

BRIEFS

Pak trade imbalance widens

KARACHI, Aug 15: Pakistan's trade imbalance further worsened in July both in rupees and dollar terms, despite a rise in exports, officials said here Friday. According to provisional figures compiled by the Federal Bureau of Statistics, Pakistan's exports increased 0.8 per cent of 11,001.4 billion rupees over the corresponding period last year. But in dollar terms, exports suffered a decline of 1.6 per cent to 438 million dollar from 444 million dollar in July 1991, they said, reports AFP.

Probe body to see CBI findings

NEW DELHI, Aug 15: The head of a parliamentary group looking into India's biggest financial scandal said on Thursday his panel must see the findings of federal investigating agencies. "Our first task will be to call for the status reports from the various agencies investigating the scandal," Ram Nivas Mirdha, Chairman of the 30-member joint parliamentary committee, told a news conference, reports Reuter.

Rabat to create more jobs

RABAT, Aug 15: King Hassan has told Morocco's new government to spend more on social services and job creation in an apparent attempt to stem the exodus abroad of young people. One in five Moroccans of working age has no job. "We can devote to employment and the social sector resources from economic growth of between four and 4.5 per cent in addition to other resources," the King said when swearing in Prime Minister Mohamed Karim Lamrani's new cabinet on Tuesday, reports Reuter.

EC cautiously welcomes NAFTA

BRUSSELS, Aug 15: The European Commission cautiously welcomed the United States' Free Trade pact with Mexico and Canada, saying it was in favour of such accords provided they respected GATT rules. "In principle, the community always welcomes the creation of free trade zones, as long as they respect GATT rules," a European Commission official said, referring to the world trade watchdog, the General Agreement on Tariffs and Trade (GATT), reports Reuter.

Indian rupee may slide against \$

SINGAPORE, Aug 15: While further devaluation of the Indian rupee is unlikely in the coming six to twelve months, a gradual 8-10 per cent slide against the US dollar should not be ruled out, according to an Asian economic survey, in its latest monthly commentary on Asian economies, the global securities research and economic group, said a surge in imports suggested and economic recovery was underway but inflation remained a major concern for India, reports PTL.

Mexico oil firm exempt from NAFTA

MEXICO CITY, Aug 15: Mexico's state-run oil industry is basically exempt from the North American Free Trade Agreement (NAFTA), sidestepping nationalist sensitivities in a country that expropriated foreign oil companies in 1939. President Carlos Salinas de Gortari, in announcing the trade agreement to the nation, emphasized that Mexico had succeeded in "keeping ownership and control of oil in Mexican hands," reports AFP.

Hong Kong gold drops

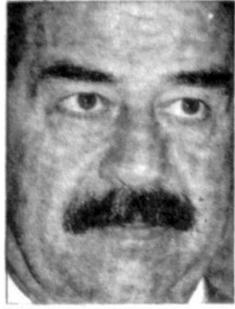
HONG KONG, Aug 15: Gold in Hong Kong dropped 27 US cents an ounce on Saturday to close at US 336.15, dollar compared to Friday's US 336.42. The US dollar closed Saturday at 7.7305 Hong Kong dollar, compared to Friday's 7.7400, reports AP.

New wheat plant developed in US

NEW DELHI, Aug 15: Scientists in the United States have bombarded wheat plants with foreign genes from bacteria to create the world's first transgenic herbicide-resistant wheat plant. The successful transfer of the bacterial gene helps the wheat plants remain unaffected by a widely used herbicide basta while weeds succumb to it. The gene transferred by a team of researchers from Florida University is located on a small circular piece of genetic material called a plasmid present outside the nucleus in bacteria, reports PTL.

UN sanctions cut deep into Iraq
Saddam orders crackdown on profiteers

BAGHDAD, Aug 15: President Saddam Hussein's crackdown on profiteers, middlemen and incompetent officials shows how UN sanctions in their third year are cutting deep into Iraq, diplomats said, reports Reuter.



But they differed over what the "plan of action" that Saddam announced yesterday revealed about his tactics, even though he is stronger than ever since his Gulf war defeat last year.

