US for tighter sanction on Serbia

UNITED NATIONS, Nov 14: The United States Friday named several Greek. Italian and Egyptian Shipping firms which it said violated the UN embargo against trade with Serbia and Montenegro. During a UN Security Council special debate on Bosnia, US Ambassador Edward Perkins urged tougher steps to end sanctions violations, including searches of vessels headed for Yugoslavia, now reduced to Serbia and Montegro, reports AFP.

Yeltsin says economy improving

MOSCOW, Nov 14: President Boris Yeltsin told leading industrialists Saturday the economy is showing signs of improvement, but warned against hard-liners who want to now "sow panic and destroy reforms," news agencies reported The first signs of change for the better, albeit small ones," have appeared in the economy, Yeltsin told a congress of the Russian Union of Industrialists and Entre-preneurs, whose support would be crucial when lawmakers convene Dec. 1 to discuss the course of reforms, reports AP.

Kuwait projects \$4b budget deficit for '94

KUWAIT, Nov 14: Finance Minister Nasser al-Rowdan projects Kuwait's 1993-94 budget deficit at 1.2 billion dinars - the equivalent of 4.2 billion dollar news reports said Friday. The drop from the 1.7 billion-dinar (6.2 billion dollar) deficit projected for the end of the current fiscal year ending in July 1993 can be attributed to steadily increasing oil exports, al-Rowdan told the daily Al-Anba, reports AP.

Russia starts gold sale in Japan

TOKYO, Nov 14: Russia recently started consignment-based gold sales to Japan, exporting one-half tonne as the first delivery in September, local builton industry officials said. Gold consignment deals from the Soviet Union, in which importers paid for the gold after reselling it within Japan, stopped after the Soviet Union broke up in 1991, they said. According to the finance ministry, Japan imported 141.86 tonnes of gold in the first nine months of 1992, of which only one tonne came from countries of the former Soviet Union - onehalf tonne in April and onehalf tonne in September, reports Reuter.

Fake jt-ventures in China to evade tax

BELJING, Nov 14: Many Chinese companies are pretending to be joint ventures in order to benefit from lower tax rates and other concessions, the official China Daily newspaper said Saturday. In one case it cited, a Chinese businessman gave a Hong Kong company 13 million dollar which the latter returned as a "foreign investment," enabling the Chinese man to register his company as a joint venture. In other cases, foreigners signed up as business partners without actually investing money, the paper said, reports

Labour wage up in Russia

MOSCOW, Nov 14: The minimum monthly labour wage in Russia will be increased to 2.250 roubles in the first quarter next year for employees in state budgeted organizations and institutions, Interfax reported Friday. From April 1 next year, the minimum wage will also be index-linked to inflation once every three months under a law approved by the Russian Supreme Council, reports

Russia adopts bankruptcy bill

MOSCOW, Nov 14: The Russian parliament adopted a bill on second reading on Thursday on business bankruptcies, ITAR-Tass news agency reported. The law, approved after months' of discussion, is considered by the government as a key element in economic reforms. After seven decades of central planning, the Russian government plans to cut subsidies to enterprises as part of its strategy towards creating a free market, reports AFP.

Japan seeks new trade forum with Clinton administration

TOKYO, Nov 14: Japan wants a new trade forum with the incoming administration of Bill Clinton, replacing the process set up by President George Bush which is not fruitful, a top trade official said Friday, reports AFP.

Sozaburuo Okamatsu, Director General of the International Trade and industry ministry's trade policy bureau, also suggested that the government process proposed by Bush in 1989 be widened to include the private sector.

The remarks to a group of foreign reporters followed news Thursday that Japan's trade surplus hit a record 88.4 billion dollar in the first 10 months of this year, eclipsing the all-time high for the whole of 1986.

They also coincided with reports that once Clinton is inaugurated in January, Congress might be more included to end the Structural Impediments Initiative (Sii) talks that led to a series of accords in 1990.

"The SII process after two years is not fruitful. It's time to discuss a new forum. Okamatsu said. If Clinton proposes a new method to discuss economic matters between the two countries, we are ready to enter discussions.

