## Pravda suspends publication

MOSCOW, Mar 14: The former Communist Party newspaper Pravda announced Friday it was suspending publication, the first major daily to shut down because of market reforms that have sent newsprint and distribution costs soaring, reports AP.

Pravda's editors accused the Russian government of subsidizing newspapers that support President Boris Yeltsin and of trying to gag Pravda before a major hard-line rally next week.

"We've become one of the victims of the current reform, which turned out to be nothing more than enormous, outrageous price increases," Deputy Editor Victor Linnik told The Associated Press.

Linnik said Pravda was negotiating for bank loans to cover its debts, and expressed confidence the newspaper eventually would resume publication. But he said the negotiations were difficult and the suspension was for "an indefinite period."

The final issue will appear Saturday in a limited edition of about 100,000 copies available only in the Moscow area, Linnik said.

# Donors pledge Philippines over $1.5b

HONG KONG, Mar 14: The Philippines will receive more than 1.5 billion dollar in new assistance from overseas donors to help Manila's next government continue a series of economic reforms launched by the current administration, officials said Friday, reports AP.

Philippines Finance Secretary Jesus Estanislao also said many countries would continue to pledge the same levels of funding for the Multilateral Assistance Initiative, a program aimed at bolstering the wobbly Philippine economy.

The fresh batch of pledges was announced on the second day of a two-day conference in Hong Kong for Multilateral Assistance Initiative representatives from 18 countries and six international organizations.

Estanislao declined to give any specific breakdowns, but he did acknowledge that the United States and Japan were among a group of less than 10 donors contributing the 1.5 billion dollar.

The money will be spent on emergency assistance for victims of the Mount Pinatubo disaster, several electricity generation projects and other infrastructural plans, the secretary said.

Though the Hong Kong conference was not meant to be a pledging session, many countries apparently felt the need to give a little extra to ensure a smooth transition period following Manila's presidential elections in May.

But future aid hinges on the next government's ability to continue implementing and accelerating the economic reforms introduced by President Corazon Aquino's administration.

Delegates praised Manila's "liberalized foreign exchange and investment rules, reduced trade barriers and a debt-restructuring pact with commercial creditors.

But many officials conceded that much remains to be accomplished, including the continued privatization of state-run companies and deregulation of gas prices.

Economic development in the Philippines has often lagged behind other booming Southeast Asian nations, weighted down by slow economic growth and high inflation.

Even so, Estanislao said most donors agreed "significant progress has been made in the past six years in economic reform, transforming the country from the clutches of cronyism to a much more disciplined, market economic."

The Multilateral Assistance Initiative, commonly referred to as the Philippines Assistance Program, was organized the United States in 1989 to promote democratic development and root out years of economic malaise and mismanagement brought on by two decades of corrupt rule under the late President Ferdinand Marcos.

Pledges for the first year totaled more than 3.5 billion dollar while aid last year reached 3.25 billion dollar.

Donor countries plan to meet early next year to evaluate the next administration's reform efforts before making still another round of pledges.

## Bush optimistic about US economic recovery

WASHINGTON, Mar 14: President Bush said fundamentals were moving into place that could be the start of a very good economic recovery, but that the government needed to help by passing his proposals for economic growth, reports Reuter.

"We owe it to our country to do all in our power to get the economy moving," Bush told the national conference of state legislatures.

"I am not gloomy about that, incidentally, retail sales figures today were good, we've got some fundamentals that are getting in place such as interest rates and inflation that could be forerunners of a very good recovery," he said.

"But we've got to do something" to help the economy, Bush continued. "So I take this getting the economy moving very seriously."

MICHIGAN : During a campaign swing President Bush calls Michigan senator's reported charges that Bush influenced General Motors to close a Michigan auto plant and keep one in Texas open 'a bald faced lie'. Bush was speaking to the Economic Club of Detroit. —AFP photo

Market forces part of socialism: Zemin

## China widens its doors to welcome market economy

BEIJING, Mar 14: Communist Party leader Jiang Zemin has opened China's doors wholeheartedly embracing them as part of socialist economics, official newspapers reported Saturday, reports AFP.

"For a very long time in the past, we regarded markets as characteristic of capitalism and planning as characteristic of socialism," the People's Daily quoted Jiang as saying in a meeting with Uzbekistan President Islam Karimov.

"In fact, markets and planning are simply mechanisms for economic adjustment, rather than factors that distinguish socialist and capitalist economies," the General Secretary told Karimov late Friday.

"Capitalism also has planning and socialism cannot but have markets," he said.

