

US to watch further before raising aid to Russia

WASHINGTON, Feb 3: The US Ambassador to Russia on Sunday described Moscow's economic reform programme as more courageous than coherent and said it was too soon for the United States to pump billions of dollars into the country, reports Reuters.

"It wouldn't be prudent to spend money today," Ambassador Robert Strauss told the US National Governor's Association.

He said that Russia still lacks the financial institutions and economic structures to make sure the money is not wasted.

The United States and its allies are already providing Russia with food and humanitarian assistance, but Moscow has appealed for seven billion dollars more to help stabilise its shaky economy and carry out painful economic reforms.

As the first major step in those reforms, Russian President Boris Yeltsin last month freed prices on most goods from government control, allowing them to shoot higher.

"His economic plan ... is a lot more courageous than is coherent," said Strauss. "It is not a very coherent programme."

But Strauss, who participated in Saturday's summit between Yeltsin and President George Bush, made clear that the time would come when the United States and its allies would need to do more to help promote democracy in Russia.

"It's a high-risk game," he said. "But it's a game we can't watch from the sidelines."

The United States plans to make 54 military flights to carry food, medicine and other emergency supplies to the former Soviet Union this month.

Mandela to uphold market economy

DAVOS (Switzerland), Feb 3: Black leader Nelson Mandela said on Sunday a majority-rule South Africa would need a market economy to provide the growth needed to pull millions of blacks out of poverty, reports Reuters.

Mandela told the World Economic Forum that his African National Congress was still discussing with business leaders whether a future government would nationalise some industries.

He urged businessmen attending the Forum with politicians at the Swiss mountain resort of Davos to invest in South Africa.

But he repeated his demand that economic sanctions should not be lifted until an interim, broad-based government is brought in, ending apartheid. He also stressed that wealth and income must be redistributed.

Mandela later told a news briefing that the ANC would want responsibility for law and order in the new government.

"We should also like to take control of the budget in order to redress the inequalities that are found in our country," he said.

A true market economy would only come about when all sections of the population had equal opportunities. At present the minority Whites owned most land, and large businesses were concentrated in a few hands.

That could involve taking over some businesses.

"We may still opt for nationalisation, but depending on the discussions we're having we may not opt for nationalisation at all," he said.

Mandela told the Forum nationalisation could be appropriate for South Africa but the ANC was aware that a party that failed to cooperate with business and employers would be unable to generate growth. The aim was to attract investment.

Economic aid to rise, military assistance to fall

Bush seeks \$22.1b for aid

WASHINGTON, Feb 3: In his budget request sent to Congress January 29, President Bush is seeking 22.1 billion dollars in spending authority for foreign assistance and international affairs programs during the 1993 fiscal year that begins October 1. The request is at about the same level as that for fiscal 1992, but economic aid levels have been increased while overall military assistance levels have been reduced, according to a despatch of United States Information Service (USIS).

More than half — 52 per cent — of the request is for economic development and humanitarian aid.

Robert Bauerlein, Director of Policy and Resources in the Deputy Secretary of State's office, said at a briefing that military assistance accounts for only 19 per cent of the foreign aid budget — and the 1993 proposal is down 11 per cent in absolute terms from the year before. Another 13 per cent is to be spent for diplomatic activities in fiscal 1993 and the remainder is to be divided among multilateral development banks, international organizations, the Export-Import Bank and information and exchange programs.

Bauerlein said the fiscal 1993 request has a number of new initiatives, including various peace-keeping operations around the world. Agency for International Development AID projects, and new funding for the independent states of the former Soviet Union.

The budget proposes 350 million dollars as an amendment to the fiscal 1992 budget and 350 million dollar in the fiscal 1993 budget to support the US share of new and expected international peace-keeping activities undertaken by the United Nations in Cambodia, Yugoslavia, El Salvador, Africa, and the Middle East.

Bauerlein explained that

part of the funding for the new initiatives, particularly the aid to the independent states of the former Soviet Union, will come from military and economic security programs that were diminished or cut in such countries as Pakistan, the Philippines and El Salvador.

Bauerlein, assisted by representatives from the different elements of the international affairs programs, stressed the cut in military spending. He said that if military and economic security assistance to

part of the funding for the new initiatives, particularly the aid to the independent states of the former Soviet Union, will come from military and economic security programs that were diminished or cut in such countries as Pakistan, the Philippines and El Salvador.

Another 450 million dollar is being requested for assistance to 10 countries in Central and Eastern Europe — 50 million dollar more than in fiscal 1992.