Indian bond scam

Broker admits

buying shares

for a former

minister

Indian stock broker allegedly

involve in a multi-million-dol-

lar securities scam said Friday

he had bought shares for a

former Indian minister who

quit in connection with the

The broker, Pallav Seth,

told a parliamentary panel

that he had bought shares in

two steel companies- Tata

Iron and Steel Co and Jindal-

for Paltaniappan Chidambaram

when he was commerce minis-

ter in Prime Minister P.V

Chidabarm quit in July after

admitting that he held shares-

bought through Seth- in the

Fairgrowth Financial Services

Ltd, a company linked to the

CANBERRA, Nov 14 : Slo-

wer than expected economic

growth, record unemployment

and an election on the horizon

forced the Australian Govern-

ment Friday to overhaul its job

creation programme, reports

announced plans to re-allocate

or bring forward funding to

create 20,000 jobs by the end

Prime Minister Paul Kea-

ting's Labour government must

go to the polls by May, leaving

the government less than

seven months to get unem-

ployment down from its post-

World War It record level of

11.3 per cent.

of the fiscal year June 30.

Treasurer John Dawkins

scandal.

Narasimha Rao's government.

scandal, reports AFP.

NEW DELHI, Nov 14: An

"The discussions should be made both between the two governments and the two private sectors. If governments and business circles attend meeting together, it will be more practical to solve the problem. U.S government officials do not know business practises as we know, the offi-

Although Okamatsu said his idea of a government-business forum was a personal view, his seniority within the bureaucracy gave it added weight as he is next in line to become vice minister, the top job in the trade ministry.

Jiji Press meanwhile reported from Washington that more congressmen have come to question the effectiveness of the SII process, which aims to reduce trade and investment obstacles between the two countries.

But the report, quoting democratic congressional sources, said Clinton's economic advisers were still divided over whether to continue the talks.

The current phase of the SII process involves monitoring the wide-ranging accords reached in 1990, which include various pledges to reduce the huge current ac-

count imbalance between the world's two biggest economies.

Another report adds: An economic upturn in Japan is unlikely before mid-1993, while a trade surplus of 130 billion dollar is forecast by the end of the current fiscal, an official said Friday. Okamatsu, said until the middle of next year the Japanese economy will not show an uptrend, mainly due to sluggish con-

sumer spending. Okamatsu, speaking to foreign journalists, forecast that Japanese imports would not increase while the strong yen would increase in the short term increase the value of ex-

Meanwhile. AP from Washington adds: Sentor Bill Bradley, a key figure in Congress on world issues, said Friday that Congress should extend President-elect Clinton's authority over international trade pacts to permit further negotiations with Mexico and others.

Bradley has been mentioned as a possible secretary of State in Clinton's Cabinet

There are some unresolved issues that the administration might want to address in trade negotiations that would continue," he said. "So I

Picture shows Ukraine central bank building in Kiev. Ukraine announced Nov 13 that

Russian rouble would no longer be a legal tender in its territory. The move is seen as

world be reviewing progress,

to ensure it was providing the

necessary fiscal stimulus,

stimulus is simply dragging the

spending forward from next

growing expectation that the

government would be making

another fiscal statement early

next year, which would give

the economy another kick

more jobs, the government has

decided to defer 150 million

Australian dollar (104 million

US) in funding for National

Rail Corporation works and 24

To free-up funds to create

prior to the general election.

"Most of today's announced

Calhoun said there was a

"which Dawkins has done."

financial year," he said.

Ukraine's attempt to break free from Russian economic control.

Slow growth forces Canberra to

overhaul job creation plan

The government has fore-

Dawkins said he had acted

This is a legitimate way, a

cast unemployment to be at 10

because the Australian econ-

omy was not growing fast

sensible way, to provide some

stimulus to our economy,"

Dawkins said, adding that

"although we're not growing

fast enough, we are still likely

to be the fastest growing de-

economist with broking house

Bain and Co, said the govern-

ment had indicated in Febru-

ary when it announced its

spending programme that it

Ivan Calhoun senior

veloped economy next year."

per cent by next August.

enough.

think 'fast track' probably should be extended ...

"Fast track" is the term for the negotiating authority that enables the president to present a trade accord to Congress for a yes-or-no vote. with no opportunity for delaying or crippling amendments.

Bradley noted that Clinton has said the North American Free Trade Agreement (NAFTA) with Mexico and Canada should be ratified and added his own endorsement. President Bush is expected to sign it Dec 17.

Additional negotiations could cover many issues, from protection of the environment to rules for dealing with sudden surges in imports, Bradley sa'd. In his campaign for the presidency, Clinton mentioned the environment and retraining of workers displaced by

imports. Bradley addressed an international meeting sponsored by Credit Lyonnais, a leading French bank, and afterward,

met reporters.

