Republics allowed to defer debt repayment
EC to sell food aid in Russia

MOSCOW, Jan 5: The European Community will sell and not distribute free—a food aid package worth 240 million dollar in Moscow and St Petersburg over the next two months, a senior EC official said on Friday, reports Reuter.

The food will be sold to support market reform, this is not profiteering, this is a policy of double support, EC envoy Michael Emerson told a news conference.

He was speaking one day after almost all prices were freed in the Russian federation, ending 70 years of Communist controls which had kept them artificially low and exposing 150 million Russians to a sharp rise in their cost of living.

Profits from sales of EC food— which includes meat, powdered milk and butter— to those who can afford to buy would go into a special fund to help the poorest, Emerson said.

The money would be accumulated at special bank accounts of administrations of both cities.

Emerson said the EC was determined to help Russia carry out its radical economic reform plan and ease the hardships of the population during the painful transition to a market economy.

He said he hoped marketing the food would help bring at least some supplies to now-bare shop shelves. Five per cent of the food would be distributed to the poor directly and not sold.

The aid worth 200 million Ecu was already being delivered by plane and truck to Russia's two biggest cities, Emerson said. Marketing will start within a few days.

EC officials and specially hired western experts will monitor delivery of the food to storehouses, selling it first to shops at what Emerson called reasonable prices and then to customers to prevent abuse.

Before President Boris Yeltsin's attempts to move from a Marxist to a market economy, scarce food delivered to shops was traditionally hidden from customers and sold for bribes.

AP from Paris discloses: Seventeen Western creditor nations agreed Saturday to allow eight former Soviet republics to suspend debt payments until the end of 1992.

The agreement allows deferral on the principal of medium-and long-term external debts contracted before Jan 1, 1991 and falling due between Dec 5, 1991, and the end of 1992, according to a statement.

A participant at the meeting said the deferral involved a total of 3.2 billion dollar. He spoke on condition of anonymity.

The decision came after two days of closed- door meetings between the 17 nations, a delegation for the republics headed by Petr Aven, the cochairman of the Inter-State Council on Supervision of Foreign Debt Servicing, and Tomas Alibegov, first deputy chairman of the former Soviet foreign trade bank, Vnesheconombank.

The Group of Seven leading industrial democracies agreed in late November to work out an arrangements for debt rescheduling, and the meeting was viewed as a starting point for debt talks with the newly independent republics.

The lending nations reviewed the eight republics cash crisis as well as commitments to resolve it, according to a statement released. The statement stressed the importance of the Memorandum of Understanding signed Oct 28, 1991, by the eight republics and the Soviet Union in which the republics declared themselves liable for the nation's external debt.

The statement also said that for the deferral to remain valid, payments on non-deferred amounts must be made on due dates.

In his presentation, Aven said that ambitious economic and structural adjustment programme were to be introduced in the first quarter of 1992 in order to liberalize prices and exchange rates and reduce public expenditures, monetary growth and fiscal deficits.

The eight republics involved in the agreement are: Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan, Moldova, Tajikistan and Turkmenistan.

The 17 lender nations are: Australia, Austria, Belgium, Britain, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland and the United States.

Drug risks stability of W Europe

BONN, Jan 5 : Latin American and Asian drug cartels are threatening to undermine the political and economic stability of western Europe, a German news magazine said on Saturday, reports Reuter.

Der Spiegel said a confidential document prepared for Chancellor Helmut Kohl by Germany's Intelligence Service (BND) warned Germany was at risk from the cartels, which reap billions of dollar from the illegal heroin and cocaine trade.

The BND report said there were signs that drug cartels were investing in economically-depressed former East Germany and that cocaine and heroin bosses had set up a strategic reserve aimed at opening up new markets in the European Community.

EC meets Jan 11 to finalise response to GATT proposal

BRUSSELS, Jan 5: European Community trade and agriculture ministers will meet in Brussels on January 11 to finalise the bloc's response to proposals for a world trade liberalisation agreement circulated by GATT's senior official just before end-year, a Portuguese spokesman said, reports Reuter.