Some said it showed he felt so confident that he could risk bringing under control all the private traders who import

much of Iraq's food two years after his troops invaded Kuwait.

Other diplomats said he apparently felt the need to boost his popular support and shake up his power base among the bureaucracy and the second rank of influential Iraqi families.

"It proves sanctions are slowly but increasingly working, that the man at the top is finding it harder and harder to feed his people or provide them with food they can afford," one diplomat said.

"Sanctions are taking their toll but sadly it is on the poor, who are so beaten down they cannot resist," said another envoy. "We're not going to see a change right at the top because of sanctions."

Iraq's difficulties, in front-page stories on Saddam's message to the nation, focused on his pledge that the new measures only aimed to protect the majority of the population from a minority.

His announcement of a crackdown on profiteers, middlemen and incompetent officials had little immediate visible impact on business in Baghdad's Jmeila Market, the largest in the capital.

Shoppers thronged Jmeila, seeking scarce basic foodstuffs to supplement government rations which provide about half

at the official exchange rate. Traders said flour had doubled in price in the last two weeks after trucks stopped en-



their daily needs. Flour was in very short supply. Newly arrived US flour was selling wholesale by the sack at seven Iraqi dinar — 21.70 US dollar

terring Iraq from Turkey about three weeks ago because of a dispute between Kurdish groups on either side of the frontier.

Sugar and rice, staples imported through Jordan, were as usual this month difficult to find but unchanged in price from two weeks ago, shortly after authorities were reported to have rounded up 600 merchants. Diplomats said 42 were executed for profiteering and monopolising.

This prompted many traders to close for several days and others to flee to Jordan, where orders for Iraq were cancelled.

Saddam said all government officials who failed to do their jobs would be branded economic saboteurs.

"Stringent measures will be taken against them, similar to strict measures taken against the traitors who were involved in profiteering and monopoly," he said in an apparent reference to the executions and roundup in late July.

"Such measures should be taken against these people (officials) as well," said Saddam, adding that middlemen between wholesalers and retailers were behind soaring prices and would not be allowed to continue.

Pak trade links with Asian Muslim states face major obstacles

ISLAMABAD, Aug 15: The arrival of Uzbekistan's President here highlights Pakistan's growing contacts with the economically isolated Muslim republics of Central Asia, but hopes of opening up thriving commercial links face some major obstacles, reports AFP.

Chief among them is war-ravaged Afghanistan, where savage fighting continues despite the fall in April of that country's Soviet-installed government.

While the Uzbek President Islam Karimov arrived Thursday for his first official visit to Pakistan, Afghan President Burhanuddin Rabbani had to cancel because of intensive bombardments on his capital that began Monday.

Afghanistan, through which practically all traffic between Pakistan and the Central Asian republics of Central Asia must pass, was set to play a key role in trilateral talks planned with Karimov and Pakistani Prime Minister Nawaz Sharif.

Signifying the importance attached here to the Central Asian policy, both Sharif and

President Ghulam Ishaq Khan were on hand to welcome Karimov at Islamabad airport.

A short time later, the two countries had inked three bilateral agreements on reciprocal investment guarantees and basic trade matters such as postal and telecommunications services.

In a joint statement, both sides expressed their "keen desire" to establish a "lasting linkage" in such mutually important economic areas as communications, oil and gas development, and transit trade.

At a banquet in Karimov's honour, Ishaq Khan said the Economic Cooperation Organisation, a sort of Muslim "common market" which was founded by Iran, Pakistani and Turkey and now includes Uzbekistan and its sister republics, could be enlarged at an "appropriate stage" to encompass other "like-minded" countries.

Karimov said his visit marked a "new chapter" in relations between Pakistan and his former Soviet republic.

Jakarta will develop industries to compete with NAFTA states

JAKARTA, Aug 15: Indonesia's industry must be more efficient to compete in the North American Free Trade Agreement (NAFTA) countries, the Junior Trade Minister was quoted as saying Saturday, reports AFP.

