

EC leaders firm to create single currency by '93

Major for spending cut to avert collapse

LONDON, Sept 26: The British Government, on the ropes over the collapse of its main economic strategy, faces further political damage as it prepares painful cuts in public spending for next year, reports Reuter.

Government sources said Chancellor of the exchequer finance minister Norman Lamont was chairing the second session of a special cabinet committee on Friday to decide how to split up the public purse for 1993-94.

The process, culminating in November's autumn statement on expenditure, has been made more painful this year by Prime Minister John Major's ruling that next year's total spending will not top this year's 244.5 billion pounds (418 billion dollar).

However the government, which was forced last week to pull the pound out of Europe's Exchange Rate Mechanism (ERM), says it is even more important now to keep a tight rein on spending to prevent a reverse in the fight against inflation.

Membership of the ERM was a key pillar of the government's anti-inflation policy. Inflation has fallen from nearly

11 per cent to 3.6 per cent in two years.

With reports that ministers put in bids for extra funds of 14 billion pounds (24 billion dollar), economists said it would be "a sensational achievement" if the government were able to stick to its target.

Some department budgets will necessarily have to be cut as certain costs, including in-linked wages and unemployment. Benefits, will inevitably rise.

Unemployment totals, now approaching three million, are far higher than the government predicted.

The opposition Labour Party says key elements of government programmes promised in the run-up to last April's general election will have to go.

In the weeks and months ahead we will see pledge after pledge betrayed... as cuts in public expenditure intensify the recession, weaken our infrastructure, and erode the quality of our public services," he told parliament on Thursday.

Many economists expect cutbacks in investment spending which would be an easy

option when compared with cuts in social welfare at a time of such economic hardship.

"You get the feeling that all hell would break loose if they cut back any more on things like health and education," said Andrew Smith, UK economist at credit Lyonnais Laing. "The largest thing is to cut back on investment spending."

Labour spokesman say such a hold-down, affecting areas like housing and transport, would kill recovery.

"If they cut public spending in the depths of a recession it will only postpone economic recovery," said Labour Financial spokeswoman Harriet Harman.

Some economists said the government might be considering cuts in social benefits.

Conservatives for pound out of EMS

AFP adds, more than 70 Conservative deputies signed a motion overnight urging the government to remove Britain's pound sterling permanently from the European Monetary System (EMS).

The text, initiated by 73 of the 336 Conservative MPs in the British House of Commons, blamed "the cause of our economic

ills the past two years in Britain on the European Monetary System.

We welcome the fact that they have decided to leave the ERM (Exchange Rate Mechanism of the EMS) temporarily and we are now saying to them it would be preferable if we didn't go back to it," the statement said.

The signatories said they were simply trying to influence the Conservative government of John Major and dismissed suggestions the move was an attack on the Prime Minister.

The labour amendment wanted to condemn the government for the "total collapse" of its entire economic policy following their humiliating withdrawal of the pound from the ERM last week, which amounted to a devaluation.

Reuter from Brussels adds, German Chancellor Helmut Kohl and four other EC leaders pledged on Friday to stick to all the major goals of the Maastricht Treaty, including the creation of a single currency by 1999 at the latest.

The leaders, in Brussels for a meeting of Christian democrats, said in a statement afterwards they also wanted all

12 European Community states to ratify the treaty on European Union by the end of this year if possible.

The Maastricht Treaty remains a suitable and sustainable basis for European Union. We exclude a renegotiation of the treaty," the statement said.

The declaration was agreed by Kohl, Dutch Prime Minister Ruun Lubbers, Luxembourg Prime Minister Jacques Santer, Greek Prime Minister Constantinos Mitsotakis and Belgian Prime Minister Jean-Luc Dehaene.

"We are firmly determined to bring about the economic and monetary union as laid out in the conditions and time frame of the Maastricht Treaty," they said. "This means that all (EC) member states must make the necessary efforts to fulfil the conditions of (economic) convergence which are laid down in the treaty."

