

EBRD chief suggests G-8 including Russia

East-West European common market proposed

DAVOS, Switzerland, Feb 2: Russia should take part in summits of the Group of Seven (G-7) rich nations, and Western Europe should form a common market with Eastern Europe and the former Soviet Union, the head of the bank formed to rebuild the East said today, reports Reuter.

Jacques Attali, President of the European Bank for Reconstruction and Development (EBRD), was listing conditions at the World Economic Forum for Economic Recovery in Eastern Europe and what he called the far east of Europe — the former Soviet republics.

"I propose enlarging the G-7 process to a G-8," he said. Other conditions were a successful conclusion to world trade talks in the General Agreement on Tariffs and Trade (GATT), the formation of a payments union to revive regional trade in the East, and a conversion of the region's military industries to civilian use, Attali told the Forum.

Former Soviet President Mikhail Gorbachev met the leaders of the G-7 countries — the US, Japan, Germany, France, Britain, Italy and Canada — after their London summit last summer.

"We have to go further and integrate Russia as a full member of the G-7, to anchor Russia as a member of the international democratic countries," Attali said.

Europe had to create a continental common market embracing the 12 members of the European Community and the seven members of the European Free Trade Association (EFTA) in the West, and the reforming countries of the former Soviet Bloc.

The most important challenge for 1992 is the building of a new political and economic architecture," he said. This year would go down in history as one when politicians had to make vital choices for the future, he said.

"What I have in mind is a kind of agreement between the EC, EFTA, Eastern Europe and the European Far East, being an equivalent of the agreement between the US, Mexico and Canada," he said, adding it did not jeopardise GATT's existence.

Eastern Europe and the former Soviet republics needed to be more closely integrated into the markets of their neighbours in Western Europe, he said.

Attali said the costs of the billions of dollar of capital needed to rebuild the East would not have a real impact on world interest rates.

A rule of thumb was that every billion dollar would raise world interest rates by 0.01 of a percentage point.

But the world economy could benefit enormously from a successful conclusion of GATT talks, if that led to a reduction of farm subsidies. A reduction in military spending would also bring massive savings to the world economy.

Attali said he welcomed Russia's price liberalisation but said more reforms were needed to create market institutions.

"A beginning is important," he said. "But a market without institutions is just a black market and is very dangerous."

Russia now had to create Western-style tax and banking system. The EBRD and International Monetary Fund were helping Russia do this.

Turkey eyes free trade with CIS, Balkans

ANKARA, Feb 2: Turkey hopes a nascent Black Sea pact will promote free trade and private enterprise among its neighbours in the Balkans and the former Soviet Union, an official said, reports Reuter.

"We want to develop a model based mainly on the private sector," senior Foreign Ministry official Oktay Ozuyte told a news conference in Ankara.

The idea was to tear down trade barriers to let business flourish among nine member states which are due to initial a document on regional cooperation in Istanbul on Monday.

Ozuyte said Russia, Georgia, Romania, Moldova, Armenia and Azerbaijan would send their Foreign Ministers to the conference. Bulgaria and Ukraine will send Deputy Foreign Ministers.

They would decide on a date for a summit meeting in Turkey to sign the agreement and formally launch the group.

Ozuyte said it envisages cooperation in transport, energy, communications, agriculture, mining, tourism, industry, medicine and the environment as well as technical exchange.

It seeks gradually to remove trade barriers and promote small and medium-scale enterprises. A joint bank will be set up to finance projects, with possible assistance from Japan.

Ozuyte said the document would pave the way for free movement of labour and capital, though he described this as a long-term aspiration.

He said membership could eventually be expanded if all the original participants agreed. Foreign ministers would meet once a year but there would be no permanent secretariat at first.

Greece and Yugoslavia attended some preparatory meetings as observers and Ozuyte said Hungary, Czechoslovakia and Albania also seemed to be interested.

"We don't aim to be an alternative model to the European Community but a complementary one in a sense," he added.

Canton opens stock exchange

SOON

Canton (China), Feb 2: China's southern city of Canton is well on its way to setting up the nation's third stock exchange and foreign banks will be allowed to open branches there soon, Deputy Mayor Lei Yu said yesterday, reports Reuter.