The remarks came four days after the politburo put its official stamp on senior leader Deng Xiaoping's calls for bolder and faster economic reform and the "liberation of thinking."

"After our ideology broke through its old yoke, economic reform took a new step forward," Jiang was quoted as saying, noting China's rapid development since the reform and opening policy was launched in 1978.

He said the country's success at raising living standards was due "only to the basic line put forward by comrade Deng Xiaoping."

The General Secretary indicated at the same time that China's rulers would tolerate no political challenges and implicitly urged the leaders of republics in the former Soviet Union to tighten political controls.

Sponsors press ahead with plan

## Shariat law poses problem to Pak power plant

ISLAMABAD, Mar 14: Sponsors of the world's biggest private power project are pressing ahead with their plans, hoping the Pakistan government will come good on a pledge to get round an Islamic ban on interest payments, reports Reuter.

A Pakistani religious court's decision last November outlawing interest-based financial transactions threw plans to build a 1,292 megawatt power plant at Hub near Karachi into a spin.

Commercial banks which were due to lend 360 million dollar of the 1.5 billion dollar needed for the plant cancelled talks in December to put the final touches on the package and are waiting for the government to resolve the problem, Project Managing Director Adolfo Menendez said.

The Hub River Power Group is pushing on with plans to start site work next month, however. It has asked multilateral and bilateral lenders to release 225 million dollar as a kind of downpayment.

"The attitude that we have taken is that obviously we believe that the shariat issue will be resolved and on that basis we have continued with the development of the project," Washington-based Menendez said in an interview.

Pakistan has some forms of Islamic banking, but the court declared any fixed return on deposits amounted to interest.

Several domestic and foreign banks have been prompted by the government to file appeals against the shariat judgement and declarations are being sought from religious scholars abroad.

"If all parties fail to balance demands for strict Islamic law with the need to run a modern economy and attract foreign investment, the Hub Project could fail, Menendez warned.

"The commercial banks will not go ahead unless there is some resolution," he said.

The oil-fired Hub Project would go a long way to solve Pakistan's chronic electricity shortages that caused hours of power cuts a day in peak periods.

The main sponsor is Xenel Industries Ltd of Saudi Arabia, Mitsui and Co Ltd of Japan will lead a consortium of Japanese and European companies that plan to complete the four-unit plant within four years. The first unit would go on stream in just over three years.

Sharif's coalition government includes a powerful minority of right- wing religious groups which are spearheading demands for a strict ban on interest in its widest sense.

At the other end of the spectrum the Minister of State for Economic Affairs, Sardar Aseff Ahmad Ali, has warned the economy could collapse unless an alternative system is devised first.

## Thai satellite threatens Indonesia's dominance of market

JAKARTA, Mar 14: A Thai satellite to be launched in 1994 is likely to threaten Indonesia's dominance of the South East Asian satellite market, a ministry of telecommunications official said Friday, reports AFP.

Taufik Akbar, a ministry official also short listed to fly on the US space shuttle, said Thailand's Intelsat would be competition for Indonesia's Palapa B-4 to be launched on a Delta 11 7,925 rocket on May 7 in the United States.

Indonesia already has two functioning satellites with 24 transponders each. It has leased 43.5 of the transponders to the Philippines, Thailand, Vietnam, Austria, Papua New Guinea and some private US firms at an annual cost of 1.1 million dollar each.

The Palapa B-4, an HS-376 satellite made by US firm Hughes Aircraft Co, has 24 transponders and half of them have already been leased, Akbar said.

## Japan's Lower House approves $555b budget

TOKYO, Mar 14: Japan's state budget for the next fiscal year finally cleared the decisive lower house of parliament on Friday after the opposition stalled debate for two weeks in a battle over political scandals, reports Reuter.

A smiling Prime Minister Kiichi Miyazawa, whose job was on the line if any more delays took place, bowed deeply in front of the 512-seat house after Speaker Yoshio Sakurauchi announced that the budget passed on a 268-211 vote.

The 72.2 trillion yen (555 billion dollar) budget, for the fiscal year beginning April 1, aims to boost the economy through increased public works spending.

The budget bill now goes to the upper house, but under Japan's constitution, a budget becomes law 30 days after passage in the lower house even if the upper chamber rejects it.

$ 18.3 b needed to keep Russia out of chaos

# CIS leaders meet, discuss reforms

MOSCOW, MAR 14: Commonwealth government leaders met Friday in Moscow to discuss economic reforms in their fledgling alliance, amid reports Ukraine has agreed to share collective responsibility for repaying the former Soviet Union's foreign debt, reports AP.