"It also means that in view of the current turbulence, the European Monetary System must be supported and the rules by which it functions used in a concrete fashion," the statement said. It did not elaborate.

Indian stock chiefs talk fairer trading steps

BOMBAY, Sept 26: Indian stock exchange chiefs met official market regulators on Friday to hammer out ways of reforming the bourses to make them fairer for investors in the wake of the country's biggest financial scandal, reports Reuter.

Heads of major stock markets met officials from the Securities and Exchange Board of India (SEBI) to discuss proposals that would prevent insider trading and curb the dominance of brokers on the boards of the exchanges.

The SEBI was given legal powers this year to exert control over India's 21 free-wheeling stock markets and the powerful broker community.

Brokers throughout the country went on strike in April in protest against the SEBI's orders that they register and pay fees to the regulatory body instead of to their own exchanges.

SEBI has proposed that exchange boards be reconstituted so that 60 per cent of the members would be from outside the bourses. Membership is now made up mostly of brokers.

The SEBI also proposes that the settlement period for shares should be reduced to seven days from 15 days and above now.

It also wants to see longer trading hours than the present two hours.

"We want the exchanges to function more efficiently and more impartially. The impression is that at present they are controlled by a small group of brokers," SEBI Chairman G V Ramakrishna told.

SEBI is trying to clean up the country's bourses and make them more efficient in the wake of the country's worst financial scandal and the liberalisation of the economy.

Exposure of irregularities in inter-bank securities trading in April sent Indian share prices nosediving from record highs, as several prominent brokers and bank officials were arrested for their alleged role in the 1.2 billion dollar scandal.

Computerisation, improved settlement procedures and increased efficiency are also important for attracting foreign investment in at least a portion of India's 6,000 listed shares.

India this month threw open the bourses to foreign institutional investors, allowing them to buy Indian shares for the first time since independence in 1947.

Ramakrishna has said he expects one billion dollar to two billion dollar to flow in from abroad over the next year. Merchant bankers said this is optimistic because of the high price of Indian blue chips.

SEBI is trying to push through reforms in the face of strong opposition from Indian brokers, who fear increased government interference and loss of control over the bourses.

"There could be a bitter fight," said Sunil Kothari, a partner in the broking firm Nagindas Kothari.

Brokers said the proposal to have 60 per cent outside nominees on the exchange board amounted to "backdoor nationalisation."

BRIEFS

Help overcome crisis to uplift

United Nations, Sept 26: Sierra Leone Wednesday appealed to the world community to help it overcome the many economic problems it faces on the road to development. In a statement at the General Assembly this afternoon, Valentine Strasser, chairman of the national provisional ruling council, said his country continues to view with dismay the unfavourable international economic environment. "The continuing denial of access to a greater market share for our exports, the gradual decline in export earnings and the inability still to meet the target for official development assistance... coupled with the high percentage of our gross domestic product diverted to debt servicing," he added, reports Xinhua.

Chairman of Porsche AG resigns

RENO, Nev, Sept 26: Arno Bohn is resigning as chairman of Porsche AG, due to differing opinions on the business activities of the struggling luxury car company, Porsche said. Bohn, 45, became management chairman of the company, based in Stuttgart, Germany, in March 1990. A statement issued by the company through its North American headquarters in Reno, said his resignation, effective Sept. 30, was by mutual agreement, reports AP.

Oil slicks under control

KUALA LUMPUR, Sept 26: The flow of crude oil from a rupture tanker ablaze in Malaysian waters is slowing and the fire should be under control today, fire fighters said. The news was greeted with relief by Malaysian by Malaysian authorities who had received reports of oil slicks drifting towards the northwest Malaysian coastline where many island resorts and marine parks are located, reports AFP.

