower, reports AP.

Representatives of 17 creditor nations gathered Friday with officials of the Vneshekonombank, the former Soviet Union's trade bank, to work out a final agreement on postponing repayments on the Soviet Union's external debt, estimated at between 65 and 80 billion dollar.

Experts agreed however that above all Russia and its fellow members of the Commonwealth of Independent States needed an injection of skills and know-how in making the transition from a command to a market economy.

Apart from emergency aid, the most effective aid will be pedagogical, educational and training assistance to transmit the basic requirements for a market economy, said Anita Tiraspol'sky of the French Institute of International Relations (IFRI).

The economic rescue plan being applied in Russia by the team of young economists surrounding President Boris Yeltsin is based largely on the International Monetary Fund-backed reform programme already adopted in Poland, Czechoslovakia and Hungary.

However cold-shoulder therapy of this kind involves much greater risks in Russia, according to Gerard Wild, head of the Eastern Europe Department of the French Centre for

International Information and Prospective Studies (CEPII).

The West has to match up to what is at stake. It can't finance everything, but aid is essential to restore confidence otherwise a catastrophe may not be far off," he warned.

With economic structures visibly crumbling, the leaders of the Commonwealth had virtually no other choice in the view of Jacques Aitali, President of the European Bank for Reconstruction and Development (EBRD) charged with assisting the economics of the former Soviet bloc.

Drastic remedies, such as the lifting of price controls were required even at the risk of killing the patient, he said.

Now more than ever the West has to provide aid to Russia and the other republics to avert the risk of a social upheaval, Aitali commented. This doesn't just mean getting through the winter. It means setting up the institutions that will get the market economy going, he told French radio on Friday.

Other measures to be introduced by the Yeltsin team include a large-scale privatisation programme and swinging reductions in public expenditure.

Jeffery Sachs, a Harvard University economist and one of Yeltsin's leading foreign advisors, estimates the Western financial assistance needed for Russia and its fellow CIS republics at around 30 billion dollar for 1992 alone.

The European Community has announced an emergency programme of food and financial aid totalling 600 million Ecu (780 million dollar).

Dollar stable

NEW YORK, Jan 4: The dollar closed mostly higher, scoring continued gains against the German currency and managing to stabilize against the yen, reports Reuters.

You're seeing a weak mark, said Sheldon Matlow of Standard Chartered Bank. He said the market was anticipating something positive out of the Bush talks in the Far East, to push the yen higher, the mark has been weakening against the yen and against other European currencies on the belief a higher yen will be used to cure a huge Japanese trade surplus.

The dollar closed at 1.5425/35 mark and 124.60/70 yen, up from 1.5400/10 and 124.55/60 at

the open.

The dollar closed below its intraday peak of 1.5500 mark, as late position squaring and profit-taking trimmed gains.

At the US close the mark was at 80.78 yen, compared to 80.87 at the open and 81.28 Thursday night. The mark recovered against European currencies, ending at 89.10 Swiss centime compared to 88.96 at the open.

Sterling was 2.8530 mark, compared to 2.8607 at the open.

Andrew Hodge of Bank Brussels Lambert said the oft-cited explanations of an appreciating yen due to the visit of President Bush to Japan next week and Soviet economic problems hurting Germany did not tell the whole story.

Business Briefs

Delhi refines duty structure: The Indian government has modified the duty structure on many items by announcing a series of item-specific concessions Thursday night, according to notifications issued by the finance ministry, reports Xinhua from New Delhi.

The government has exempted from basic and additional customs duties machinery, equipment, instruments and components required for the Integrated Guided Missile Development Programme of the Defense Ministry.

ROK targets price stability: President Roh Tae-woo ordered his cabinet Saturday to place top priority on stabilizing prices and reducing trade deficits, the presidential office said, reports AP from Seoul.

In an emergency meeting of economic ministers, Roh said this year's most urgent government task was to recover the vitality of the Korean economy by curbing high inflation and trade deficits.

Extortionist executed: Authorities in the city of Xian executed 20 people in one day, including a man who allegedly killed a 3-year-old child he kidnapped in a failed extortion plot, according to an official report seen Saturday, reports AP from Beijing.

The Shaanxi Daily newspaper (Shaanxi Ribao) reported Thursday that the executions were carried out after a mass sentencing December 27 in Xian, the capital of Shaanxi province in central China.

The report said the people executed had committed "extremely odious" crimes. Executions in China are by a single gunshot to the back of the head.

Pak reserves soar: Pakistan's foreign reserves rose sharply to 492 million dollar in December compared with 275 million in November and 217 million year ago, the State (central) Bank of Pakistan (SBP) said, reports Reuters on Saturday from Karachi.