"Fast track" authority, which expires June 30, is also needed for approval of much more extensive accords that could emerge from the Uruguay round of trade talks, which involve 108 countries.

Bradley said those accords. now almost complete, should also be approved.

They have been delayed by the quarrel between the United States and the 12 governments of the European Community over subsidies for the production of European soy beans, which reduce the amount that Americans can sell in Europe.

The Bush administration has threatened a 200 per cent tariff on U.S imports of white wine and other European products unless there is a settlement by Dec 5. Top community officials are due in Washington next week for

"If we can't take action, what good are the rules?" he asked, noting that two international panels have ruled in favor of the United States in the trans-Atlantic dispute.

On trade with China, Bradley predicted that Congress will demand together conditions for continuing favorable tariffs on Chinese exports to this country. Many members want the annual renewal of "most favoured nation" tariff treatment for Chinese imports conditions on stronger human rights protection in China.

French Agri Minister attacks US stand in trade talks PARIS. Nov 14 : France's

Agriculture Minister on Friday attacked US pressure on Europe to cut farm subsidies, saying Washington is acting purely in the interest of the

American farmers, reports AP. But the Minister, Jean-Pierre Sotsson, also noted how difficult it will be under the circumstances to defend the French position on maintaining subsidies before the other European Community minis-

France, with a powerful farm lobby, has been blamed on both sides of the Atlantic for standing in the way of such an agreement.

The Americans in this matter aren't worried about ethics or morals. They're doing 'business', " Soisson said, "They're defending their farmers' interests and I don't see why I wouldn't defend the interests of our farmers.

"If Europe is in disarray, it

will become an American colony, but if it is united, it will be an equal partner of the US", said Soisson, who was in Toulouse for a meeting on ru-

ral development. AFP adds: The head of French farmers' union FNSEA. Luc Guyau, warned the European Community on Thursday to stick to the aggressive French stance on

world trade talks. Speaking of the sharp conflict between the United States and the EC on oilseeds and farm trade generally, which has held up agreement in world trade talks under the auspices of the General Agreement on Tariffs and Trade (GATT), Guyau said that "if Europe (the EC) wants to override the French position, the French farmers will launch massive and spectacular actions to censure French and European decision-makers in any way they can."

India's reforms on right track, certifies Preston

NEW DELHI, Nov 14 : World Bank chief Lewis Preston said his talks with Indian leaders had convinced him the country's radical reform programme was right on track, newspapers reported, says Reuter.

The Economic Times quoted him as telling a small group of Indian business reporters that before his approval in the country earlier this week he had some worries on whether there was the political commitment to see reforms through.

But after talks with ministers, including Finance Minister Manmohan Singh, Preston said he felt the programme was "right on target", it said.

Preston said his worries had been 'totally dispelled" by the talks according to the Asian Wall Street journal, which was also present at the briefing.

It quoted Preston as saying the reform programme had been one of the smoothest adjustment processes "that we've seen in many a moon". The two newspapers quo-

ted Preston as saying a 1:2 billion dollar securities scandal in Bombay was not a major concern. The Economic Times said

he described India's worst financial scandal "small beer" by international standards.

India began its reform programme shortly after Prime Minister P V Narasimha Rao took office in June, 1991 after his Congress Party emerged from general elections as the biggest in parliament.

Bouquets

TOKYO, Nov 14: To the list

A bunch of moneyed flowers costs 15,000 yen 120 dollar.

Naohiro Imai of Flower Friend, is a young man giving a Christmas present to a girlfriend going abroad for the holidays. lmai said the idea neatly combines the Westerninspired fashion among

younger Japanese of giving flowers with the older Japanese custom of giving a "sembetsu", or parting gift, to a person leaving for a distant

NAFTA will hurt ASEAN, says Lee MANILA, Nov 14: The North

American Free Trade Agreement (NAFTA) will hurt South East Asian countries by diverting investment away from the region and into Mexico, former Singaporean Prime Minister Lee Kwan Yew has said, reports AFP. Lee, now a senior minister

in the Singapore government, told the Mantla Chronicle newspaper in an interview published Saturday that the NAFTA pact between the United States, Canada and Mexico will mean a diversion of investments away from Asia to Mexico.

wrapped in dollar

of things that can be done with dollar bills, add this: wrapping a bouquet of flowers, reports AP.