JAL tea course acclaimed

TOKYO, Sept 26: Mexico's first lady, Cecilia Salinas, was so impressed by the Japanese tea ceremony that she sent five presidential flight attendants to Tokyo for special training, a Japan Air Lines (JAL) official said on Friday. JAL is sponsoring a four-day course this week for the Mexican air hostesses to introduce them to Chado, or the way of tea, and the Japanese style of food service. The wife of Mexican President Carlos Salinas de Gortari became a fan of Chado during a JAL flight to Tokyo to attend the November 1990 enthronement of Japanese Emperor Akihito, reports Reuter.

Gold in HK rises by \$130

HONG KONG, Sept 26: Gold in Hong Kong rose US 1.30 an ounce on Saturday to close at US 349.65 dollar, compared to Friday's US 348.35 dollar. The US dollar closed Saturday at 7.7295 Hong Kong dollar, compared to Friday's 7.7375, reports AP.

950 jobs loss at Rolls Royce

LONDON, Sept 26: Luxury car maker, Rolls Royce Motors, said Thursday it is laying off 30 per cent of its total work force. Rolls Royce chairman Peter Ward said he "deeply regretted" the 950 factory job losses but the company saw no sign of recovery in the recession-hit car industry. The company said the jobs would be lost by the end of the year at its factory in Crewe, 120 miles (190 kms) north of London, reports AP.

EC inflation in August steady

BRUSSELS, Sept 26: Average year-on-year inflation in the European Community in August was 4.1 per cent, unchanged from July but the lowest rate since November 1988, the EC statistical office Eurostat said here Thursday. Consumer prices in August were 0.2 per cent higher than in July. Belgium was the only country to record a drop over the month, of 0.2 per cent. Prices rose in Britain, Denmark, France, Italy and Luxembourg (0.1 per cent), Germany (0.2), Portugal (0.5), the Netherlands (0.8), Spain (0.9) and Greece (1.4). Ireland recorded a quarterly increase of 0.6 per cent to August, equivalent to 0.2 per cent a month, reports AFP.

Eastern Europe getting support from EC

BRUSSELS, Sept 26: East and Central European countries getting support for reforms from the European Community told Brussels they prefer help attracting investment to experts flying in telling them what to do, reports Reuter.

Delegates from the 10 countries covered by the EC's Phare programme of assistance, in Brussels for a two-day conference, often find the advice they get from highly-paid experts unhelpful, Phare director Alan Mayhew said.

This is an important message coming out from all of them, both the most developed as well as the less developed, Mayhew told Reuters in an interview after hearing delegates, reports.



WATCH, WONDER, WATI: A militiaman watches from the balcony of one of the most luxurious shops in downtown Moscow Sept 25. These western style shops in Moscow deal only with hard currency and they are closed for the ordinary Moscovites who receive 3000 roubles (13 US dollar) per month. — AFP/UNB photo

Bush asks for top govt staff pay cut

CHICAGO, Illinois, Sept 26: President George Bush asked Congress Friday to slash the salaries of all top US officials, including his own, in a bid to reduce the US budget deficit, reports AFP.

Bush sent Congress a bill which would impose a 10 per cent cut on the salaries of the President, the Vice President and the Speaker of the House of Representatives.

The reduction would cut the President's annual 200,000 dollar salary to 180,000 dollar and the Vice President's and Speaker's salaries, at 166,200 dollar, to 149,580.

Salaries of the top official in the three branches of government — executive, legislative and judicial — who earn more than 75,000 dollar a year would be cut by five per cent.

Bush said that a pay increase scheduled for these officials in January would not occur.

In a letter to Congress released in Chicago, Illinois, where he was campaigning Friday, Bush asked legislators to pass the bill next week before their current session

ends, the last before the November 3 presidential vote. "There are many in America who are out of work or uncertain of their prospects. The Federal deficit constrains the

capacity to rejuvenate the economy," the President said in the letter.

