

BRIEFS

Aden facing massive strike

ADEN (Yemen), Dec 8: Government offices and private businesses went on strike in South Yemen to demand pay rises and an end to soaring inflation, and trade unions threatened more protests. Witnesses said workers at Aden Port and the refinery joined the strike and petrol stations were shut. The general federation of trade unions, which called the strike, warned of more protests if its demands were not met. The federation is close to the Yemen Socialist Party (YSP) which ruled former Marxist South Yemen before its 1990 merger with the north, reports Reuters.

Stocks up, dollar lowers in Tokyo

TOKYO, Dec 8: Buying by public funds helped Tokyo share prices recover early losses and end the morning session higher Tuesday, while the US dollar remained lower against the Japanese yen. The 225-issue Nikkei Stock Average regained 115.35 points, or 0.67 per cent, to 17,322.47. The average, which lost 88.57 points or 0.51 per cent Monday, was down more than 60 points earlier in the morning. The Tokyo Stock Price Index of all issues listed on the first section was up 4.56 points, or 0.35 per cent, to 1,304. The TOPIX fell 2.60 points, or 0.2 per cent, the day before, reports AP.

Swiss central bank to back franc

ZURICH, Dec 8: The Swiss central bank will not hesitate to intervene in defence of the Swiss franc if it falls by too much but opening rates did not appear to justify such action, spokesman Werner Abegg said here on Monday hours after voters rejected Swiss membership of the European Economic Area (EEA). The Swiss franc was weak in early trading in Europe but Abegg said that Swiss short-term interest rates were also slightly down. The lombard rate was down from 7.875 per cent to 7.625 per cent. Abegg said that it was difficult to forecast the long-term trend of the Swiss franc, reports AP.

Armco plans to sell Venezuelan units

PARSIPPANY, Dec 8: Armco Inc plans to sell all of its Venezuelan operations to concentrate on the company's more profitable core business. Jim Herzog said Armco wanted to concentrate on the manufacture of flat-rolled steel. Armco's Venezuelan operations consist of pipe and tubing facilities, construction products plants and a steel service center. The area is a non-strategic asset, Herzog said Monday. "Also, for this year, the Venezuelan operations were not profitable, reports AP.

Cotton lower by 25 cent in US

NEW YORK, Dec 8: Cotton futures No 2 closed 25 cents to 2.00 dollar a bale lower Monday. The average price for strict low middling 1-16 inch spot cotton advanced 32 points to 51.98 cents a pound Friday for the seven markets, according to the New York Cotton Exchange, reports AP.

Pak money market rate rises sharply

KARACHI, Dec 8: Pakistani money market rates soared after the State (central) Bank of Pakistan (SBP) raised discount rates on T-bills and Federal Investment Bonds (FIB) dealers said. Short-term rates shot up with trades struck between 10 and 14 per cent after the SBP raised the discount rates to 15 per cent from 14 per cent on T-bills and three-year and five-year maturity FIBs and 16 per cent on 10-year FIBs a dealer at KASB and Co said, reports Reuters.

EC, EFTA can go without Swiss: Norway

SOLO, Dec 8: Norway's labour government said that the European Community (EC) and EFTA could go ahead with creating a joint free trade area excluding Switzerland, which rejected the plan on Sunday. Trade Minister Bjoern Tore Godal said the other 18 countries planning to take part in the so-called European Economic Area (EEA) would have to negotiate technical changes to the agreement, originally due to start in January. The negotiations were likely to take several months, reports Reuters.

Mosque razing may hinder India's economic reforms

BOMBAY, Dec 8: A political crisis in India triggered by the razing of a mosque by militant Hindus could setback the country's bold economic reform programme and delay economic recovery, bankers and financial analysts said, reports Reuters.

Fears of spiralling unrest forced the closure of the country's leading stock markets on Monday. Banks and offices closed early and many trains in Bombay were cancelled as police cordoned off parts of the city to isolate gangs of youths who set a police van and several buses on fire.

It's a very bad situation. Everything will be on hold,

said foreign exchange consultant Jamal Meeklai.

Indian news agencies reported at least 80 people killed across the country and scores more injured in Hindu-Muslim violence triggered by the destruction of the mosque in the northern state of Uttar Pradesh on Sunday.