The following are some of the program highlights of the Bush budget for foreign aid and international affairs programs during fiscal 1993:

Agency for International Dev	Budget Authority				Outlays	
	1991	1992	1993	1991	1992	1993
Aid for E. Europe	2,887	2,894	2,916	2,573	2,389	2,635
Assistance to former Soviet republics	370	400	450	38	185	259
Enterprise for the Americas debt relief	150	350	68	180		
Multilateral Dev						
Banks	1,619	1,785	1,759	1,296	1,586	1,927
Food aid	1,004	1,484	1,323	753	4,474	1,378
Refugee assistance	664	511	570	549	561	565
Vol contribution to int'l organizations	285	250	257	264	257	271
Peace Corps	186	200	218	175	190	207
State Dept narcotics assistance	150	172	173	109	148	164
Other	75	96	108	86	66	47
Total	7,240	8,252	8,410	5,631	7,102	7,425

Israel and Egypt were excluded, then the drop in military assistance for fiscal 1993 is 31 per cent compared with fiscal 1992. Israel and Egypt account for 69 per cent of the total of about 4,500 million dollar.

With the demise of the Soviet Union, the request for humanitarian and technical aid to the independent states and Central and Eastern Europe has increased significantly.

The president's budget requests 620 million dollar in new appropriations to help the new independent states in the former Soviet Union "make their transitions to more peaceful, democratic and mar-

ket-oriented nations." These funds will be combined with 860 million dollar in resources already available under existing legislation.

The request is slightly above that of fiscal 1992 at 8,252 million dollar.

Bilateral development assistance: Provided to more than 70 countries, this accounts for 2,900 million dollar. Two new initiatives have been proposed: (1) A 100-million dollar Capital Projects Fund to help recipient countries invest in the infrastructure necessary to development. (2) A 25-million dollar Asian Environmental initiative to address the serious environmental problems that constrain economic

growth in some of the Asian countries. Both the initiatives will be run by the Agency for International Development.

Food aid: The Public Law 480 (Food for Peace) budget totals 1,300 million dollar. About 13 million dollar is to be used to provide "farmer-to-farmer" training and technical expertise to the independent states of the former Soviet Union.

Multilateral Development Banks (MDB): 1,800 million dollar for contributions to the various MDBs is requested. Ninety per cent of the funds requested in 1993 represent installment payments to be made under previous multi-year agreements. A new, four-year replenishment of resources is proposed for the Asian Development Fund, with an initial US installment of 170 million dollar in 1993. This will provide highly concessional loans to the smaller and poorer countries. Another 100 million dollar for the Multilateral Investment Fund in the Enterprise for the Americas Initiative is to be spent through the Inter-American Development Bank.

Enterprise for the Americas Initiative: The budget proposes 286 million dollar to cover the cost of forgiving debt owed to the United States by countries undertaking growth-oriented economic reforms.

Narcotics Control: The budget requests 173 million dollar to support programs through the State Department's Bureau of International Narcotics Matters.

Refugee Programs: The request includes 550 million dollar for Migration and Refugee Assistance programs and 20 million dollar to replenish the Emergency Refugee and Migration Assistance Fund. It is estimated that more than 16 million refugees will require some form of international assistance in fiscal 1993.

Japanese trade team in Pakistan

KARACHI, Feb 3: A 70-member economic mission from Japan arrived here Sunday to identify potential areas of collaboration, a spokesman for the Pakistan Federation of Chambers of Commerce and Industry said, reports AFP.

The mission will participate in a business and economic cooperation committee meeting here Monday.

The delegation of top Japanese businessmen will discuss the investment climate in Pakistan and opportunities to further economic relations including trade, diplomatic sources said.

The visit is part of a drive by Pakistani Prime Minister Nawaz Sharif to encourage foreign investment under deregulation and disinvestment policy.

Sharif, currently visiting Switzerland, has offered sweeping concessions to foreign investors participating in the World Economic Forum meeting in Davos, sources here said.

Pakistan offers Japan a market for its automobiles and electronic goods, while Japan is the main buyer of Pakistani yarn.

Construction versus ecology

TOKYO, Feb 3: Japanese ecologists, politicians and celebrities are fighting to save one of the country's last big free-flowing rivers from a dam they say is unnecessary and a symbol of the nation's construction madness, reports Reuters.

The government argues that the dam is needed to prevent salination, protect residents from floods and store water for industry. Opponents say it will upset the area's ecosystem, endangering a salmon, unique to the region.

