

### European rate cut rumour pushes dollar up in US

NEW YORK, Jan 16: The dollar firmed on speculation progress in Germany's wage talks and a stronger French franc could lead to a concerted European rate cut as early as this weekend. Short covering also helped, dealers said, reports Reuters.

Some traders doubted a rate cut would occur but said they didn't want to dismiss the possibility and hold short dollar positions over the long US weekend. Many banks are closed or thinly staffed Monday for the Martin Luther King holiday.

It was a typical reaction on a Friday. All forces converged to push the dollar higher, said Michael McKeever, corporate trader at Dai-ichi Kangyo Bank. The dollar ended at 1.6350/60 marks from 1.6215/25 at the US open and 1.6240/45 at Thursday's close. It also closed at 126.00/10 yen from a 125.78/88 open and 125.83/86 close Thursday. Dealers said the quick dollar sell-off after the short-lived allied attack against Iraq Wednesday left some traders short and eager to cover ahead of the weekend.

### India posted 1.2 per cent growth in '91-92

NEW DELHI, Jan 16: The Indian economy posted a meagre 1.2 per cent growth in real terms during 1991-92 against 5.2 per cent in the inaugural year of the current decade, reports PFI.

The 1.2 per cent gross domestic product (GDP) growth in 1991-92 at constant (1980-81) prices might be viewed against the worst economic crisis the country was confronted with when the Narasimha Rao government assumed office in July 1991. At current prices, the GDP in 1991-92 as 541888 crore rupee as against 472660 crore rupee in 1990-91 showing an increase of 14.6 per cent.

However, at constant (1980-81) prices, the GDP is estimated at 212316 crore rupee as against 209791 crore rupee in 1990-91. Figure released by the central statistical organisation (CSO) and the planning commission showed.

The quick estimated of national income, showing a 14.6 per cent growth in the country's national income at current prices, should be viewed against an average annual inflation rate of 13 per cent prevalent in that year. Admitting that the growth rate during 1991-92 has not been "satisfactory", it was officially pointed out that negative growth was observed in both agriculture and manufacturing.

### 'Roh should take decision on rice market'

SEOUL, Jan 16: Outgoing president Roh Tae-Woo should make the final decision on whether to open the rice market and finish other dirty jobs before he leaves office in February, the ruling party said here Friday, reports AFP.

The outgoing government "should make decisions itself on such pending worrisome issues as the opening of rice imports under the Uruguay Round negotiation and the building of nuclear waste dumps," the democratic Liberal Party (DLP) said in a party bulletin.

South Korea and Japan have been resisting international pressure to allow rice imports, saying that rice is the most important income source for farmers and has strategic importance as a staple food.

"We should learn from the ongoing transition of government in the United States," the bulletin added. "The Bush administration is since rely paving the way for the incoming government of president-elect Bill Clinton, burdening itself with dirty jobs."

The bulletin cited an example Bush's decision to strike at Iraqi missiles batters this week.

The editorial came as Roh and president-elect Kim Young-Sam were engaged in a hectic discussions over the transition.

Newspapers interpreted the statement as urging Roh to allow rice imports, which is increasingly seen as an unavoidable event.

South Korea's chief delegate to the General Agreement on Tariffs and Trade (GATT) Uruguay Round of multilateral trade talks, Park Soo-Gil, recently came under fire here after stating that Seoul had to choose either to open its rice market or to leave the GATT.

Before the December presidential election, Kim promised to keep the rice market closed.

## Rao pledges to redouble recovery drive

BOMBAY, Jan 16: Prime Minister PV Narasimha Rao, acknowledging that bloody riots in Bombay had hit business and worried foreign investors, pledged on Friday to redouble India's recovery drive by stimulating the economy, reports Reuters.

India's bold programme of economic reforms had been damaged by riots across the country following the destruction of a 16th century mosque by Hindu Zealots in the northern town of Ayodhya last month, he said.

He told reporters after driving through riot-hit areas of Bombay, India's commercial and banking capital, the government had decided to make economic recovery its top priority.

Measures would be introduced in the next budget on February 28 to help stimulate the economy, which is forecast to expand by around three per cent in the financial year 1992/93, against a rise of just 1.19 per cent in gross domestic

product in the previous year.