Financial analyst Ajit Dayal said renewed political uncertainty could delay further economic reforms, putting the country's multi-billion dollar aid package from the International Monetary Fund (IMF) in jeopardy.

Some economists said Islamic oil — producing states could threaten to cut off oil to

India following the destruction of the mosque.

Meeklai said the unrest would stanch the flow of vital remittances to India and undermine the country's efforts to attract foreign investment. Government plans to make the rupee fully convertible would be delayed.

He said he anticipated the rupee, which was devalued by 1.18 per cent against the US dollar on Friday, could fall further. It was trading on the free market at 30.75 to the dollar, and could slide by one to two rupee.

The crisis prompted speculation among bankers and businessmen about a possible

mid-term election, or the replacement of Prime Minister P V Narasimha Rao, accused by critics of failing to act decisively on the Ayodhya issue.

"It's damaged India's credibility substantially," said Bhaskar Ghose, Indian Representative of the Bank of New York.

While there may be a change of leadership, I think the Congress government will stay, he said.

The incident is bound to affect the economic programme adversely, said Nani Pathiwa, a Director of Tatas, India's leading business house.

People abroad would wonder if there is any dependable

form of government in India, he said. Also if there's a change of government there'll be apprehension whether the new ministers would continue with the reform programme.

Ramu Deora, Chairman of the Basic Chemicals, Pharmaceuticals and Cosmetics Export Council, called for decisive action by the government to control the situation.

"It's unexpected, but I think it can be resolved within a couple of days," said Deora.

"We'll have to see how the Prime Minister can consolidate himself," said Aspi Contractor, head of Research with Merchant Bankers DSP

Financial Consultants. His positions rather shaky right now.

Rao ushered in a programme of dramatic economic reforms, ending 40 years of Socialism in India and sweeping aside trade and industrial restrictions. He opened India's stock markets to foreign investment and made the rupee practically convertible.

While businessmen see little real political alternative to the reforms, they would be worried by any change of leadership that could result in further delays.

An unstable government at the centre will mean no decision-making, Contractor said. The most difficult decision

before the government is when to introduce a policy that would allow the closing down of loss-making state industries, and the sacking of workers by private business.

The Indian economy is just edging its way towards recovery. The razing of the mosque may act as a new dampener just as the economy was recovering from the lingering impact of a 1.2 billion dollar financial scandal earlier in the year.

A fragile social situation may cause industrial production and rural consumption to stall, said Dayal, analyst with Jardine Fleming Affiliate Quantum Financial Services.