All 11 Commonwealth members sent representatives to the meeting, a precursor to a March 20 summit of Commonwealth of Independent States leaders in the Ukrainian capital of Kiev.

News agencies said Friday's Moscow meeting would focus on restoring economic links among the former Soviet republics and coordinating tax, customs and pricing policies.

Ukraine also would announce its willingness to sign an agreement on joint responsibility for servicing the Soviet Union's estimated 89 billion dollar foreign debt, the independent Interfax news agency reported.

Ukraine has previously vowed to repay its portion of the debt, which it calculates to be 16.3 per cent. But it has balked at taking any responsibility for the rest particularly if poorer republics start defaulting on their share of payments.

Moldova already has announced it is unable to afford such payments.

Ukrainian Prime Minister Vitold Fokin was quoted as telling Interfax that agreement on the debt issue was reached during his talks earlier this week with Russian Deputy Premier Gennady Burbulis. Russia offered in December to repay more than 60 per cent of the foreign debt run up by the Soviet Union fit could retain ownership of the Soviet diamond reserve.

"Fokin confirmed that Ukraine has changed her attitude on the issue and is now standing for acknowledging the principles of collective responsibility for the debts of the former USSR", Interfax reported Friday.

Fokin said Ukraine was prepared to sign the debt repayment agreement worked out by the former Soviet Union last year following talks with the group of Seven industrialised nations.

Interfax said Fokin insisted Ukraine be made co-chairman of the commonwealth committee overseeing debt repayment. Russia and Kazakhstan are the current chairmen.

Meanwhile AFP from Paris adds: To prevent Russia sliding into chaos the industrialised west must provide 18.3 billion dollar worth of financial aid, economist Jeffery Sachs said in Paris Thursday.

The American adviser to the Russian government told reporters here that Moscow needed 12.3 billion dollar to pay for its "minimum import requirements", together with a six billion dollar credit line to stabilise the ruble.

"Now is the moment of truth" for the developed countries, Sachs said." "The next couple of months will be critical for Russia."

The figures he cited have been presented in the annex to a draft accord on a "shadow" economic reform programme drawn up between the Russian authorities and the International Monetary Fund (IMF), to be presented to IMF officials on Monday, Sachs said.

Once Russia was granted admission to the IMF and the World Bank, it should receive three billion dollar in credits from the first and two billion dollar from the second. Debt re-scheduling by the Paris Club, which Sachs believed to be essential, could represent the equivalent of a further three or four billion dollar.

## Nepalese Minister calls for cooperation to check price rises

KATHMANDU, Mar 14: Nepalese Minister of State for Finance Mahesh Acharya has called on the opposition to cooperate in checking rising prices of basic consumer goods, state radio said Friday, reports AFP.

The ruling Nepali Congress Party and the opposition should make a joint effort to check inflation, Acharya told the lower house of parliament on Thursday.

"There was no reason why market prices should rise because of the policy of partial convertibility announced by the government recently," Acharya said.

"External factors have also contributed to the hike in the price of consumer goods and construction materials," he said, refuting the allegation that prices had tripled since the formation of the interim government.

## Banana growers urged to act quickly to check price fall

SAN JOSE, Mar 14: Banana growers must act quickly to prevent a surplus of the fruit from pushing down world prices, a banana association official warned Thursday, reports AFP.

Enrique Betancourt, Executive Director of the 12-nation Union of Banana-Exporting Countries (UPEB), told reporters the organisation would take up the problem of the surplus, which he blamed on the world recession.

Among the problems faced by growers is the expansion of banana production in Ecuador, which does not belong to the UPEB.

Betancourt said he was "partially" pleased that the European Community (EC) had brought up the topic of bananas at the Uruguay round of General Agreement on Tariffs and Trade (GATT) because that meant the topic could be raised again when Europe becomes a single market in 1993.

But the EC has not laid out a proposal and could still erect prohibitive tariff barriers against bananas grown in Latin American, Betancourt warned.

The EC has given preferences to fruit from former African and Caribbean colonies over Latin American produce.