To maintain the NAFTA market, Indonesia has to engage in series of policies to make its industry more efficient," Junior Trade Minister Sudrajat Jiwandono told the Kompas Daily in an interview.

Jiwandono said that if the policies succeeded Indonesia would have "no cause for worry" unless the NAFTA — the United States, Canada and Mexico — began to discriminate against products of non-NAFTA countries.

"The problem is that even without discrimination, the import needs of NAFTA which so far had been met by products from outsider countries might at least be shifted to imports from fellow NAFTA members," he said.

The United States may begin importing goods such as textiles, garments and shoes from Mexico instead of Indonesia because of Mexico's membership in NAFTA, Jiwandono said.

India firm to export chemical weapons to Syria

BOMBAY, Aug 15: The Indian manufacturer of a chemical that can be used for weapons said Saturday he cannot stop a shipment bound for Syria unless there is evidence the product will be misused, reports AP.

The statement followed reports that a 45-ton shipment of a pesticide ingredient exported by United Phosphorus Ltd has been stopped in Cyprus and sent back for fear that Syria could use it to make chemical weapons.

The ingredient, trimethyl phosphite, is used to make the pesticide dichloro divinyl phosphate. But it also can be used for poisonous nerve gas.

UAE govt urged to impose income tax to overcome \$381m deficit

ABU DHABI, Aug 15: The federal spending watchdog of the United Arab Emirates (UAE) has urged the federal government to introduce an income tax as a means to help slash the 1.4 billion dirham (381 million dollar) budget deficit, reports AFP.

The UAE has been reluctant to impose income taxes or issue bonds to bridge the deficit, which has persisted despite severe austerity measures, relying on fees for public services instead.

In its strongest warning so far, contained in its annual report released this week, the auditing department declared: "It has become imperative for the federal government to avoid releasing the budget with a deficit."

It called on the federal government to draw up "a clear policy" on income and expenditure, including measures designed to boost non-oil earnings.

A sharp drop in oil earnings and meagre non-oil revenues have led to a persistent budget deficit in the emirates since 1984.

The UAE earned 12 billion dollars from oil in 1991, down from 20 billion in 1981, while non-oil earnings, helped by fees charged for public services, brought in about two billion dirhams (545 million dollar) in 1991.

The problem is further complicated by the fact that only two of the seven emirates, the big oil producers Abu Dhabi and Dubai, contribute to the budget.

The department urged all seven emirates of the UAE to contribute to the budget, saying this would help eliminate the deficit.

"Under the constitution, each emirate should contribute a certain percentage to the budget," it said.

"Such a percentage should be from general revenues not only from oil earnings and it should be enough to cover spending."

The report advises the government to boost revenues by imposing direct taxes on profits of banks and insurance companies and on income and wealth, especially real-estate wealth.

Unlike Saudi Arabia and

Kuwait to ask OPEC for quota increase

MANAMA, Aug 15: Kuwait plans to ask OPEC for an increase in next year's oil production quota to a level above the pre-war 1.5 million barrels a day, a Kuwaiti official was quoted Friday as saying, reports AP.

Kuwait will reach the pre-war level before the end of the year, Oil Ministry Undersecretary Suleiman al-Omari told the daily Al-Hayat, which is printed simultaneously in Bahrain.

The emirate then plans to attain gradually a daily output of 2.5 million barrels, al-Omari said.

He did not say what percentage increase Kuwait would request from the Organisation of Petroleum Exporting Countries at the cartel's session in November.

Oil Minister Hamoud al-Riqabi has often stated his country will be asking for an increase in its OPEC quota, but al-Omari's statements now sets the time for the demand.

Al-Omari gave no time frame for attaining the 2.5 million-barrel daily output.

Omari said this figure was the maximum production capacity of Kuwait's oil fields prior to the August 1990 Iraqi invasion.

Gold, platinum miners in Siberia work 7 days a week

MOSCOW, Aug 15: Miners in the Far East regions of Siberia have extracted more than a ton of gold and platinum since the beginning of 1992, a news agency reported Saturday, says AP.