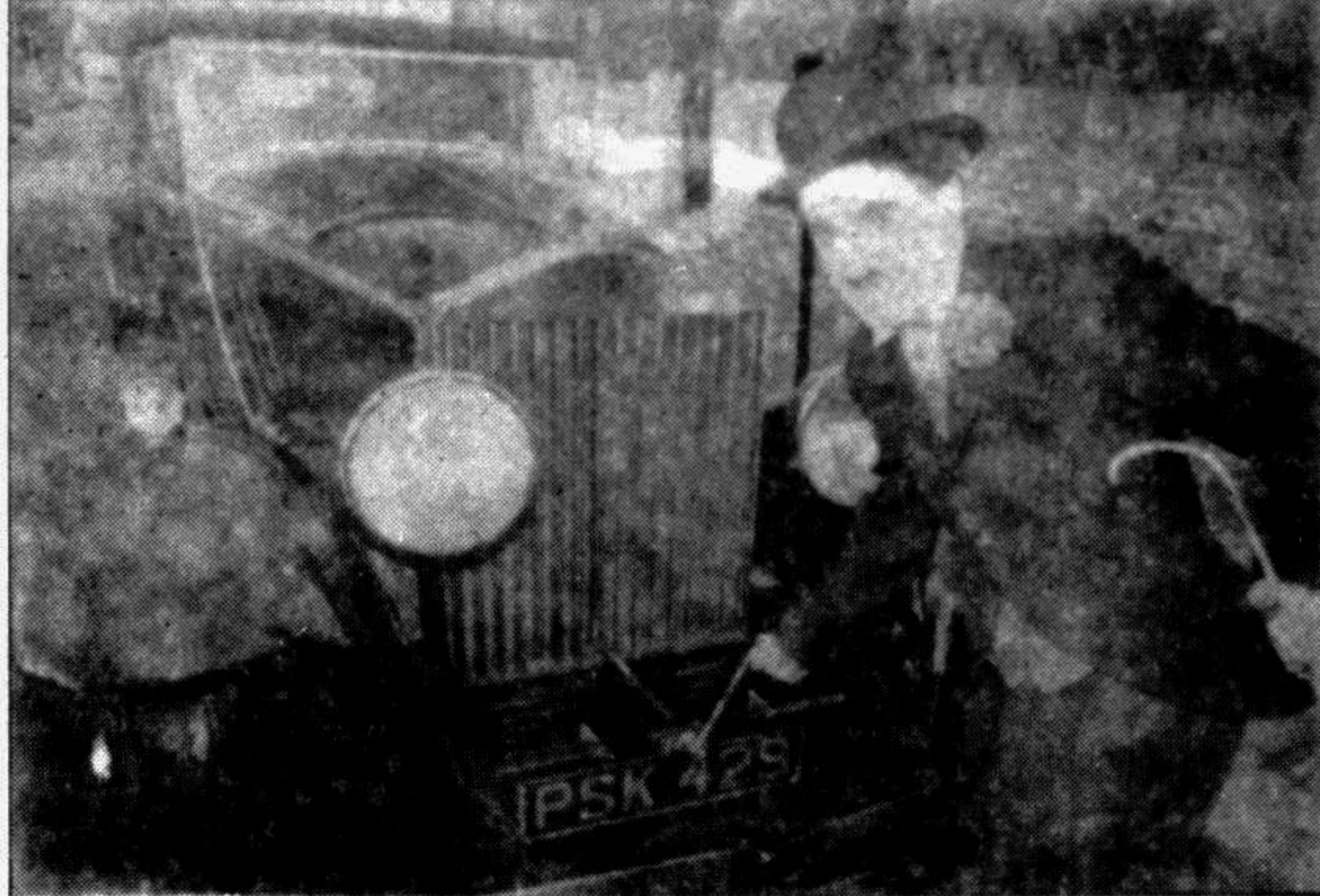
Dollar falls as foreigners flood in Mogadishu

MOGADISHU, Dec 8: When civil war destroyed the last remnants of organized Somali society, Hassan Salad Hersi saw no reason to let his experience as an accountant go to waste, reports AP.

Now, while hundreds of thousands of other Somalis wait in line for food handouts or to buy looted goods, Hersi sits beside a knee-high stack of Somali shillings. He trades them for dollars, pounds, deutschmarks and any other foreign currency that finds its way into his dank little shop.

Amid the chaotic consequences of famine and clan warfare, Hersi maintains one of the few somewhat normal businesses remaining in Mogadishu — and one of the few that doesn't necessarily depend on the misery of others.

Everybody needs money, whether in peace or war.



LONDON: Actor and Chaplin enthusiast Frank Terry pulls the starting handle of a 1931 Rolls Royce Phantom, once the property of film star Charlie Chaplin, on Monday. The car, due to go for auction on Wednesday, appeared in the 1939 film "The Great Dictator" and went to his wife Paulette Goddard, following their divorce. It is expected to sell for 100,000 pounds. — AFP/UNB photo

'Japanese planners facing delicate period to frame next yr budget'

TOKYO, Dec 8: Toyoo Gyohten, a former top official at Japan's Finance Ministry who now heads Bank of Tokyo, predicted that the Japanese economy would start recovering by the middle of next year at the latest, reports AP.

But he also warned that economic planners were now facing a "very delicate period" in framing the government's budget for the new fiscal year starting in April, which he described as "very crucial" to the scale of the recovery.

"The 1993 budget bill will be viewed as Japan's response to the global desire to re-stimulate the economy," he told a luncheon. "Between now and the end of the year could be a very crucial period for those policy planners."

Gyohten, who oversaw the impact of the yen's surge against the dollar as Vice Minister of Finance for International Affairs between 1986 and 1989, said last week's gross national product (GNP) data was "not very encouraging."

The GNP figures showed that Japan had technically entered a recession with economic activity in the September quarter shrinking 0.4 per cent from the previous three months following zero growth in the June quarter.

The contraction was the first since 1986 and marked the most protracted economic decline in Japan since after the first oil-price shock of 1973.