"It is therefore appropriate that those who lead the government make a personal contribution toward reducing the deficit and as a symbol of our understanding of the concerns of so many Americans," he wrote.

It is unlikely that the Democratic-dominated Congress will pass the bill, which would be a boon for bush, a Republican. He is trailing in the polls behind democratic presidential candidate Bill Clinton in his bid for reelection.

Bush had announced in a September 10 speech in Detroit, Michigan, that he would cut the pay of top government officials as part of his economic plan for his second term, and urged Congress to follow suit and cut its own salaries.

Australia against trade group excluding US

SINGAPORE, Sept 26: Any Asian trade grouping that excludes the United States, the biggest market for Asian exporters, will not be in the region's interest, Australian Prime Minister Paul Keating said on Friday, reports Reuter.

"I think what is in the interest of the countries in the region, ASEAN countries included, is access to the US market," Keating told a news conference at the end of a two-day visit here.

"Obviously a trade arrangement which doesn't include their largest customer may not suit the countries who are being enjoined to enlist in such a grouping."

Malaysian Prime Minister Mahathir Mohammad has proposed forming a consultative body, the East Asian Economic Group, excluding North America. The proposal has been attacked by the US and Japan is also unenthusiastic.

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China sets crucial changes to speed up reforms

HONG KONG, Sept 26: Crucial changes to speed up reforms in China, such as throwing open virtually all industries to foreign investment, may be confirmed at a key communist party congress next month, Apro-Beijing Hong Kong daily said, reports Reuter.

The government has developed new thinking in forms — aside from maintaining the ability to feed the population, everything could be opened to foreign investment, Wen Wei Po quoted Beijing sources as saying.

Senior leaders at the 14th Communist Party congress are likely to allow foreign investors to take part in building airports, railroads and highways, said the newspaper, which often acts as a mouthpiece

US seize plan to deprive Iraqi infants of milk

BAGHDAD, Sept 26: Iraq said a US plan to have the United Nations seize Iraqi assets frozen abroad was a crime against the Iraqi people and would deprive infants of baby milk which the government imports, reports Reuter.

Trade Minister Mohammad Mehdi Saleh said the plan, now at the informal discussion stage in New York, would also hit other commodities in a government rationing scheme set up to minimise the effects of UN sanctions.

The United States is putting out its hand to hijack our assets in different countries. It is a crime against Iraqi children," he told a news conference.

The action of confiscating our frozen assets in different countries will lead to more human suffering and increase child mortality," he added.

Russians consider reforms a good news but uncertain about future

By Mikhail Pasternak

Under a special decree signed by President Boris Yeltsin farmers are now allowed to carry weapons. Police and military officers are the only other people with this privilege.

The change, demanded by the Congress of the Peasants Union, is indicative of the tension that exists between the private farmers and the workers of the communist collective farms who still produce about 95 per cent of the country's grain and vegetables.

Collective farm leaders do their best not to give land to private people. Nevertheless, the number of private farms continues to grow. In January there were 60,000. Now they number 150,000.

The collective farmers are trying to develop their own political movement and have set up a so-called Agrarian Party. They chose Vasily Starodubsev as their Chairman. Starodubsev was a leader of the 1991 coup and was then in prison. He has since been freed.

"De-collectivisation is one of the most dramatic elements of the transition to a market economy. Former military pilot Valery Volkov, a typical new farmer, tells how he set himself up: "After the August coup my wife and I got hold of 21 hectares of land. Before the bank gave us a loan it sent its officials who pointed out how poor the land was. Probably the collective farm nearest to us gave us this land to make an example to others who might want to following our footsteps."

"I built a poultry yard with 5,000 chickens and it is doing well. Now I've begun to build a farm for 200 pigs as well. I bought a tractor before the prices leapt. A military plant helped to sponsor my activities."

Volkov described the battles he had with the collective farm next door. For instance, he offered tractor drivers some part-time work. The director prohibited them from working for him and threatened to sack them.