Lei told a news conference that at least 10 firms planned to issue "B" shares, those available to foreigners, in Canton soon after the market opened. He gave no date for the opening.

Earlier this month the Beijing-funded China News Service said Canton wanted to open a bourse, following the lead set by Shanghai and the southern special economic zone of Shenzhen. It was waiting for Beijing's approval, it added.

Reformers in the free-wheeling south have been emboldened by a visit to Shenzhen and Canton by paramount leader Deng Xiaoping in the past fortnight, during which he called for reform to be speeded up.

Trading in "B" shares is set to start in Shanghai on February 20 and soon after in Shenzhen, the first time foreigners have been allowed to deal in Chinese stocks since the 1949 communist victory.



File photo of Fumio Abe, a former top aide to Prime Minister Kiichi Miyazawa, who was indicted Feb 1 on charges of taking 80 million yen (646,000 US dollar) in bribes from 1989 to 1990 from the Steel Frame Company Kyowa while he was a cabinet minister. — AFP photo

Miyazawa's ally formally charged with bribery

TOKYO, Feb 2: Prosecutors on Saturday formally charged former cabinet minister Fumio Abe, once a close political ally of Prime Minister Kiichi Miyazawa, with accepting hundreds of thousands of dollar in bribes, reports AP.

Abe, 69, the former secretary general of the governing Liberal Democratic Party, was arrested last month on suspicion of receiving 80 million yen (646,000 dollar) in bribes between August 1989 and January 1990 from Kyowa Co, a steel frame maker facing fraud charges that is now bankrupt.

Prosecutors said they also charged Goro Moriuchi, the 48-year-old former vice president of Kyowa, with having bribed Abe.

"I apologise deeply to the public that such a thing happened," Miyazawa told reporters in New York Saturday. "We take this incident seriously, and will do our best to establish political ethics and pursue political reforms in order to regain public trust in our politics."

The charges are the latest development in a series of recent money-for-influence scandals involving powerful politicians.

Debate in Parliament, which reconvened last week, has focused on the scandals as opposition legislators have tried to probe them and discredit the governing party in an election year.

Media reports say prosecutors are also planning to question former Prime Minister Zenko Suzuki and former Management and Coordination Agency chief Jun Shiozaki. The two are alleged to have received thousands of dollars from Kyowa through Abe.

Abe has not resigned from Parliament and only recently left the governing party, despite pressure from other Liberal Democrats who are afraid the scandal will tarnish the party's reputation with parliamentary elections scheduled later this year.

Miyazawa has not been linked personally to the allegations, but the scandal involving the former second-in-command in his faction has been a major setback for his administration.

Japan likely to cut car exports to US

TOKYO, Feb 2: Japan is considering a cut in its annual ceiling of car exports to the United States, Kyodo news agency said on Saturday, reports Reuter.

Ministry of International Trade and Industry (MITI) sources said the government will decide later this month whether to reduce the current export ceiling of 2.3 million units, according to Kyodo.

US President George Bush visited today this month to press Japan to help the ailing American car industry by boosting imports of American cars and parts.

Japan posts its biggest-ever trade surplus at \$103.3 b

TOKYO, Feb 2: A slump in oil prices and sluggish imports have caused the biggest trade surplus in Japan's history and it is likely to rise in 1992, economists said, reports Reuter.

The Ministry of Finance (MOF) announced today that Japan's unadjusted trade surplus rose to 103.29 billion dollar from a 63.53 billion surplus a year earlier.

The current account — the broadest measure of trade in goods and services — in 1991 more than doubled to 72.60 billion dollar from 35.76 billion.

Embarrassed officials portrayed the huge surge as a quirk.

"With expectations of oil prices staying weak and a slow recovery in the Japanese economy, the surplus is likely to widen this year," Kusuo Aoki, Deputy Manager at the Yamaichi Research Institute of Securities and Economics.

"As long as the government does not stimulate the economy, this trend of a growing surplus will not stop," he said. The slowdown in the Japanese economy has dampened consumer appetite for luxury imported goods such as expensive European cars and paintings and there is no sign of demand picking up.

One MOF official said that a rapid expansion in the surplus was unlikely in the long run.