But noting that the latest GNP figures included "elements which would indicate the economy has bottomed," the Bank of Tokyo Chairman forecast that "recovery will be in progress at the latest by the middle of next year."

Gyohten also said that the "main problem" currently facing the economy was the parliamentary delay in approving the government's supplementary budget, part of a 10.7 trillion yen (87 billion dollar) package adopted in August.

Although approval is expected in the next few days, Gyohten noted that "the entire process will take about two

years" to appropriate and disburse funds. The package "will yield significant results" although any need for more funds "will depend on the development of the situation in the coming months."

Gyohten, one of the most widely respected former Finance Ministry officials outside of Japan, acknowledged that Japanese borrowers were already facing a credit crunch of sorts but noted that there was also "very weak" demand for funds. "In that sense, it's not a credit crunch per se," he said.

But "there is a certain element of credit crunch now

particularly with small and medium-sized firms. These firms are not as well collateralised as their big brothers," he said. "Their credit standing is naturally not as high."

Japan to explain refusal to open rice market

Reuters adds: Agriculture Minister Masami Tanabu is to visit the United States and Europe to explain Japan's refusal to open its rice market, government officials said here.

"I am going to strongly restate our opposition to the tariffication plan," Tanabu was quoted as saying by a ministry official.

China-Japan to manufacture Honda motorcycle

TOKYO, Dec 8: Japan's Honda Motor Co. announced Monday a 25.7 million dollar joint venture with China's Tianjin Zundapp Motorcycle Co. Ltd, the company's third motorcycle manufacturing venture in China, reports AFP.

The two companies are scheduled to sign an agreement Tuesday to establish the joint venture to produce 90 cc motorcycles in April, with Honda holding 34 per cent and the Chinese partner the remaining 66 per cent.

Under the agreement, Tianjin Honda Motor Co Ltd is expected to employ about 1,200 people and produce some 20,000 motorcycles in the first year, rising to 30,000 units in the second, a statement said. Engines and parts for a new model to be known as the Tianjin 90 are to be supplied by Honda.

The announcement of the new venture in the northern Chinese city came only three days after Honda said it would set up a separate venture capitalised at 13.7 million dollar in the southwest city of Chongqing.

This venture, owned equally by Honda and China Jialing Machine Co. Ltd, is to begin production of 125 cc motorcycles in mid-1994 at an annual rate of 40,000 units, eventually rising to 70,000 units.

Studio owner sued for fraud

LOS ANGELES, Dec 8: Metro Goldwyn Mayer and the bank that owns it sued former MGM owner Kirk Kerkorian for 1.25 billion dollar accusing him of fraud in the sale of the historic movie studio to Giancarlo Parretti, reports AP.

But a lawyer for Kerkorian, replying "Hogwash," accused MGM and the French state-owned bank Credit Lyonnais of reneging on an earlier deal.

It was the latest roaring in the bitter legal wars stemming from the sale and near-collapse of MGM, which released "The Wizard of Oz" and "Gone With The Wind" under its celebrated lion logo during Hollywood's Golden Age.

Since the sale in November 1990, MGM's struggle to recast itself as a viable concern has played out against a backdrop of litigation. Parretti, a mysterious Italian financier, is wanted on criminal perjury charges in Delaware stemming from one of those cases.

Many of MGM's assets already had been parceled off when Parretti bought it from Kerkorian, a Beverly Hills billionaire who made his fortune in airlines and hotel-casinos. Within months the studio was floundering, so poor that it could not afford to make posters to promote its movies.

Walesa unhappy over use of WB fund in Poland

WARSAW, Dec 8: President Lech Walesa said he was angry how little of 2.6 billion dollar of credits offered by the World Bank to Poland have been taken up, reports Reuters.

Only 600 million dollar of the World Bank's assistance granted since 1990 have been used to date.

Walesa told PAP news agency that he had enough of Poland's inability to take advantage of the aid and suggested using the money to revitalise the collapsing southwestern industrial region of Silesia.

We should appoint a minister for Silesia and give him the money to meet the economic needs of the region and its people, Walesa was quoted as saying. The Polish economy is showing first signs of coming out of a deep recession but inefficient heavy in-

dustrial, inherited from communism, needs billions of dollar to modernise.