# *Glittering gems lose some polish*

*BRUSSELS, Mar 14: Belgium's diamond business, the world's biggest, lost some of its sparkle in 1991 because of the Gulf war and worldwide economic recession, reports Reuter.*

*After years of glittering business, total turnover of rough, polished and industrial diamonds dropped by one per cent in 1991 to 15.3 billion dollar, the diamond high council said on Wednesday. It rose 25 per cent in 1989 and six per cent in 1990.*

*"Each year we had been able to blow our own horn and say 'our diamond trade did great once again' ... but 1991 was a year of," Mark Van Den Abeelen, General Manager of the Antwerp-based council, told a news conference.*

*"But we still did very well if we take into account the Gulf war and the economic recession which didn't spare the US our biggest market, and Japan," Van Den Abeelen added.*

*He said Antwerp's relative share of world trade had climbed to 56 per cent from 54 per cent following a six per cent dip in world trade.*

## Moscow, Bonn reach accord on export guarantees

BONN, Mar 14: Bonn and Moscow have reached an agreement on trade problems, which should allow Germany to resume giving export guarantees for trade between the two countries, a spokeswoman at the economics ministry said, reports Reuter.

Following talks in Bonn, the spokeswoman said Russia had agreed in talks to give state guarantees to German banks.

The flow of the Bonn government's hermes trade guarantee for business with Russia has been stalled since January as Moscow declined to give the guarantees to German banks. Bonn decided to limit credit guarantees to five billion mark and to tighten criteria for covering business with the former Soviet Union.

The new regulations require the governments of republics in the Commonwealth of Independent States (CIS) to give guarantees to Germany's state reconstruction bank or AKA-Ausfuhrkredigese-llschaft MBH, in addition to the Vneshekonombank, the former Soviet Union's foreign trade banks.

AKA is 27 per cent owned by Deutsche Bank AG, 18 per cent owned by Dresdener Bank AG, 13 per cent by Commerzbank AG and eight per cent by Bayrische Vereinsbank AG.

Russia had earlier said its constitution did not allow the government to give guarantees to these two western banks.

# Japan's personal savings rate falls

TOKYO, Mar 14: Japan's households whose thriftiness underwrote the nation's economic miracle, are saving less and less fuelling anxiety as to how the nation will fund an ageing society and a world desperate for capital, reports Reuter.

The Bank of Japan (BOJ) said in a report released on Friday that personal savings grew at a record low 6.5 per cent rate in calendar 1991, the second straight year of record slow growth after 1991s 7.7 per cent.

Japan's high savings rate has been one of the most important aspects of Japan's post War economy, said Chinharo Shima economist at UBS Phillips and Drew International Ltd.

There is increasing concern about the falling savings rate he said.

Although savings figures have little immediate impact on an economy's health they do afford a glimpse of future trends — which do not look bright for Japanese planners and international officials.

Lower savings will increase the cost of capital, a key to corporate Japan's strong capital spending levels which were largely responsible for the nations 4.7 per cent Gross National "Product growth between 1986 and 1990, the highest among major industrialised nations over that period.

The trend toward lower savings is certain to continue for years to come having a depressive impact on the economy, said Soichi Enkyo Senior Economist at the Bank of Tokyo Ltd.

IMF Managing Director Michel Camdesus said this week in Osaka that industrial nations needed to increase savings ratios to maintain strong economic growth and provide badly needed capital" for developing and former communist nations.

While much of the 1991 figure can be attributed to economic conditions specific to that year the nation is undergoing a structural shift which could slow growth for years ahead.

The date are the latest in what has become a declining trend in saving which were around 20 per cent of disposable income in the mid 1970s.

Japan is ageing faster than its industrial rivals, increasing the share of those no longer earning an income and drawing on money that had been squirrelled away for their golden years.

## Business briefs

**Myanmar authority enacts tariff law:** The Myanmar State Law and Order Restoration Council (SLORC) enacted a tariff law Thursday, reports Xinhua from Yangon.

The law signed by the SLORC Chairman Senior General Saw Maung will replace the tariff act enacted in 1953 with the aim of keeping the system of levying customs duties in accordance with the market-oriented economic system which has been carrying out in the country for over three years.

**Indonesia and Caltex renew accord:** State oil company Pertamina and PT Caltex Indonesia have agreed to renew their profit sharing contract, the Antara news agency said Friday, reports AFP from Jakarta.

Antara quoted Mine and Energy Minister Ginanjar Kartasasmita as saying that the two companies had negotiated a renewal of their ongoing contract which ends in 2003.

**HK accountant brought to court:** A Hong Kong accountant appeared in court on Friday charged with trying to defraud three million HK dollar (380,000 US) from the account of the local arm of closed Bank of Credit and Commerce International, reports Reuter from Hong Kong.

Choi Hon-Kwan, 32, an assistant manager at accountancy firm Peat Marwick, appeared in court charged with buying property by using a forged cheque on March 10 at the Hong Kong Bank headquarters in the British colony.