The government officially approved the 660-metre dam at the mouth of the Nagara river in Central Japan 24 years ago, but construction began only in 1988. Total cost of the project is put at 150 billion yen (11.17 billion dollar).

"The situation then and now is very different. People are interested in environmental protection now," said Hideyuki Suzuki, a director of the one-million-member All-Japan Prefectural and Municipal Workers Union.

They point to a recent poll by NHK public television that showed three out of four people living in Nagashima, the town next to the dam site in Mie prefecture, opposed construction.

In October, 5,000 people demonstrated in Tokyo against the dam.

"Japan used to be a country of free-flowing rivers," actor Masaomi Kondo told an enthusiastic crowd carrying banners and wearing fish-shaped hats in tribute to the Nagara.

"The Nagara issue symbolises the problems of Japan. My opponent is the Construction Ministry which has never been defeated," said Reiko Amano, a writer of books on the outdoors, who spearheads a 1,300-strong anti-dam movement.

Shares gain, dollar loses in Tokyo

TOKYO, Feb 3: Share prices closed higher Monday on the Tokyo Stock Exchange, while the US dollar lost ground against the Japanese yen, reports AP.

The 225-issue Nikkei Stock Average added 21.44 points, or 0.09 per cent, closing the morning session at 22,044.49. On Friday, the average rose 465.38 points, or 2.16 per cent.

World leaders say GATT talks success a must to avert slump

DAVOS (Switzerland), Feb 3: Success in the GATT talks to liberalise world trade is essential to stimulate the global economy and prevent recession turning into slump, according to business and political leaders meeting in Davos, reports Reuters.

This is even more important, they say, than a reduction in the unusually high interest rates which have resulted from the conservative monetary policies of recent years.

"What turned the recession of the 1930s into a slump was the move towards protectionism," British Secretary of State for Trade and Industry Peter Lilley told the World Economic Forum.

"We must stop the recession in the world turning into a slump through failure with the GATT round," he added.

The so-called Uruguay Round talks, held under the GATT (General Agreement on Tariffs and Trade), have stalled over a row between the European Community (EC), United States and other farm exporters over subsidies.

GATT Director General Arthur Dunkel has set a mid-April deadline for an agreement.

German Economics Minister Juergen Moellmann called for a special summit of the Group of Seven (G-7) industrial nations in March or April if the negotiations were still deadlocked. The group consists of the United States, Germany, Japan, France, Britain, Canada and Italy.

"What are we to say to Third World and the Eastern reform states if the richest countries of the world practise protectionist policies?" he said.

Several speakers said the Soviet Bloc's collapse meant that for the first time since 1917 there was an opportunity to create a truly global trading system, without large chunks of the world economy cut off by political and economic barriers.

If a more liberal trading or-

der was not achieved, the economic outlook for former communist countries and developing nations would be seriously damaged.

"It is the industrial nations, the biggest beneficiaries of open markets, which seem to have lost the will to fight the special interests supporting protectionism," said Pakistan's Prime Minister Nawaz Sharif.

Other speakers at the forum, annual meeting gathered since Friday in this Swiss mountain resort, voiced concern that the world economy could break up into warring regional trade blocs in Europe, North America and the Pacific rim.

Paul Volcker, former Chairman of the US Federal Reserve Board, the central bank, said regional agreements were seen by some as liberalising trade but they remained discriminatory.

"Regionalism is a two-edged sword to me," he declared.

But Mexican Secretary of Trade and Industry Jaime Serra Puche argued that a regional trading agreement could be consistent with free trade, provided its members did not raise trade barriers against other countries.

This was the case, he said, with the North American Free Trade Agreement (NAFTA), which links the United States, Mexico and Canada in a giant market of 360 million people.

The conference, which ends on Thursday, has given policy makers a chance to assess the pledges of action to boost growth made by G-7 financial leaders in New York on January 26.

The consensus seemed to be that prospects for coordination among G-7 nations were poor because their interests diverged.

The United States wants lower interest rates and Japan has cut its discount rate in recent months, but Germany's Bundesbank continues to fear inflation and has recently raised its rates.

Ukraine rules out CIS economic unity

DAVOS (Switzerland), Feb 3: Ukraine dealt a blow to Russian hopes of preserving a single economic area on the territory of the former Soviet Union, when its President said the area had already disintegrated, reports Reuters.

Leonid Kravchuk also defended Ukraine's decision to pay its foreign debt separately from Russia, arguing joint debt servicing was impossible now the countries had split.