EC foreign ministers will meet the previous day to discuss events in the former Soviet Union and coordinate the Community's position ahead of a US-hosted conference on aid to the former Soviet republics on January 22 and 23 in Washington, he said.

The foreign ministers may also discuss the situation in Yugoslavia, the spokesman added.

Portugal has scheduled the meeting in its capacity as president of the Community for the first half of the year.

In December EC trade and farm ministers rejected the proposals on agriculture contained in the draft text for a world trade agreement put forward by the Director-General of the General Agreement on Tariffs and Trade, Arthur Dunkel.

But at a special meeting on December 23 they said proposals in some other areas were positive. Their reaction was based on a preliminary assessment of the text, which officials have since been analysing in greater detail to prepare the EC's definitive response.

The January 11 meetings will come two days before GATT member states meet in Geneva for their first discussion of Dunkel's compromise package.

EC opposition to Dunkel's proposals on agriculture is led by France, which is strongly resisting pressure from the US and other farm produce exporters for steep cuts in the Community's farm export subsidies.

Portuguese Foreign Minister Joao De Deus Pinheiro said in a newspaper interview published yesterday that he was not optimistic that a GATT Uruguay Round deal could be clinched by July.

African leaders meet on common market Jan 30-31

ADDIS ABABA, Jan 5: Leaders of east and southern African countries are set to meet later this month to discuss moves by the 18-nation Preferential Trade Area (PTA) towards a common market, the organisation's head said, reports Reuter.

The trade turnover in the region could increase two-fold from what it is now PTA secretary-general Bingu Wa Mutharika told a press conference in Addis Ababa. Official trade between PTA states totalled 1.1 billion dollar in 1989-90, a fraction of the states total external trade, he added.

A two-day summit would be held by member states in Zambia's capital of Lusaka between January 30 and 31, Mutharika said.

In its 10-year history the PTA has created facilities such as a clearing house in the group's headquarters in the Zimbabwean capital of Harare and a Trade and Development Bank.

But economic analysts said the chances of creating a common market were slim. Scores of regional groups have tried to promote inter-African trade with little success.

With a combined gross domestic product of 70 billion dollar, the PIA includes some of the world's poorest countries.

PIA states would welcome South Africa into the organisation once it had abolished apartheid and established a multi-racial political system, Mutharika said.

Agonizing journey to free market

MOSCOW, Jan 5 : Boris Yeltsin has planted the seed of a market economy in the new commonwealth by lifting price controls on most goods. But even before it takes root, weeds are flourishing, reports AP.

Last Thursday's price reform was a painful but unavoidable step to save the economies of the Commonwealth of Independent States (CIS). Artificially low prices under Communist rule had skewed nearly every aspect of the Soviet economy leaving stores empty and the government sinking in debt.

Yeltsin's government, the commonwealth's strongest, hoped that letting prices float according to supply and demand would prod producers to make more goods, people to work harder, bosses to pay better and stores to sell more.

But under political pressure, Yeltsin didn't lift all controls, didn't replace the old distribution system, and didn't coordinate the step rationally with other states whose economies are entangled with his.

And only a decision by most other states to raise their prices as well prevented the young alliance from reaching the breaking point. The price increases discouraged Russian bargain-hunters from flooding into other areas.

Yeltsin's compromises likely will impede efforts to replace the crippled Communist system with a market economy. Although still early to judge, the first three days provided little encouragement.

Shelves in state stores were just as empty on Saturday as they were last month, despite predictions by Yeltsin's economic advisers that goods would start appearing quickly because of low demand.

Prices remained high in the expensive private farmers markets. One private milk merchant said Friday she didn't expect the situation to change until Yeltsin followed through with his next reform: privatization of state stores.

"No miracle has occurred," the Tass news agency wrote. "January 2, 1992, the first day on which prices were set free in Russia, produced nothing to gladden shoppers in Moscow or any other place across the vast country."

In addition, preservation of state-set prices on necessities will ensure the livelihood of black marketeers. Instead of legitimizing their businesses for the good of the economy, the states will let the black market continue to funnel goods mostly to well-heeled and well-connected consumers.