Tokyo florist, looking for an idea to perk up Christmas sales, bought 900 sheets of 32 real dollar bills from the US Federal Reserve bank and is using the sheets to wrap bouquet.

The typical customer, said

UK's recovery package draws mixed reaction LONDON, Nov 14: British pay rises for the five million

Chancellor of the Exchequer Norman Lamont's economic recovery package, unveiled on Thursday, won support from his own party Friday but economists questioned whether it would speed the end of the recession, reports AFP.

Prime Minister John Major told a meeting of Conservative MPs, relieved after a recent series of political blunders, that the "growth" package of continued capital spending, tax relief on new car sales and a boost to the housing market would end "an traumatic pe-

The measures introduced in Lamon'ts regular "autumn statement" on the economy included a one-point cut in interest rates to seven per cent, bringing them to their lowerest level for 15 years.

Lamont also gave a boost to business by increasing investment allowances and helped exporters by upping the fund-

ing for the government's export credit guarantee schemes. The package would be paid for by increased government borrowing — up to 37 billion pound in 1992/93 and 44 billion pound in 1993/94 - and

by a limit of 1.5 per cent on

employees in the public sector. "Even on the treasury fig-

ures there is not going to be much of a pickup in output in the economy for at least six months," said Steven Bell, chief economist with Mercant Bank Morgan Grenfell.

And John Wrigglesworth, housing market analyst at UBS Phillips and Drew said the housing market was "so depressed" that the measures would not have a strong effect,

Press reaction was mixed with the rightwing Daily Telegraph criticising the measures as a "dangerous dash" for growth and the leftwing Guardian saying they showed "no growth strategy" but

amounted to mere "tinkering." Unemployment rises by 24,200 Another report adds: British

unemployment rose by 24,200 in October to a new total of 2,868,000, or 10.1 per cent of the working population, the Department of Employment said, Friday.

The 24,200 monthly rise was lower than the average forecast figure. Most analysts had suggested that the total would rise by about 40,000 over the month.

UNCTAD advises caution against rapid liberalisation of import

million dollar for electricity

grid projects because it was

unlikely the money would be

needed until next financial

labour market job subsidy pro-

grammes, aimed at encourag-

ing employees to take on un-

employed workers by offset-

ting their wages, would get an

extra 77 million dollar, with a

further 20 million dollar going

forward 55 million dollar in

local capital works and 30 mil-

lion dollar in road improve-

ments originally planned for

the 1993-94 fiscal year.

The government brought

to local projects.

Among the new initiatives,

- Star TV photo

GENEVA: Developing countries should undertake import liberalisation only when substantial export success has been guaranteed, and it should be gradual and accompanied by active industrial and agricultural policies, while the developing countries should maintain some degree of control on capital flows, according to the UN Conference on Trade and Development (UNCTAD).

The UNCTAD advice is in this year's Trade and Development Report (TDR) in a chapter on Reforming Trade Policies.

Since the late 1980s, a large number of developing countries have been liberalising their trade regimes, generally as part of a move comprehensive set of structural adjustment measures (and trade policy measures pushed on them by the International Monetary Fund and World Bank - both as a response to the economic crisis faced by them as well as disenchantment with excessive state intervention in economic affairs.

The TDR has analysed these experiences. Referring to various arguments, including the most popularised 'neo-classical' link of recent decades, used to explain why exports are positively correlated with overall economic growth, the TDR said that many of the arguments depend on which sectors of a country's economy generate exports. It is industrial exports, rather than exports in general, that lead to faster growth.

The statistical evidence on the link between exports and growth is strong in some respects but inconclusive in others. The relationship has not been found to be valid for all groups of countries or all subperiods of the post-war era. Some studies have shown that while the link is strong for manufactured exports, primary-exporting countries have fared poorly. Taken together, they provide support for 'an industrial bias in development policy.

On balance, statistical tests on the causal link between exports and economic growth indicate that overall economic growth, by improving supply capabilities, leads to faster export growth, rather than

By Chakravarthi Raghavan Third World Network Features The statistical findings are less conclusive on the association between trade policy and export growth: Hong Kong and Singapore, prototypes of free trade regimes, have achieved strong growth; but so have other countries with strong state intervention and maintenance of import protection, sometimes for long periods. Such success stories of the latter include the republic of Korea, Taiwan, Brazil, Israel, Portugal and

No link between trade and productivity is evident either, the TDR says, While at macroeconomic level, faster growth of total factor productivity has been found to be generally associated with more rapid economic growth, and the latter with faster export growth, the association between productivity and inward or outward orientation does not 'necessarily stand out at the sectoral level.