He said a single currency was another requirement for a single economic area, but the rouble had lost all value, and it was difficult to imagine it becoming convertible, a condition for creating a market economy.

That was why Ukraine and other republics were pursuing plans to issue their own currencies.

Top Moscow economist Abel Aganbegyan said last week he believed economic integration would hold the members

of the new Commonwealth of Independent States together, and warned that cutting economic ties between the republics would cause a massive drop in their Gross National Product.

Aganbegyan said the ex-Soviet republics were more closely integrated than the European Community, but Kravchuk disagreed.

"A joint economic space like the European Community can only exist when products can move freely without any borders," Kravchuk said. "We don't have free movement of goods."

Ukraine did not want to split completely with the former Soviet republics, but wanted to be free from closer ties with other countries, especially the European Community, he said.

Kravchuk acknowledged the former Soviet republics had many common interests.

Syria reaps record cotton yield

DAMASCUS, Feb 3: Minister of Agriculture Mohammad Ghabbash said Saturday Syria raised its cotton output to 542,000 tons in 1991, an increase of 20 per cent over the previous year, reports Xinhua.

Speaking at the cotton conference in Aleppo, North Syria, the minister said Syria attained a record per hectare yield of 3,188 kilograms which ranks the country second only to Australia in the world.

The minister said that the country's cotton-growing area last year amounted to 154,260 hectares, 60 per cent of which were in the northeastern part of the country.

The minister attributed the high cotton output to the use of modern agricultural technology and relatively minor damage caused by pests.

To encourage farmers to pick their cotton earlier in order to ward off natural calamities, the government has also varied the cotton prices.

Cotton is a strategic crop in Syria, and its cultivation is subject to an annual plan worked out by the ministry of agriculture and is incorporated into the overall state agricultural plan.



LONDON: Six-year old Billy Sicklemore, preparing to take a bite from the world's largest BLF (Bacon, Lettuce and Fruit) sandwich, launched Feb 2. The inventors of the sandwich that combines the tastes of meat, fruit and vegetables, hope the idea will seduce Britain's delicatessens. — AFP photo

\$ gains against most Asian units

HONG KONG, Feb 3: The US dollar gained last week against most Asian currencies, but fell against the volatile Australian dollar, the South Korean won, the Taiwan dollar and the Philippine peso, reports AFP.

Interest rate rises in the United States had a greater impact on the weakening yen than the meeting of the Group of Seven leading industrialized countries, where clear international support for the Japanese currency failed to materialise.

Japanese yen: The yen lost ground to close the week at 125.78 yen to the dollar, down 1.21 yen from the previous week's finish of 124.57 yen.

After opening at 124.65 yen Monday, the Japanese currency moved between 124.47 yen and 125.77 yen during the week.

Australian dollar: The Australian dollar gained almost one US cent at the end of a volatile week with the Central Reserve Bank active again in the market, dealers said here on Friday.

Hong Kong dollar: The Hong Kong dollar closed at 7.7610/7.7620 to the US dollar, down from the previous week's 7.7575/7.7605.

Indonesian rupiah: The Indonesian currency ended the week at 2,004 rupiah to the dollar, down from the close one week earlier of 2,001.

New Zealand dollar: The New Zealand dollar closed Friday worth 53.98 US cent, barely changed from the 53.77 one week earlier.

South Korean won: The won strengthened from 764.30 won per dollar a week ago to close at 762.0 won to the dollar Friday.

It stood Thursday at 26.527. **Singapore dollar:** The Singapore dollar weakened to close at 1.6390 against the US dollar Friday compared with the previous week's close of 1.6300.

Thai baht: The baht weakened against the Greenback Friday to close at the mid rate of 25.40 baht per dollar compared with 25.36 last week.

Mexico sets example in combating vicious circle of debt

DAVOS (Switzerland), Feb 3: The Third World debt crisis, which erupted spectacularly with Mexico in 1982, has led to a revolution in the development model acquiring ever more converts, not only in Latin America, but also in Africa and in Eastern Europe, reports AFP.

"We have been inspired by Mexico's example," comments Bernard Chidzero, Zimbabwe's Finance Minister, in describing the development policy followed by his country.

At the World Economic Forum here, at which the Mexican debt crisis was discussed for several years, the radical change in development strategy was summed up by Jose Crodoba, Secretary-General of the Mexican President's office: "The inward-looking growth model of the 1960s and 1970s gave up the ghost with the debt crisis, forcing a resort to a growth model oriented toward the outside world, to attract foreign and national capital."