Still, there was some ground for hope.

Yeltsin's sell-off of stores, factories and businesses will help bury the remains of the state system and let businesses flourish. He has promised to start privatization by Summer, although Russian today put about as much faith in promises as in the nearly worthless ruble.

The decision by other states to raise prices, albeit out of self-intrests, preserves the commonwealth for the time being and leaves open the opportunity for cooperation on other steps such as privatization and currency reform.

Yeltsin's own political prestige also was reaffirmed, for now, because he took the forceful step that Mikhail Gorbacheve had delayed repeatedly: freeing prices. People interviewed in recent days said they credited Yeltsin most for taking the action that others merely promised.

It is impossible to know whether people's patience will last until conditions improve—something Yeltsin has promised in a year. Most people's private stocks of food and goods will have run out long before then, and so far salaries and production haven't risen enough to compensate.

Russia's own stockpiles also are limited. The government grain committee said Saturday it only has four months' worth of reserves, and that a shortage of hard currency was making it difficult to purchase more from abroad.

But the Russian government apparently was confident the price reforms, and the subsequent steps, would succeed. Russian Economic Minister Yegor Gaidar told Tass that Yeltsin's government as of Saturday had "no alternative plan if the free market prices bring no results."

Rao sacrifices 10 pc salary

NEW DELHI, Jan 5 : Indian Prime Minister PV Narasimha Rao has decided to cut his salary by 10 per cent amid government efforts to slash its own burgeoning expenditure, reports AFP.

Rao followed the recent example set by President Ramaswamy Venkataraman, who volunteered to forego 10 per cent of his wages.

The 70-year-old prime minister communicated his decision in a letter to his cabinet colleagues released here Sunday. He urged them to follow the gesture.

His letter said a measure of personal austerity was essential to slash government spending. Volunteering a cut in salary would drive home the seriousness of the financial crunch facing India, it said.

"Perhaps a similar reduction in all ministerial salaries could be considered," he said in the letter. "This of course is only an idea. But I would like to leave it (decision) with you," he said.

Bush, Miyazawa to fight tough

TOKYO, Jan 5 : When US President George Bush and Japanese Prime Minister Kiichi Miyazawa meet this week, both will be seeking foreign policy success to boost faltering fortunes at home, reports Reuter.

Topping Bush's agenda will be calls for Tokyo to ease the way for US car and car-part makers to sell here. He is also expected to urge Japan to open its rice market and to stimulate the sagging Japanese economy to boost demand for US products.

Trade in cars and car-parts accounts for about 75 per cent of Japan's trade surplus with the United States.

That surplus is likely to have risen to about 41 billion dollar in 1991 from 38 billion in 1990, against a record 52.1 billion dollar in 1987.

US trade rhetoric has intensified as an election year gets under way with the American economy still struggling to emerge from recession and the US car industry in trouble.

American business and political leaders are now urging retaliation if Tokyo takes no action to limit its exports.

The tough rhetoric, analysts say, has raised expectations about the success of Bush's Asian — trip expectations that stand little chance of being completely satisfied.

"It could be a disaster for Bush," said Robert Orr, Director of the Japan Stanford Centre. "He's created a whole set of expectations, but they are not going to be met".

Charges from Bush's critics that he was ignoring the weak domestic economy while playing at diplomacy forced him to postpone his Japan visit in November. By the time the trip was rescheduled, focus had shifted from the broad confirmation of ties Tokyo sought to a high profile US campaign to create jobs at home by opening Asian markets. The move to invite 21 corporate officials, including heads of the big three US carmakers to accompany Bush, was hardly welcomed in Tokyo.

"Prime Minister Miyazawa's hope was that since this is a meeting of national leaders, it would not stop at bilateral issues but as much as possible discuss the US and Japanese global roles," said Takujiro Hamada, a member of Miyazawa's faction of the ruling Liberal Democratic Party (LDP).