# *Wall Street witnesses battle between stocks and bonds*

NEW YORK, Mar 14 : The turbulence in the stock market this week gave rise to a variety of unpleasant images : A meatgrinder. A demolition derby. Or the queasy sensation of riding a rickety ferris wheel at a low-budget country fair, reports AP.

All in all, not much fun on Wall Street.

The cause of this turbulence was a battle between two mighty forces — rising interest rates and signs of emerging growth in the economy.

Treasury Secretary Nicholas Brady recently compared the signs of economic growth to robins nibbling on the lawn, a bucolic vision of spring renewal. A range of economic reports this week supported that view : retail sales were up 1.3 per cent in February and wholesale prices rose a modest 0.2 per cent last month.

But there may be poison in the bird feed, economists and stock pickers warn.

The US Treasury's 30-year bond took the economic news hard, with its yield crossing the critical 8 per cent threshold this week. With such an attractive yield, new investment could be siphoned away from stocks and into bonds. The rising yield also threatens to lift mortgage interest rates, slowing the recently revived housing sector.

"At this time, I think the bond market is leading the stock market," said Robert F Dickey, technical analyst for Dain Bosworth Inc, financial firm.

Tim Shea, portfolio strategist for C J Lawrence Inc, said the conflict between rising interest rates and growth places the market "at a critical point. It's threatening to cut off any economic recovery we may have at this point."

Shea and other analysts say market analysts have figured into existing prices much of the growth seen so far. Now stock prices are at historically high levels relative to corporate earnings.

"Valuations are stretched to the point where we don't have much leeway if the rates continue to rise," Shea said.

This makes the market hypersensitive to anything that could send interest rates higher. For example, the Dow Jones average of 30 industrial stocks fell 22.36 points on Wednesday, in large degree to comments by President Bush.

Bush said he wasn't as concerned with the overall trend in long-term rates as he was with economic growth. Bonds sank even though Bush had made other positive comments for bond investors by reaffirming his support to budgetary spending caps to keep the deficit under control.

For the week the Dow Jones average gained 14.31 to 3,235.91. On the American Stock Exchange, however, the market value index lost 3.89 to 404.06 for the week, while the New York Stock Exchange's composite index gained 0.51 at 224.30. In the over-the-counter market, the Nasdaq composite index rose 2.68 to 618.62.

So how long will this battle between stocks and bonds continue? "That's a good question," said Hildegard Zagorski, vice president and market analyst for Prudential Securities Co.

"Eventually the bond market will become reconciled to the fact that this would be a good, slow recovery," she said, and the battle will be resolved. No one's exactly sure how long that will take.

Not everyone on Wall Street believes the turbulence is that bad. In the view of some, this is the confusion that results when the economy is making the transition from the 20-month old recession into a slow and steady recovery.

Some of those signs are present in the stock market. Bank stocks are popular again among investors, who believe the worst is behind that troubled sector, said Dickey of Dain Bosworth Inc.

So-called cyclical stocks — companies that thrive in a growing economy, like paper, chemicals, and airlines — "are acting very well. There was also a lot of good buying going on in the retail group," Dickey said.

Yet Shea expressed worry that the signs of growth so far may only be a re-run of last spring, when a slight gain in economic activity fell flat.

"There is a point where this is a repeat of 1991," Shea said. "We started off with promise, the market discounted it and then we get stuck in another trading range."

AP adds : Analysts said the inventory reduction, coupled with a report earlier this week of strong retail sales improvement in January and February, could bring increased production and a growing economy in the months ahead.

"At this point, these are the types of economic conditions you want to have," said Donald Ratajczak, director of economic forecasting at Georgia State University. "The recovery is probably very near if not already here and there is no inflation."

The wholesale price report was welcomed by the stock market, where the Dow Jones industrial average Friday rose 27.28 to 3,235.91.

While food prices at the wholesale level fell in eight of the last nine months, they climbed 1.1 per cent in February, their biggest increase since January 1990.

The spate of good news in recent days showing rising retail sales, factory orders and home sales has sent some economists rushing to boost their forecasts of economic growth. Many are predicting at least a tiny gain in the January-March quarter and growth at a respectable rate of around 2.5 per cent in the next quarter.

William Dunkelberg, chief economist for the National Federation of Independent Businesses, said its February survey showed increasing optimism among the country's small businesses.

Supporting that view, 47 per cent of 490 executives surveyed at random in a New York Times-CBS News poll said they were convinced that the economy was getting better while only 9 per cent believed things were getting worse.

Some economists, however, cautioned against reading too much into the upswing in confidence, noting that the economy was still facing major problems in the form of weak banks, falling real estate prices and heavy debt burdens.