But he acknowledged that lower import prices may widen the current account surplus in the near term.

Prime Minister Kiichi Miyazawa told parliament on Tuesday the current account surplus increase in fiscal 1991/92, ending March, was mainly because of one-off factors such as falling imports of luxury paintings and cars and lower oil prices.

"Such temporary drops in imports are likely to normalise in the coming fiscal year, helping to reduce the current account surplus from the current (1991/92) year," said Miyazawa.

Few economists believe Miyazawa, saying his comments were political ahead of his trip to the U.S. that started today.

"It is lip services to US President George Bush," said a Japanese bank economist.

"Looking at the rapid improvement in the first 20-day trade figure, it is difficult to expect Japan's trade surplus will decrease all of a sudden," he added.

MOF also announced on Friday the trade deficit in the first 20 days of January narrowed to 15.97 million dollar from a 993.88 million dollar deficit in the same period a year earlier.

Russian team will visit Delhi in Mar to resolve trade issues

NEW DELHI, Feb 2: A Russian delegation will visit India next month to discuss future trade links between the two countries and work out repayment plans for 1.23 billion dollar the former Soviet Union owes New Delhi, reports AFP.

Commerce Ministry Secretary A V Ganesan said negotiations between the new federation and India beginning February 8 will focus on three options for continuing bilateral trade.

They include plans for a two-year transitional phase of the existing ruble-rupee barter before replacing it with hard currency trade, or using hard currency except in such sectors as defence, coal, steel and power, he said.

The third option is to go fully convertible, India's top bureaucrat in charge of trade and commerce told reporters.

The two sides will also discuss measures to liquidate 1.2 billion dollar which have accumulated in technical credits from India to the former Soviet Union over the years, he said, referring to the loans it took from New Delhi under the now-collapsing bilateral barter system.

Part of the credit accumulated as India and the former union had mutually waived debt service on technical credits.

Prime Minister P V Narasimha Rao and Russian President Boris Yeltsin could link the new treaty during their talks in New York where the two leaders are presently participating in a UN Security Council summit, newspapers said here.

Exports in jeopardy

Another report adds: The collapse of the Soviet Union has been a "major constraint" on India's export growth rate during the current financial year, Commerce Minister P Chidambaram said Saturday.

He told a press conference in the southern city of Madras that the former Soviet Union had owed 830 million dollar to India's trade account as of December 31, 1991, resulting in a 50 per cent "export compression" to rupee payment countries.

However, the Press Trust of India quoted him as saying, without giving figures or further details, that overall export growth in the first eight months of the fiscal year which began March 1991 stood at a modest 5.82 per cent in general currency areas.



CUBA: A Haitian woman carrying a child walks past a US Army military policeman Jan 31 at the tent city set up for over 9,000 refugees at the Guantanamo Bay Naval Base. — AFP photo

Yeltsin sees war with those who won't help!

OTTAWA (Canada), Feb 2: Russian President Boris Yeltsin declared his visit to the United States on Saturday a success but criticised countries and investors who are slow to help his troubled nation. He said failure could bring war, reports AP.

Yeltsin, at a news conference with Canadian Prime Minister Brian Mulroney, excluded Canada from his criticism, but did not name or exclude any other countries. He specifically attacked US business leaders as overly fearful that Russian reforms will not succeed.

Yeltsin left Ottawa more than an hour late for Moscow, ending a trip that took him to Britain, the United States and finally Canada — all new allies of his reformed and slumped-down version of the former Soviet superpower.

At US President Bush's retreat, Camp David, Yeltsin signed a declaration outlining a new relationship. Both presidents declared their countries allies after decades of US-Soviet rivalry.

"I am really chagrined" by the attitude of those countries and potential investors who do not understand "the processes underway" in Russia, he said, speaking in Russian with an English translator.

Yeltsin said his 3-hour meeting with business figures in New York was a disappointment, because so many were worried about social instability in the former Soviet republics.

Yeltsin said that if he does not get support from other countries and his reforms fail, the world could once again be pushed into an expensive arms race.

"There could be a very real danger of war," he said. But Yeltsin brushed aside questions from Russian reporters about potential trouble between former Soviet republics, including one on the threat of war between the Ukraine and Russia.