"It doesn't appear to be going that way," he told Reuters. Miyazawa, his popularity sagging after some domestic political blunders is keen to win domestic kudos for his handling of Bush's visit. The premier appears to be going out of his way to meet as many US demands as possible — though how many friends this will win him at home remains doubtful.

Miyazawa called on Saturday for his people to take a positive approach to US request for economic concessions.

He said he planned to relax a certification standard to help increase import of US-made cars and car parts.

In his new year's news conference on Wednesday, Miyazawa had said yet again that he was seeking cooperation from Japanese car and car parts makers to expand sales of US-made vehicles in Japan and jointly develop car parts with US components makers.

"I am asking (domestic makers) to seriously think about the US auto industry, symbolised by the recent layoffs at General Motors," he said.

The Bank of Japan did its bit by announcing on December 30 that it had cut the official discount rate, the fee it charges on loans to commercial banks, to 4.5 per cent from five. The rate was trimmed to five per cent from 5.5 less than two months earlier.

The official portion of Bush's visit begins on Wednesday

On Thursday, Bush and Miyazawa will hold their second summit meeting.

Dr. Fuad Abdullah Al-Omar, leader of the delegation of Islamic Development Bank called on Planning Minister Zahir Uddin Khan Saturday. — PID photo

Cautious start at London commodity market

LONDON, Jan 5: The new year started on a cautious note on London commodity markets, which had a rather disastrous time in 1991 due to recession and oversupply, reports AFP.

Traders stayed away from their desks over most of the Christmas and New Year period while gloomy forecasts were made on the UK economy, suggesting that industrially-used products are unlikely to see a significant rise in demand during the first few months of the year.

Soft commodity prices on the other hand are likely to be directly influenced by import demand from the former Soviet Union. The highlight of the past two weeks on the international scene was Mikhail Gorbachev's resignation on Christmas Day, as the Soviet Union disintegration was sealed by the creation of a Commonwealth of Independent States (CIS).

Platinum fell to its lowest level in six years as Japanese investors continued to liquidate their positions. A Japanese trade house forecast that prices may fall as low as 300 dollar if selling continues at the same pace.

Among softs, cocoa fell to its lowest level for four months and coffee fell to a three months low, as the impact of technical selling was accentuated by thin trading conditions.

Gold: Weaker. Gold prices fell after the Christmas break on rumours that the Soviet gold held abroad as collateral against loans might be sold. Losses were later slightly reduced on sentiment the market had been oversold, but the tone remained overshadowed by platinum's weakness.

The cut in the Japanese discount rate failed to move the market. Traders GNI said the cut was widely regarded as too little too late and was unlikely to undermine the yen nor have a massive stimulating effect on the Japanese economy.

Platinum: Weaker. Platinum fell to its lowest level for six years as investors liquidated their positions. Analysts said the selling was prompted by a gloomy forecast from the Summitomo Corporation precious metal dealing department, which warned that selling by Japanese investors might drive prices as low as 300 dollar per ounce. Analysts also pointed out that negotiations between Russia and the Japanese about 1992 platinum supply contracts are currently going on and might be a factor in the price collapse.

The weakness in the automobile industry has also had a depressing effect on prices, as it reduces demand for autocatalysts, platinum's main industrial outlet.

Silver: Firm. Silver prices improved in quiet trading. Even when trading resumed normally in London on January 2 lack of activity was felt due to the closure of Japanese and Swiss markets.

Copper: Weaker. Three months prices dropped to their lowest level for three and a half years just before Christmas on precautionary long liquidation before the extended break on London Metal Exchange (LME).

When trading resumed on December 30 prices were briefly supported by the previous week's one point cut in the US discount rate and by the subsequent surge in the US stock market, as an economic recovery in the United States would boost demand for base metals. The surprise half a point cut in the Bank of Japan discount rate also brought some support, although in the UK the economic picture for 1992 remained gloomy.

Copper later lost ground again on news that LME stocks had reached their highest level since March 1984. Over the past two weeks stocks went up by 15,450 tonnes to 332,325 tonnes.