The ITAR-Tass news agency said miners in the Khabarovsk and Yakutia regions employed by the Amur gold mining company had worked 12-hour shifts seven days a week to dig up the precious metals.

Russian President Boris Yeltsin earlier this year said the country's gold reserves had fallen from 2,300 metric tons (2530 tons) in just three years.

The miners earned up to 35,000 rubles a month (217 dollar), a sum which is about six times the average monthly salary in Russia, and did not have to pay taxes.

India to cultivate rubber in non-traditional areas

CALCUTTA, Aug 15: About 50,000 hectare had been earmarked for raising rubber plantation in the non-traditional areas of the north-east during the Eighth Five year Plan with a view to bringing the region at par with the traditional rubber growing areas of the country, reports PTL.

According to a paper submitted at a seminar on 'Industrial opportunities in Tripura' held here recently, out of the seven north-eastern states, Assam and Tripura had been identified as the states where over 37,000 hectare was expected to be brought under rubber plantation, followed by Meghalaya, Nagaland, Manipur, Arunachal Pradesh, and Mizoram.

The Rubber Board had recommended 19,000 hectare in Assam for raising rubber plantation, followed by 18,500 hectare in Tripura, 4,350 hectare in Meghalaya, 4,300 hectare in Nagaland, 2,500 hectare in Manipur, 850 hectare in Arunachal Pradesh and 500 hectare in Mizoram during the period 1992 to 1997, the paper said.

According to a survey conducted by the Rubber Board,

4.50 lakh hectare, including two lakh hectares in Assam and one lakh hectares in Tripura, could be brought for the cultivation of rubber.

The main feature of the north-eastern states, it said, was the availability of the land, coupled with favourable climatic factors for commercial plantations like tea, rubber and coffee.

Tripura, with 15,000 hectare, had already emerged as the third biggest state, next to the traditional rubber growing areas like Kerala and Tamil Nadu as far as rubber plantation was concerned, the paper added.

Kerala, the paper said, had five lakh hectare, while Tamil Nadu had 17,000 hectare under rubber plantation and added that the overall achievement in the field of rubber plantation had placed India as the fourth rubber producing country in the world.

The country produced 305,000 mt of natural rubber, while Malaysia topped in the production of natural rubber with 1,650,000 mt, followed by Indonesia — 1,290,000 mt and Thailand — 1,060,000 mt, the paper said.

German, Russian talks to boost trade fail

BONN, Aug 15: German and Russian officials have failed to agree on ways of boosting trade between their two countries, the Economics Ministry said, reports Reuter.

It said a three-man Russian delegation visiting Bonn wanted to use German hermes export credit guarantees to enable their country to import consumer goods from Germany, but Bonn insisted the credits could be used only for capital goods.

"It appears to be confirmed that the great majority of investment plans discussed with Russia until now have been put on ice for the time being by Russia", the economics ministry said in a statement.

German trade with the Commonwealth of Independent States and

Eastern Europe virtually collapsed after communism was swept away in those countries.

This had a catastrophic effect on firms in East Germany, which were geared almost exclusively to trading with the region.

Bonn pledged hermes guarantees worth five billion marks for Russia in 1992. But the government said last month only around 700 million marks worth of business had so far been done because of a shortage of hard currency in the east.

Chancellor Helmut Kohl said today that Germany was keen to recapture markets it had lost in the former Soviet Union and Eastern Europe and was considering ways of helping to restore trade.



VICTIMS OF ETHNIC CONFLICT: Two emaciated prisoners, at a Serbian prison camp, sit on the ground during a visit of journalists and members of the International Red Cross Aug 13 at the Ternopolje camp near Prijedor in the northwest of Bosnia. — AFP/UNB photo

Road to Western Hemisphere FTA may be hard for some countries

The move toward a Western Hemisphere Free-Trade Area (FTA) — widely endorsed in Latin America in response to President Bush's Enterprise for the Americas Initiative (EAI) — may require many countries to make profound changes in their economies including relinquishing some fiscal and monetary tools.