Volkov said: "After the coup the democrats weren't ready to start unprecedented reforms that were required. They had found it much easier to be in opposition than to take responsibility for the country's future."

"The cumbersome old local councils and commissions were not changed and new administrative heads appointed by Yeltsin met strong opposition from people who tried to sabotage the government's free market re-

forms."

Many people who called themselves democrats mixed up "democracy" with "anti-communism." When the communists faded from the scene after the coup the democratic groups found themselves short of creative people.

The Moscow Council of Deputies, which has a majority of democrats, started up political confrontation with their own Mayor, who they had supported during the election campaign two months before the coup. The same thing happened in St. Petersburg.

without privatisation. Yeltsin planned the big change for December 15, but following demands from all the other republics he moved the date to January 2.

The psychological pressure on the ordinary Russians, who had lived under a system that laid down fixed prices, was severe. Since the beginning of the Sixties milk had been 0.36 roubles a litre. Meat was 2-3 roubles a kilo.

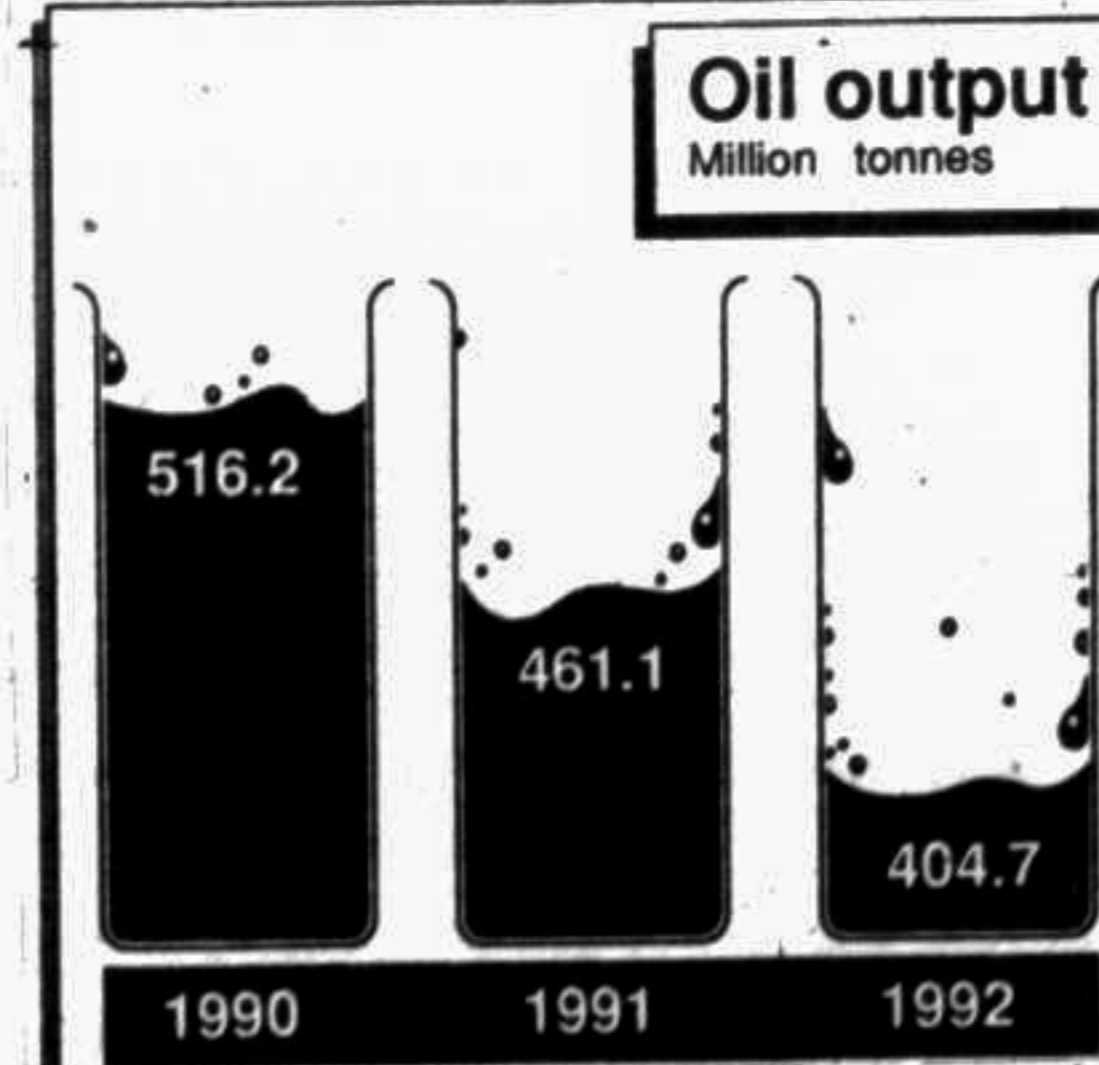
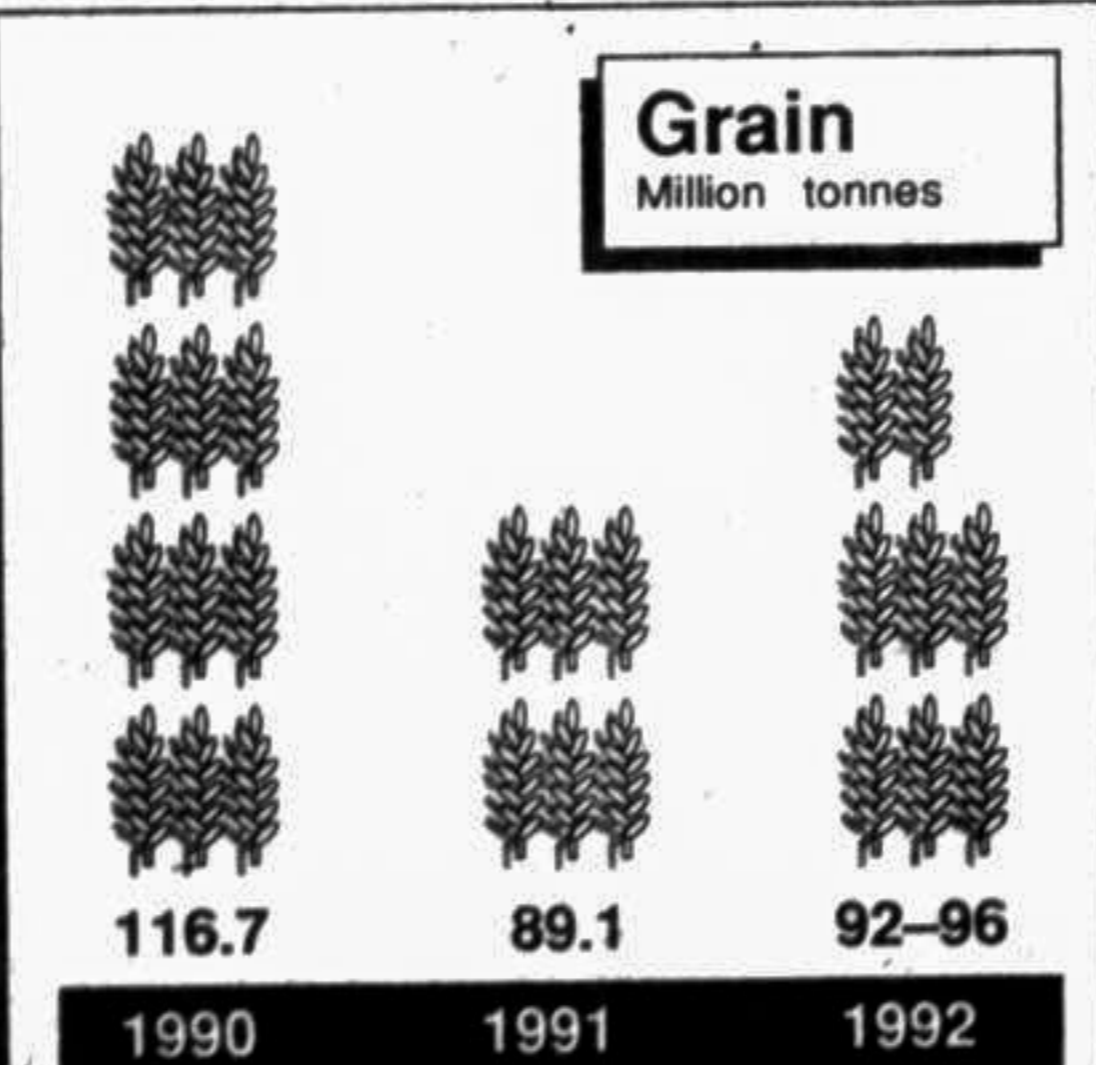
Despite the rapidly increasing gap between the real costs and the "communist costs," Gorbachev and his predecessors had always subsidised all the overdrafts of the