Lead: Easier after firm start. Lead prices were supported by hopes of an economic revival in the United States. News that Bulgaria will halt production at its biggest lead plant for several months for environmental reasons and that the Mount Isa smelter is to close for one week following an explosion may also have brought some support.

Gains however were reduced by height of lime stocks. They increased by 400 tonnes over the past two weeks to 126,350 tonnes, having touched earlier an April- 1984 height of 126,500 tonnes.

Zinc: Quiet. Zinc prices remained stuck in a narrow range for most of the time but news Friday of a rise in LME stocks after several declines was expected to pressure prices. Compared to two week before stocks were up 4,125 tonnes lower at 154,050 tonnes.

Aluminium: Firmer. Renewed economic optimism in the United States supported prices as did rumours of a production cut at an Eastern European smelter. But news Friday that LME stocks have now topped the one million tonne mark was expected to pressure prices. Over the past two weeks stocks rose by 70,900 tonnes to a record 1,008,950 tonnes.

Nickel: Quiet. Prices moved irregularly in a narrow range, without clear direction. The tonne was overshadowed by high LME stocks. They rose by 648 tonnes over the two weeks to 11,850 tonnes, having earlier reached 12,102 tonnes their highest level since October 1984.

Tin: Easier after firm start. Tin prices failed to maintain initial gains, and were pressured by the rising trend in LME stocks, which went up by 380 tonnes to 13,670 tonnes.

Coffee: Easier. After a lethargic Christmas week, coffee futures fell to a three months low at January, which will come off the board on January 31, became tenderable.

Worries about possible falls in the price of Arabica coffee at the beginning of 1992 also overshadowed the market. Traders E D and F man said Arabica prices should come under pressure because of high Colombian production and Central American selling. Other traders pointed to the possibility that Brazil and Colombia sell off some of their stocks, estimated at 17 and 7 million 60 kilo bags respectively.

Sugar: Quiet. Sugar futures hardly moved over the past two weeks without clear fundamental direction.

Talks that former Soviet republics and Cuba are currently negotiating new trading arrangements was the mole factor in the market traders GNI said that a swap of CIS oil for Cuban sugar would lessen speculation that sugar originally destined for Eastern Europe would simply head for the free market.

But on the other hand, it lessens expectations of a collapse in the new Cuban crop due to energy shortages.

Cocoa: Weaker. Cocoa futures fell to their lowest level for four months on the first trading day of the new year on technical liquidations and rumours that cocoa arrivals from the Ivory Coast were higher than last year. The rumours remained unconfirmed, and a trader said that an expected slowdown in the rate of Ivory Coast arrivals into Europe had not materialised, which might have prompted the fall in futures prices.

Prospects for 1992 however remain encouraging, as world production should be below consumption for the first time in eight years. The Ghana Cocoa Board said that the Ghanean crop might fall to 250,000 tonnes in 1991-92, 30,000 tonnes below its previous forecast and 45,000 tonnes less than last season.

Vegetable Oils: Firmer. Vegetable oil prices generally firmed over the past two weeks. Soyabean oil however was pressured by a forecast by German Newsletter Oil World that world production of soyabeans might rise by three millions tonnes in 1992 to 105,3 million tonnes.

Coconut oil prices are expected to stay firm in 1992 on tight world supply. The Philippines, a top world exporter, forecast its coconut oil exports to fall by 22 per cent to 693,000 tonnes in 1992.

The FAO (Food and Agriculture Organization) said that world production of corp could fall by three per cent in 1992 after a five per cent fall in 1991.

It also said that world production of palm oil could rise by eight per cent to 13 million tonnes this year as a result of larger planted areas in Malaysia and Indonesia.

Crude Oil : Rally after weak start. Brent crude, the benchmark for North Sea oil, traded waters below the 18 dollar-per-barrel mark during the holiday period. But prices rallied above this level on the first trading day of the new year, supported by the latest American Petroleum Institute (API) figures which showed that US crude stocks had dropped by 10.3 million barrels in the week ended December 27.