"For Latin America, a FTA with the United States would imply more than the mere removal of border barriers," writes Overseas Development Council (ODC) senior fellow Sylvia Saborio in a new ODC study "The Promise and the Pitfalls: Free Trade in the Americas." Joining a FTA, she says, "entails the adoption of a brand new development model."

Countries that have used exchange rate adjustments to handle chronic price instability, or which rely heavily on trade taxes for revenue may have to abandon these tools to meet the requirements for joining a FTA. Says Saborio, who directed the research for the ODC study that includes contributions of 13 other

economists. The ODC is a private, non-profit development research group in Washington.

Because the less developed countries of Latin America would be joining with the advanced US economy, there will be an "asymmetrical reciprocity" in that the two parties have to give up, writes Saborio. "Because initial levels of protection are higher in Latin America than in the United States, the Adjustment to deliver free trade would be that much greater." These countries, however, will ultimately benefit.

"The flip side," says Saborio, "is that the countries that experience the greatest adjustment costs are the ones that stand to reap the biggest gains, since adjustment costs are the ones that stand to reap the biggest gains, since adjustment is a process of reallocating resources to more efficient uses."

A problem with the proposal to move toward a hemisphere-wide trade area is there are no provisions for "structural adjustment" financing for the developing coun-

tries that must undergo difficult and costly reforms.

"Unless large amounts of funds become available — either through autonomous capital flows or through compensatory transfers of some sort — trade liberalization would need to proceed slowly, apace with the development of export activities that replace import-competing industries that succumb to foreign competition," says Saborio.

She notes that a North American Development Bank and Adjustment Fund has been proposed to complement the integration process for North America. "A similar facility, perhaps at the Inter American Development Bank, may become necessary if the broader process of regional integration is to succeed." These funds could be coupled to the structural adjustment financing the European Community has provided to ease the transition for its new, less developed members.

EAI, unveiled in June 1990, calls for freer trade — moving toward the long-term goal of a hemisphere-wide free trade

zone, expanded investment, and negotiated debt reduction.

In a separate initiative which fits with EAI, Canada, the United States, and Mexico in 1991 began negotiations toward a North American Free Trade Agreement (NAFTA), which recently created a free trade area of about 365 million people and output of 6,500,000 million dollar. It is also the first major trade agreement that ties a developing country with industrialized countries.

EAI and NAFTA both complement changing Latin American attitudes which are both integrationist and directed toward the world economy. "The integrationist revival that began to sweep the region in the late 1980s," says Saborio, "is outward oriented rather than inward-looking. It seeks rather than shuns foreign investment as a source of capital, technology, and distribution outlets."

Recent attempts to recast, then revive old regional groups include the efforts of the Andean Group countries — Venezuela, Colombia, Ecuador,

Peru, and Bolivia; and the Central American Common Market (CACM), composed of Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica. A new group, formed in March 1991, is the Southern Common Market (MERCOSUR), with a membership of Argentina, Brazil, Paraguay, and Uruguay.

Other recent efforts have attempted to devise groups and trade preference agreements, notably Mexico's accord with Central American countries which grant them tariff preferences.

US Officials said that NAFTA must be completed before other pacts were contemplated, notes Saborio, adding that they said that Chile was next in line for free trade negotiations. Since El was unveiled, the United States has free trade negotiations. Since EAI was unveiled, the United States has also signed 15 trade and investment framework agreements, covering nearly every Latin American country, that establish forums for regulation discussions on trade and investment barriers, but these

are not formal trade agreements.

Saborio recommends that NAFTA become the "core of the hemisphere system" in order to "avoid the inefficiencies of a crazy-quilt pattern of overlapping but inconsistent free trade areas."

NAFTA, she says, "should be crafted in terms that allow for its enlargement." This means "an accession clause, and some type of fast-track mechanism must be put in place to streamline the process of accession."

This kind of clause can also make the addition of new countries to a growing hemisphere-wide accord easier by setting clear standards and not requiring that the United States continually decide who is next in line, says Saborio.

While the overall disruptions of implementing a hemisphere-wide free trade area would be smaller for the United States, for certain sectors they could be enough to put the proposed pact in danger. "If implemented too quickly," says Peter Morici, a