"In the past 1-1/2 years, we have embarked on a new, pulsating programme of economic reforms... on a new note of integrating the country's economy with the world economy," Rao said.

"We had some signal success in these endeavours. Now I feel that all these successes have been eroded to some extent and we will have to make a redoubled effort to make the world forget what has happened during the last one month or more," he said.

Among foreign investors, he said, there was "a feeling of trepidation, a feeling that something has gone wrong and the way the curve was going up and up has been arrested temporarily."

India must now try to make up for its losses.

"It should be our endeavour now to concentrate on this process of recovery as we have concentrated on the new process of economic reform, we

have to now concentrate on recovering whatever has been lost and again continue our journey towards economic prosperity," he added.



"The government of India has decided that the efforts at recovery will be redoubled. Whatever are the obstacles on the way will be dealt with and we will go ahead with our programme. We have already started on that course," Rao declared.

The next budget by Finance Minister Manmohan Singh would help alleviate poverty as well as giving a new impetus to the economy.

The government's dramatic economic reforms have reversed four decades of socialist policies, liberalising trade and industry, cutting taxes and encouraging foreign investment in sectors of the economy previously reserved only for Indian companies.

Singh has also partially floated the rupee and opened up the country's stock markets to foreign institutional investors.

In the latest reforms announced last week, the government introduced major changes to the Foreign Exchange Regulation Act (FERA), the cornerstone of India's previously inward-looking economy.

In the next budget businessmen are hoping for further cuts in taxes and tariffs, more deregulation and a possible full float of the rupee. They also want early action on

an industrial relations policy to make the hire and fire of workers easier.

Industry officials say Indian business may have lost 300 million in Bombay's riots which forced factories and banks to close, disrupted raw material supplies and halted exports and trade. At least 500 people have died over the past 10 days.

"But the bigger impact could be that investor interest in India will be dampened, and the confidence of countries buying our exports will be damaged," said V S Date, Secretary of the Bombay Chamber of Commerce and Industry.

More than half of India's exports go through Bombay, and business leaders said it would now be more difficult to meet export targets after two bouts of communal bloodshed in two months.

India's trade deficit in the first eight months of 1992/93 rose to 3.1 billion dollar from 1.43 billion dollar a year ago.

## OPEC chief will travel member states to seek consensus on output cut

LONDON, Jan 16: OPEC President Alirol Parra of Venezuela said on Thursday he will tour member states in about 10 days' time in a bid for consensus on output cuts to buoy weakening world prices.

Parra told Reuters one goal in the effort to mop up an incipient glut was "100 per cent compliance" with output rules of OPEC (Organisation of the Petroleum Exporting Countries).

He will also seek consensus on new cuts in supply ahead of a February 13 OPEC meeting in Vienna.

Parra, in a telephone interview from Caracas, said OPEC output was too high by "several hundred thousand barrels."

He also reaffirmed that OPEC was committed to a target of 21 dollar for the average price of crude oil. "Twenty-one dollar is the

target. There is no doubt about that," Parra said. But the basket is now under 17 dollar and "at the moment we are not even in a comfort zone."

Such experienced OPEC watchers as Mehdi Varzi with Kleinwort Benson Securities in London say the 12-nation producer club hasn't been too specific on its pricing goal lately.

"This sent a wrong signal to the market," Varzi said.

He cited OPEC supply, use of stocks held by western companies, a weak global economy and, to date, a mild winter in the United States and Europe.

But the amount of excess capacity which OPEC needed to shut in now was small compared with "huge volumes of a few years ago" during the glut of the mid-1980s.

### ECO members to meet in Pindi in Feb

ISLAMABAD, Jan 16: Foreign ministers of 10 Asian member states of the Economic Cooperation Organisation (ECO) are to meet in Pakistan early next month, the government announced here Thursday, says an AFP report.

The two-day meeting from February 6 to 7 in the southern Baluchistan provincial capital of Quetta will be the second since ECO was enlarged in November to include the newly independent Central Asian republics.

Pakistani Foreign Secretary Shaharyar Mohammad Khan told reporters the meeting would focus on expansion and consolidation of trade, and economic and communication links among the members.