Traders GNI said the market's undertone remains rather soft and that unless a more sustained pick-up in demand is noted, prices are likely to remain in a bear trend.

Talk of an emergency OPEC meeting to discuss the prospect of a glut next spring was rendered meaningless by Saudi Arabia's refusal to hold a meeting before the next scheduled session on February 12.

Rubber: Weak. Natural rubber prices hardly moved over the holiday period in London. In Kuala Lumpur the International Natural Rubber Organisation (INRO) indicator price fell below the must-buy level of 166 Malaysian/ Singapore cent per kilo, but the buffer stock manager surprisingly did not buy anything.

A special council meeting of the Kuala Lumpur-based organisation is to be held on January 21-22 to review policies aimed at stemming the slide in rubber prices.

INRO has bought more than 100,000 tonnes of rubber since the current five-year second International Natural Rubber Agreement (INRA II) was enforced, and under INRO to suspend or review operations, or review the current reference prices which guides the buffer stock manager in market intervention.

Grains: Firmer. Wheat and barley futures firmed in London, supported by sterling's weakness. Worries that discord among the ex-Soviet republics might disrupt purchases of western grain however kept a laid on the market.

Cotton: Quiet. Cotton prices hardly moved on the Liverpool market as trading conditions remained slow throughout most of western Europe. There were fears of delays in shipments from the former Soviet Union, and Soviet supplies available on the spot were offered at significantly higher prices than those for forward shipment.

Wool: Quiet. Wool top prices remained unchanged on a featureless Bradford market. Traders said that worries about the UK recession was undermining confidence in the wool industry, despite recent price rises in Australia. Exchange rates however tend to keep UK prices competitive.

UN faces fund crisis

UNITED NATIONS, Jan 5: The United Nations is faced with a financial crisis which poses a serious threat to its capacity to carry out urgent and important activities, according to a U N press release here on Sunday, reports Xinhua.

As of December 31, 1991, U N spokesman Francois Giuliani told reporters at a recent press conference, the total amount still uncollected from 85 member states for both regular budget and peace-keeping operations was over 800 million U S -dollar.

The failure of member states to pay their contributions, whether for the regular budget or for peace-keeping operations, has kept the U N on the brink of insolvency for a number of years.

"Such a failure, for lack not of will but of means, could seriously erode the regained confidence which has propelled governments and the public to turn to the U N for the solution to problems that endanger the maintenance of international peace and security," former U N Secretary-General Javier Perez de Cuellar warned recently.

The former U N conflict on many occasions urged members states to take prompt and decisive action to resolve this perennial, endemic problem, saying such action "is essential if the U N is to fulfil the new and unprecedented responsibilities which the membership has mandated.

According to U N statistics, of the over 800 million U S dollar in uncollected payments, the United States takes up more than 400 million.

Australia, Canada, Denmark, Finland, Iceland, Ireland, New Zealand, Norway and Sweden, which have paid their full contributions to the regular budget of 1992 on the first day of the U N financial year, urged all other member states to meet their obligations in full in order to enable the U N to meet the challenges in all fields of its activities.

Business Briefs

Lanka BCCI taken over : Sri Lanka's private Seylan Bank said the Monetary Board of the central bank granted it ownership of the Bank of Credit and Commerce International's (BCCI) Colombo branches, six months after Sylan took over their management, reports Reuter on Sunday from Colombo.

Seylan Chairman Lalith Kotelawala told a news conference that the decision was effective from January 1, 1992.

But General Manager Rohan Perera said 264 million rupees was still frozen in the failed bank's head office in the Cayman Islands, most of this belonging to Sri Lankans working in the Middle East. He said BCCI assets under Seylan control totalled 3.19 billion rupees.

China sells micro-chip plant to HK : A Chinese state-run electronics company signed a lease Saturday to build a micro-chip plant in Hong Kong worth 320 million US dollar, reports AFP from Hong Kong.

The lease will allow China's Shenzhen Electronic Group and other unnamed investors to finance the largest micro-chip plant in the British colony, officials said.

A Hong Kong official said the project was expected to be operating within three years.