Country studies on Brazil, Colombia and Mexico have failed to find consistent association between greater openness and laster productivity growth. Chile has so far failed to show a strong productivity performance despite massive liberalisation and domestic adjustment since the mid-1970s.

And despite high protection, Brazil up to the last 1970s was one of the best productivity performers in the developing world. A study of India showed that while (at an earlier period) import substitution had adverse effects on productivity, the first half of the 1980s - a period of not only high but rising tariff protection and moderately falling non-tariff barriers -'was the period of fastest productivity growth in manufacturing.'

While data for a sample of 34 developing countries for the 1980s show a strong positive correlation between export growth and gross domestic product (GDP) growth, when the period 1973-79 as a whole is considered, the association is much weaker and strongly affected by a few exceptional cases. Export growth during this period explains 40 per cent of GDP growth for the 34 countries, but when the two extremely successful cases (Hong Kong and Korea) and a strong failure (Trinidad and Tobago) are excluded, the proportion falls to 15 per cent.

The association between growth of GDP and exports on the one hand, and protectionist measures on the other, is unclear, UNCTAD concludes, adding, The data suggest that export performance in the 1980s was not associated in any simple way with either low tariffs or non-tariff barriers or any combination of them.

* The experience of the varied groups of countries supports the view that macroeconomic stability (reflected in particular in only moderate inflation) is a necessary condition for structural change and economic growth. The experience of many Latin American and African countries shows that growth is unlikely to be resumed without guarantee of macroeconomic stability. But the later, while necessary, is not a sufficient condition either.

Due to the frustrating experiences, policy recommendations have increasingly favoured ultrashock reatment, in which major stabilisation policies and structural reforms are adopted simultaneously, thus breaking the traditional sequence that used to be suggested in the past, UNCTAD notes.

This "big bang" approach has been defended on three main grounds: overall credibility is enhanced. conditions for sustained growth is laid down early in the process, and an open trade regime imposes discipline on economic agents and thus supports stabilisation efforts.

'But experiences with "big bang" approach are not encouraging,' UNCTAD says and cites the experiences of Chile in the mid-1970s (when growth remained moderate and unstable for a long period), and Bolivia (in 1985) when hyperinflation was stopped but growth remained under an annual 3 per cent during 1986-91. More recent experiences of Latin America also point to some of the 'more dangerous effects' where the countries that used the "big bang" approach to stop hyperinflation experienced massive overvaluation of domestic currencies. The resulting expectations of devaluation fuelled inflation and made structural adjustments extremely painful.

The tendency to mix structural adjustment policies with anti-inflationary policies was more general than

the 'big bang" episodes, the TDR says, citing the

experiences of Mexico, Turkey and Colombia. 'Political consensus,' UNCTAD argues, 'is perhaps the major requirement for long-term credibility, and thus for stability of reforms. A major disadvantage of shock treatment is that it increases both the contractionary and adverse balance of payments (BOP) effects of reforms, and increases both short-term political resistance to reforms and the likelihood that policies will be reversed as a result of foreign exchange constraints - making the "credibility" and "political economy" arguments in favour of shock treatment intrinsically contradictory.

UNCTAD also suggests that trade reforms should precede liberalisation of internal capital flows and should not be simultaneous. In some countries, such liberalisation might result in capital flight, thereby endangering the fragile BOP situation which accompanies the liberalisation process.

The high costs of adjustment and rapid liberalisation that might lead to an irreversible loss of capital, labour skills and technological capabilities, argue in favour of gradualism in trade policy.

UNCTAD concludes, 'a more traditional sequencing is preferable to the current inclination to mix together stabilisation and structural reforms. . . import liberalisation should be adopted only when substantial export success has been guaranteed. It should also be gradual ... and accompanied by active industrial and agricultural policies. Some degree of control on capital flows should also be maintained. The speed of reforms, the relative weights to be given to tariff and non-tariff measures, the alternative forms of industrial policy adopted, the different mechanisms to control capital inflows and the resulting importance of interventionism in the overall programme have all to be evaluated on the basis of specific domestic conditions.

Chakravarthi Raghavan is Chief Editor of SUNS (South-North Development Monitor), a daily bulletin, and the Geneva representative of the Third World Network.