Ian Hume, the World Bank's Warsaw representative, told Reuters the bank had already joined several projects in Silesia, and had nothing against bigger involvement in the region.

"Both we and the government are concerned that we should accelerate the utilisation of the aid," Hume said.

He blamed the political instability that has often rocked the country since 1990, high costs of domestic lending and deep recession for slow absorption of the money.

The World Bank dispatches money only to projects also funded by Polish public or private investors. But with commercial interest rates of up to 35 per cent, few are able to provide necessary funding.

Manila offers tax break for investors at Subic

MANILA, Dec 8: The government has approved a major tax incentive to attract more companies to the former US naval base at Subic Bay, the head of the base conversion agency said Tuesday, reports AP.

Richard Gordon, head of the Subic Bay Metropolitan Authority and mayor of adjacent Olongapo, said the incentive means that companies operating in Subic will be exempt from all national and local taxes except a 5 per cent tax on income.

Income will be defined in effect as net income rather than gross income, he said.

The government plans to convert the Subic area into a free port, industrial park,

shipping and tourism hub to attract foreign investments.

"This will make us competitive," Gordon said.

Subic will also allow duty-free import of raw materials and export of processed goods. Also, an investor can get a permanent residence visa for a 250,000 dollar investment, Gordon said.

The Americans turned over Subic, once the largest US naval supply depot and maintenance facility in Asia, to the Philippines last month, ending nearly a century of US military presence.

A hotel operator and a message handling company are so far the only foreign companies with firm plans to operate at Subic.

Call for closer link to stabilise world oil price

BEIJING, Dec 8: Representatives from oil producing countries have called for closer collaboration to stabilise world oil prices, the newspaper China Daily said Tuesday, reports AP.

Members of the Independent Petroleum Exporting Countries have been meeting in Beijing. Among the group were representatives from Angola, Canada, Colombia, Egypt, Malaysia, Mexico, Norway, Oman, Russia and the United States.

China, which produced 134 million tons of oil in 1991, announced in January that it was cutting its exports slightly to help stabilize world prices. It exported 19 million tons of oil over the first nine months, the China Daily said.

China also is moving to integrate its oil market more

closely with world markets. On Wednesday, it plans to open a national oil exchange in Nanking that eventually will conduct futures trading. Prices are expected to follow the trends set in New York, London and Singapore.

Oil prices in China kept artificially low for decades, have been raised over the past year and more increases are in store. The price of gas at the pump went from about 1.2 yuan (22 US cents) a litre (0.26 gallons) at the start of the year to 1.95 yuan (34 US cents) in November.

The China News Agency in Hong Kong reported last month that the price of crude oil from 14 domestic oil fields will soon be raised 40 per cent, from 500 yuan (dls 90) a metric ton to 700 yuan (126 dollar).

EC ministers divided over time-table for opening negotiations

BRUSSELS, Dec 8: European Community foreign ministers were divided Monday on whether to accelerate their timetable for opening negotiations with prospective EC members as urged by France and Germany, officials said, reports AP.

A statement issued here simply noted the decision by the EC's Lisbon summit in June to hold off membership talks until ratification of the Maastricht Union Treaty was complete and the EC's long-term budget approved.

German Chancellor Helmut Kohl and French President Francois Mitterrand, who met in Bonn last week, called for opening talks with EC candidates early next year even before Britain and Denmark ratified Maastricht.

A British spokesman here said Monday's statement was not an outright rejection of the French-German position.

But he added that it was "an open question" whether the EC would drop ratification of Maastricht as a pre-condition for membership talks.

He said there was little inclination to start the discussions before resolution of a fierce battle over the community's seven-year budget, with

poorer EC states resisting cut-backs in proposed development funds.

The spokesman said the ministers, holding two days of talks here, preferred to leave the final decision to an EC summit opening Friday in Edinburgh, Scotland.

Sweden, Austria, Finland, Norway and Switzerland have applied for membership in the EC, and the first three have had their candidacies endorsed by the community's executive commission.

The enlargement process was further complicated Sunday by Switzerland's rejection of membership in a free trade area linking the EC and the seven states of the European Free Trade Association (EFTA).

The vote on the European Economic Area (EEA) was considered a test of Swiss sentiment on EC membership.

Opinion polls have shown opposition to the EC in the majority or gaining ground in all five candidates for membership.