"Ask me in Moscow," he told the questioner. "It's an internal affair, and Canadians could not possibly be interested."

He said February, March and April will be difficult months in Russia because of lack of food, but he said the problems of rising prices would not last longer than eight months.

During Yeltsin's five-hour visit to the Canadian capital, officials signed a five-year agreement for Canada to sell 25 million tons of grain to Russia over five years.

Reuter adds: Yeltsin spoke yesterday of the possibility of setting up a US-Russian bank or agency to guarantee investments in the new Commonwealth of Independent States, sources at a dinner addressed by Yeltsin said.

Yeltsin in New York for a United Nations Security Council summit, addressed US business and financial executives at a dinner hosted by the Federal Reserve Bank of New York.

Inflation in Egyptian towns up

CAIRO, Feb 2: Consumer price inflation in Egypt's cities rose to 25.8 per cent in the year to last December from 24.6 per cent in November, the Central Agency for Public Mobilisation and Statistics (CAPMAS) said, reports Reuter.

The panel discussion was part of a series of talks involving political and business leader at the annual meeting of the privately sponsored World Economic Forum.

Prime Ministers Suleyman Demirel of Turkey and Sid Ahmed Ghazali of Algeria both pointed to economic problems rather than Islamic fundamentalism as the cause of instability in the Muslim world.

They both noted the long, stable presence of Islam in their countries and elsewhere.

The main difficulty isn't Islam," Ghazali said, "Algeria has been Muslim for 14 centuries. If Algeria weren't Muslim, it would be facing exactly the same problems."

Ghazali said the strong showing by Islamic fundamentalists in Algeria's recently annulled elections did not indicate strong support for religious orthodoxy but rather discontent with government economic policies that caused massive unemployment.

In his remarks, Gaviria said most of the major problems facing the world stem from Third World poverty.

He said such problems as immigration, environmental pollution, terrorism, nuclear proliferation and drug trafficking all involve the Third World and will "have to be solved with the help of the South".

Gaviria added that as political and military conflicts are resolved, the world community will face growing demands for economic aid, from reconstructing El Salvador to assisting Eastern Europe and the former Soviet republics.

He said the poorer nations of the South can no longer be excluded from addressing world problems as they were in the days of the East-West rivalry.

Gaviria said there also would have to be more South-South cooperation as well, with countries that have recently developed successfully helping those that are still having problems.

"What some of the countries of the South need is free trade," he said. "The successful ending of the Uruguay Round (of trade talks) is very important."

Business briefs

Indian stock prices hit record: Prices on Indian stock markets soared to record new levels in a week of breathtaking activity that saw the Bombay Stock Exchange (BSE) sensitivity index close Saturday at an all-time high of 2,032.5, reports AFP from Bombay.

The Sensex gained 163.2 points through the week, while the BSE national index for the first time crossed the 1,000 point mark, moving up 81.9 points to finish at 1,074.9.

Bhutan launches environment fund: The tiny Himalayan kingdom of Bhutan has launched its first environmental trust fund with a million dollar contribution from the World Wildlife Fund for Nature, diplomats said Saturday, AFP from New Delhi.

Announcement of the formation of the trust, expected to become operational when 10 million dollar has been collected, was made in the Indian capital Friday by Bhutan's Planning Commission Chairman Lyonpo Dorji.

Saudi deposit rates steady: Saudi riyal interbank deposit rates were steady in typically quiet trade, dealers in the kingdom said, reports Reuter from Nicosia.

Spot-next and one-week funds were steady at 3-5/8, 3/8 per cent. One and three-month deposits were unchanged at 3-15/16, 13/16 per cent and 4-1/8, four per cent respectively. Six-month and one-year maturities also remained steady at 4-3/16, 1/16 per cent and 4-9/16, 7/16 per cent respectively.

Kuwait, Iran reach barter accord: Kuwait and Iran have reached a tentative barter agreement under which the Emirate would provide Iran with oil products in return for crude oil, a Kuwait Petroleum Corporation official said in an interview published Saturday, reports AP from Kuwait City.

Kamel-al-Harimi, KPC's commercial supply manager, told the local daily Sawt Al-Kuwait that the agreement will be finalized and signed soon, but he did not give a specific date.