It gave no reason for the rise, but an official of a private commercial bank attributed it to 310 million dollar released by the International Monetary Fund (IMF) in December as the third and last tranche of an Economic Structural Adjustment loan.

Pak-Azeri trade ties: Pakistan and the Central Asian republic of Azerbaijan have agreed to set up their first-ever joint venture to promote economic and technical cooperation, an official report said Friday, reports AFP from Islamabad.

The two countries in partnership with a Gulf businessman have decided to float a joint venture with an initial investment of about 400 million dollar, the official Associated Press of Pakistan (APP) said.

Ju-Yung to form party: Chung Ju-Yung, founder of South Korea's giant Hyundai business group, announced Saturday that he was creating a political party to reform politics, reports AFP from Seoul.

Chung said at a press conference that he would launch the party this month and run candidates in coming elections, including the Spring's national assembly elections and the presidential poll next winter.

Common market in Africa: The 18-member Preferential Trade Area (PTA) for eastern and southern Africa will become a common market in five to seven years, its secretary general said Friday, reports AP from Addis Ababa.

Bingu Wa Mutharika told journalists in Ethiopia's capital of Addis Ababa that plans were complete and will be discussed at the meeting of PTA members in Lusaka, Zambia, later this month.

ROME, Jan 4: When Giancarlo Parretti came face-to-face with his past, the unhappy reunion spelled doom for the water-turned-millionaire scrambling to save his crumbling financial empire, reports AP.

A week ago, Parretti was at the airport, moments away from a flight to Tunisia. The Italian said he was going to meet an Egyptian banker who could lend him the money to regain control of MGM-Pathe Communication Co.

But inside the VIP lounge Parretti encountered Giacinto Rabuazzo, an unwelcome face from the past who forced the financier to miss the plane.

In the 10 years since their first meeting, Parretti had par-

layed a hotel he bought along the Sicilian coast into a financial empire of 300 companies he valued at more than three billion dollar.

Rabuazzo also had prospered. When he arrested Parretti a decade ago he was a young second lieutenant in Italy's tax police. This time, he was Maj Rabuazzo, unit commander in Stracusa, Sicily. He tapped Parretti on the shoulder two days after Christmas and led him off to jail.

The arrest caused me the loss of the biggest business in my life," Parretti was quoted as telling investigators by the Milan newspaper Corriere, Della Sera.

Three days later judge in Wilmington, Del, ruled Parretti

had reneged on an agreement with his major creditor in the MGM takeover and gave control of the film studio to Credit Lyonnais Bank Netherlands NV.

While ecstatic bank officers celebrated their good fortune, Parretti spent New Year's Eve where he remains inside a maximum-security jail cell.

Parretti is charged with illegally transferring about 27 million dollar out of Italy, failing to pay 46 million dollar in sales taxes and hiding revenues of about 172 million dollar. He is also under investigation for allegedly evading 105.2 million dollar personal income taxes.

Parretti's Rolls Royce is gone, his private jet grounded,

his mansion in Beverly Hills closed.

"It is hard to see him ever being able to overcome the difficulties that he now finds himself dealing with," said Paul Dionne, an analyst with Milan's Pasfin Investment Bank. "I think Mr Parretti's decline is irreversible. We are not seeing any legitimate support for the fellow."

On Friday, a Syracuse judge rejected a motion to release Parretti, one of the financier's lawyers said.

Parretti started his first business, the Sicilian hotel, in 1968 at age 27. Two decades later he directed his multi-billion-dollar empire from villas in Beverly Hills, Paris, his hometown of Orvieto north of

Rome or from France's Cote d'Azur.

One question dogged him all along the route of his meteoric rise: "Where did he get the money?" That question raised others about his associations.

Despite his repeated denials, stories and rumours persisted about links to Sicily's underworld.

"Mafia? Behind me there is only years of hard work," Parretti said in March of 1989. He said repeatedly the money for his acquisitions came from his other operations.

April 1990 as he directed the 1.3 billion dollar takeover of MGM.

But the questions persisted about the adopted son of a wine merchant. His earliest contacts with the rich and powerful came as a waiter at the prestigious Savoy Hotel in London and abroad the luxury liner Queen Elizabeth.

Parretti was arrested the first time by Rabuazzo in 1981 during an investigation into alleged financial irregularities at the soccer team he ran in Stracusa.

In March, a Naples court sentenced him to three years and 10 months in prison for fraudulent bankruptcy in the failure of one of his newspapers.

The rise and fall of a Roman empire