The Swiss move also had a direct effect on the poorer EC states — Spain, Portugal, Ireland and Greece — who want to be sure they will get sufficient development funds

before opening talks with new members.

The EFTA countries had promised them 2.5 billion dollar in loans and grants over five years but the question remained who would pick up the Swiss share, accounting for 27 per cent.

Spanish diplomats said Switzerland's EFTA partners would have to pay the tab if the Bern government did not agree to do so in a bilateral deal.

Portuguese diplomats also said that the EEA treaty should be renegotiated to liberalise terms on the free movement of people that had been tightened up to please the insular Swiss.

Police use water cannon to disperse farmers

Another report says: Baton-wielding Belgian police used water cannon to disperse about 200 stone throwing farmers protesting an EC-US farm deal that would cut agricultural subsidies.

The farmers, who threw stones, firecrackers, eggs and beer cans at the paramilitary gendarmes, were demonstrating outside a meeting of European Community agriculture ministers discussing the

farm deal which is part of the General Agreement on Tariffs and Trade (GATT).

An AFP correspondent said that as the demonstrators dispersed, they hurled stones against the windows of the EC Headquarters.

About 1,000 Belgian police were deployed to protect the EC and had erected barriers of barbed wire, permitting cars to pass one by one.

The police prevented Belgian farmers from driving tractors through Brussels during the rush hour as they had planned in order to signal their opposition to the EC concessions on farm subsidies.

Farmers in the community, who are heavily indebted, fear that concessions made over agricultural experts will reduce markets and subsidies for their produce.

France, which has a powerful farm lobby, is threatening to veto an overall GATT deal to protect the farm arrangement reached in Washington on November 19.

Demonstrators carried the flags of several EC countries, and banners reading: "can the USA alone decide our fate?"

On Sunday farmers built a wall of bricks around a MacDonald restaurant in the

town of Gand in northwestern Belgium in a protest against US interests.

On December, 1,500,000 farmers from across the community and Japan marched through Strasbourg, eastern France, to demonstrate outside the European parliament.

Key week for European unity

Reuters adds: A key week for the cause of European unity got off to a shaky start with Swiss voters rejecting a plan to link the EC with EFTA.

Five days before an Edinburgh summit billed as the last chance for the EC to undo the damage caused by Danish citizens, "no" to the Maastricht Treaty, the Swiss have narrowly voted against joining a so-called European Economic Area (EEA).

EC foreign ministers arriving in Brussels for two days of pre-summit talks insisted the plan for a common market from the arctic to the Mediterranean would still go ahead.

Governments sympathetic to the integration cause are now crossing their fingers in the hope that the Swiss vote will not affect the public mood

any further failed.

The equally narrow Danish vote in June against the Maastricht Treaty sparked a turbulent period of uncertainty for politicians who previously thought its ratification by the 12 EC states was little more than a formality.

EC diplomats had laboured so long and so hard and made so many intricate compromises on the text of the Maastricht Treaty that they were shocked when the people said "no".

The constitutional lawyers labouring over how to make the Maastricht text more palatable to the Danish Parliament and people without having to renegotiate it are now having to think also about procedures for salvaging the EA minus Switzerland.

An intricate British formula for surmounting the Danish problem has been criticised by some of its partners a going too far and by some Danish politicians as not going far enough.

Finding a compromise solution in Edinburgh is only half the battle as the Danes could always vote "no" again if they found the deal was too muddy.

The pre-summit foreign ministers meeting was due to

spend part of its time discussing ways of making the EC's business more attractive and understandable to ordinary citizens.

"Transparency" is one topic on the agenda. Here, the British presidency is likely to suggest throwing open very occasional ministerial meetings to the press.

Another watchword is "subsidiarity" — deciding when tasks should be dealt with by the EC and when they should be left to national government. "The summit will have no difficulty agreeing about subsidiarity because nobody cares about it," said one EC official.

The summit will also look at the idea of an EC economic growth initiative as well as expanding its own finances, but some diplomats are warning against high expectations given the existing pressures of EC and national budgets.

With EC unemployment stuck obstinately in double figures, the question arises whether jobless Europeans will be reassured that their plight will be discussed at Edinburgh, but as a lowish priority.

"Perhaps the solution would be to dissolve the people," said one diplomat contemplating inconvenient voting results.