That kind of model has already been successfully applied by Asia's new industrial economies.

Claudio Gonzalez Laporte, Chairman of Mexico's Kimberley-Clark firm, commented

that "The 1982 shock made us aware of the fact that we should change direction, that we could not go on counting on a policy of import substitution and oil exports."

But it took a long time for people to realise the economic, political and social implications of this strategy reversal, both among officials in developing countries and as such multilateral agencies as the International Monetary Fund (IMF) and the World Bank.

Cordoba says it was not until 1986-87 that those agencies stopped viewing the debt problem as the mere result of poor macro-economic management by the debtor countries' governments, and came around to the notion that the "roots of the problem were much deeper, in those countries' social and micro-economic structures."

Actually, in all of the Latin American countries, the inflow of funds from foreign banks (which had plenty at the time) delayed the moment of truth for economic and social structures that had become an obstacle to development such as public and private industrial and

commercial monopolies, over-staffed and inefficient bureaucracies, stifling regulation, and innumerable distortions in market operation.

Recourse to debt also delayed serious questioning of the authoritarian political systems and special interests connected with those economic structures. "Foreign debt was available to help us get out of implementing reforms," says another Mexican official.

But now the choice of an open economy, even though it entails very high social cost in the initial phase, has replaced the vicious circle of debt with a virtuous circle.

In a drive to attract direct foreign investment, synonymous with technology and skills transfers and with finding new export markets, the "open" strategy demands such upheavals as subjecting markets to competition, privatising monopolies, administrative reform encouraging domestic savings, macro-economic stability, and above all democratic modernisation of the political system.

"The state is getting out of business," as Gonzalez Laporte sums things up.

According to Latin American officials attending the forum here, one proof of the effectiveness of this strategy is the return of capital that had fled to foreign banks, which is now accounting for a significant share of 'foreign' direct investment.

A decade after the Mexico shock, Mexican officials are convinced that the reform process for which there is a political and social consensus, is irreversible. "Time is working for reform," Cordoba insists, adding that the hardest part has been accomplished even if much remains to be done. Future policies must not only consolidate the benefits of the open policy, but also widen the beneficial fallout: Strengthening local firms in a competitive environment, improving the distribution of the fruits of growth to develop the domestic market, and reinforcing political stability.

But industrialised countries also have responsibilities, giving debtor countries the benefit of the debt reduction mechanisms that started with the Mexican crisis, and above all by opening their markets. "Mexico is convinced it needs trade, not aid," says Gonzalez Laporte.

Business briefs

Indian rupee further devalued: The Reserve Bank of India (RBI) Monday announced a downward revision of the rupee by 0.54 per cent in relation to the pound sterling, making the British unit costlier by twenty five paise, reports PTI from Bombay.

The new middle rate now works out to Rs. 46.43 per sterling as against Rs. 46.18 previously.

5 courts to process Bhopal victims' claims: The government on Monday set up five courts to process compensation claims by the victims of the 1984 Bhopal gas disaster that killed 4,035 people, reports AP from Bhopal (India).

"Finally the ice has broken," Welfare Commissioner Abdul Ghayoor Gureshi said, as the courts sent out notices to petitioners to file papers supporting their claims. The Union Carbide Corp agreed in 1989 to pay 470 million dollar compensation to the government to disburse to victims and their relatives, but the payments were blocked by appeals for the right of victims to reach their own settlement with the US-based company.

Delhi may review food distribution: The Commission for Agricultural Costs and Prices (CACP) has demanded a fresh look into all aspects pertaining to the management of food economy in general and the Public Distribution System (PDS) in particular, reports PTI from New Delhi.

It has recommended that the government should reduce its commitment of foodgrains distribution in a systematic manner in the next few years so as to cover only a limited proportion of the population which was really poor.

IDB loans \$ 15m to Pakistan: The Islamic Development Bank (IDB) and Pakistan on Sunday signed an agreement to finance crude oil imports from an IDB member state worth 15 million US dollar, reports Reuters from Manama (Bahrain).

The official Saudi Press Agency said the deal, signed in Jeddah, Saudi Arabia, brought total finances by the IDB to Pakistan to 87.86 million dollar since the new Islamic Year began seven months ago.

HK people fear higher taxes: Public confidence in the Hong Kong economy is waning and people fear higher taxes and increased inflation over the next 12 months, a survey showed in Hong Kong Monday reports AFP from Hong Kong.

The poll of 1,008 respondents, conducted by the South China Morning Post last month, showed economic and political confidence had dropped slightly since the previous poll in October.