Third World poverty a threat to new world order

DAVOS (Switzerland), Feb 2: Poverty in the developing world pose the greatest threat to stability in the new world order that is emerging after the end of the Cold War, Colombia's President told an international forum Saturday, reports AP.

Colombian President Cesar Gaviria Trujillo, in a panel discussion on the new world order, said major global problems will now force the industrialized nations of the North to include the poorer countries of the South in the search for solutions.

Gaviria said the world community has recently demonstrated a new ability to deal with such problems as Iraq's invasion of Kuwait or civil wars in Central America, but would now have to deal more with economic confrontations between nations.

"We have thousands of millions of people living in poverty in the Third World, and we need much more help," Gaviria said. But, he added, "We don't see the resources, we don't see the political will to confront them."

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"What some of the countries of the South need is free trade," he said. "The successful ending of the Uruguay Round (of trade talks) is very important."

Also taking part in the panel, which was moderated by former US Secretary of State Henry Kissinger, Italian Foreign Minister Gianni De Michelis, Manfred Woerner, Secretary-General of the North Atlantic Treaty Organization, and Motoo Shina, President of the Policy Study Group of Japan.

Kissinger said there was no question that the post-World War II international order was shaped by the United States. "We supplied security and for a long period we supplied the capital".

Now the United States faces a major challenge to develop a new approach to international relation with various powers rather than focusing on the Soviet Union, he said.

Despite fears of a global credit shortage because of the competing needs of the former Soviet Bloc and Gulf states, the Manila-based Bank reported a sharp increase in lending from 1990's four billion.

Energy projects accounted for 35 per cent of all ADB funding, agriculture taking 20 per cent and transport and communications 15.5 per cent.

During 1991, 17 developing countries got loans for 63 projects.

Indonesia got the single biggest loan for a 300 million dollar power project.

ADB lending up by 25 pc

MANILA, Feb 2: Lending and investment by the Asian Development Bank (ADB) in the developing countries of Asia jumped 25 per cent last year to more than five billion dollar, the Bank said in its latest quarterly review, reports Reuter.

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Borrowing by the 52-member Bank totalled 1.3 billion dollar in 1991, compared with 848.6 million in 1990.

Borrowing was through eight bond issues on the international capital markets. For the first time, the Bank tapped the US dollar market in Asia, issuing "Dragon Bonds" in November for 300 million dollar in Hong Kong, Singapore and Taipei.

Other issues were made in Austrian schilling, Japanese yen, Swiss franc, Euro-sterling and on domestic US dollar capital markets.

Indian exchange reserve soars to \$ 3.9b

BOMBAY, Feb 2: India's foreign exchange reserves have soared to 3.9 billion dollar in mid-January, nearly four times their level six months ago, Reserve Bank of India (RBI) Governor S Venkittaraman said, reports Reuter.

The central bank Governor told reporters the figure did not include 750 million dollar that have come in under an amnesty scheme for resident Indians to lure back their money from overseas.

India's foreign exchange reserves hit a low of 975 million dollar on July 12, just after the new government of Prime Minister PV Narasimha Rao took office and began sweeping reforms to an economy burdened with a 71 billion dollar debt.

Xinhua from Washington added: The World Bank has decided to extend to India a loan of 265 million U.S. dollar the lending agency announced here.

The loan will support a project to promote the institutional development of the Power Finance Corporation as well as help finance a five component work programme.

1991 was a year of financial disaster for airlines

GENEVA, Feb 2: Recession and the Gulf crisis turned 1991 into a financial disaster for airlines, the 206-member International Air Transport Association (IATA) said on Friday, reports Reuter.

"Traffic in 1991 was very disappointing for the airlines," IATA Director-General Guenter Eser said in a statement. "And although we do not yet have final details, we know that the year was a disaster financially."

Passenger traffic began recovering towards the end of last year although the rebound was measured against depressed Gulf crisis levels of late 1990. Traffic in October, November and December showed rises of three, seven and three per cent respectively in international passenger traffic compared with the same months of 1990.

"But it is too early to talk of a real recovery in freight traffic. The pattern is too erratic from month to month," Eser said.

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