collective farms and written off their debts, using state budget and hard currency reserves.

Suddenly, on January 2, all the subsidies went, and Russians became responsible for their family budgets.

Meat prices jumped 50-100 times and almost matched the black market prices. Bread went up 10 times.

At the same time 90 per cent of prices on the industrial market became free as well. The cost of Russian cars rose from 40-60,000 roubles to 100-200,000 roubles. Farm machines and equipment rose 30 to 70 times.



As a result of all of this the two main centres of the Russian democratic movement did not put into action Yeltsin's first steps towards privatisation. In Moscow the procedure for privatising state-owned flats was changed three times, to people's great anger.

Disputes between local deputies led to the suspension of the procedures for dealing with small shops and services and potential domestic and foreign investors lost interest. Between October and December the rouble plunged from 60-70 to 230-250 to the US dollar. The government was forced to start liberalising prices

A wave of anger swept the country. The regions demanded low interest and non-interest credits. Even the new-born Russian elite was not happy because many so-called businessmen had gambled unsuccessfully on the gap between state and black market prices.

About 200 stock exchanges created before January 2 teetered towards bankruptcy, mostly because of their primitive structures.

The monetary squeeze began to work in February when the dollar exchange rate fell from 250 roubles to 180 and then 140. Shortage of coins and banknotes caused an artificial fall to 120 roubles.

In March, shops started filling up with goods and food. Inflation went down from 180 per cent a month at the end of 1991 to 30 per cent by March.

But opposition to Yeltsin continued to grow and attempts were made to create a new-communist/nationalist alliances. At the recent Congress of People's Deputies this alliance forced the government to promise to give about 200 billion roubles credit for the big state enterprises, factories and collective farms. Afterwards it was raised to 500 billion roubles.

The internal convertibility of the rouble introduced on July 1 led to a dramatic fall from 90 roubles to the US dollar to 130 and then to 160. The government started giving up the tough monetary squeeze and stepping back from its own reform programme. The hardships of the reforms had forced this retreat.

People lack the experience of property ownership and despite glasnost and perestroika, most are still inclined towards the old communist ways.

Unlike the Germans in 1945, the Russians do not want to share the blame for the 70-year-old system. Stalin is to be blamed, so are "communists" and "bad economists" but not the people who accepted in silence all the repressions and economic mismanagement.

Yeltsin's survival is in danger because of the deep conservatism of the Russian economic mentality. More and more Russians are waiting for a new "father of the nation." —GEMINI NEWS

Mikhail Pasternak is a Russian journalist based in Moscow. He is winner of 1990 Moscow Union of Journalists Award and has reported from Mongolia, Bulgaria, Croatia and the Baltic states.