Picture of an annual boat show in England. Dawning of an "Europe without frontier" such events in an uncertain situation. — Star TV photo

## EC to hold talks with Japan on widening trade gap

BRUSSELS, Jan 16: Japan and the European Community agreed Friday to hold joint talks among statisticians to analyse the growing problem of the EC's trade deficit with the Asian economic power, reports AFP.

Officials of both sides said the decision was made at the Fifty Japan EC ministerial meeting, bringing together five ministers from Tokyo, with their EC counterparts.

EC Commission president Jacques Delors warned the Japanese ministers Thursday that further widening of the EC's deficit would have "political implications."

The Japanese delegation included Minister of International Trade and Industry Hoshiro Mori, who presented a 12-page "Europe-Japan cooperation package" to improve economic ties.

But beyond a decision announced Thursday to hold annual talks on industrial cooperation and policy, the package appeared mostly a complication of previous measures such as import promotion campaign, tax breaks or joint seminars.

"I don't know if there is any completely new idea in this paper," said Morimoto, But a Commission spokesman said

that implementation of all of the plans would be a "very good step."

For their part, the Japanese complained about what they said were illegal quotas maintained by European countries on 44 items. They also said that EC moves to make it easier to impose anti-dumping tariffs on Japanese imports "are unfair."

Watanabe left Brussels on Friday to go to Spain, the last stop on a three-nation European swing that first took him to France.

Also part of the Japanese delegation here were the ministers of agriculture Masami

Tanabu, Economic Planning Hajime Funada, and Science and Technology Mamouru Nakajima.

### EC for liberal farm trade

Reuters says: European Farm Commissioner Rene Steichen pressed Japan's Agriculture Minister Masaru Tanabu on Friday to liberalise farm trade in the GATT Uruguay Round.

The commission expects Japan to make significant offers in GATT, a commission statement said after talks in Brussels.

### China issues rules to control stock markets

BEIJING, Jan 16: China has issued what it calls its most comprehensive document on control of its fledgling stock markets, the Xinhua news agency said on Saturday, reports Reuters.

The state council, or cabinet, officially set up two watchdog agencies to monitor securities markets which experienced a rocky start in this communist country.

"There have been some disorders in the country's securities markets owing to the lack of laws, regulations and supervision systems in this field, lack of experience in operating securities markets and the lack of investors' consciousness of risks," the official agency said.

### Cathay Pacific officials try to end strike

HONG KONG, Jan 16: Officials from Cathay Pacific Airways Ltd. met disgruntled flight attendants Saturday in a bid to end a four-day-old strike that has caused scores of flight cancellations and delays throughout Asia, reports AP.

Cathay officials said at an afternoon press conference that "open-ended" negotiations mediated by the Hong Kong Labor Department began at 12:30 pm (0430 GMT) Saturday and were continuing into the evening.

More than half of Cathay's 3,800-member Flight Attendants Union have joined the walkout to demand better pay and work conditions, and many other Cathay staffers posted in various Asian countries are also participating.

Unless a settlement is reached soon, the walkout could seriously disrupt next week's Chinese New Year holiday, traditionally the busiest time of year for airline travel in southeast Asia.

The Stand-off triggered another chaotic day at Hong Kong's Kai Tak international airport Saturday as nearly half of Cathay's inbound and outbound flights were cancelled and the rest experienced significant delays, roughly the same as on Friday.

"I'm sure one could always do a better job in these circumstances, it's a difficult job," said Rowland Cobbold, marketing director for Cathay, the colony's flagship carrier.

## Foreign investment in China's zone on rise

SHENZHEN, Jan 16: Overseas investment in Shenzhen, one of China's earliest special economic zones in Guangdong province, continued to boom last year, reports Xinhua.

This was announced by Li Qingsen, Director of the city's Centre for Investment Promotion, in a news briefing Thursday.

Li said that in 1992 the city approved the setting up of 1,561 foreign-funded projects which involved a total of 2.51 billion US dollar in foreign funds. The two figures were respectively up by 58.3 per cent and 110 per cent over those of 1991.

As a result, the total number of foreign-funded projects

in Shenzhen had reached 10,233, involving 9.85 billion US dollar of foreign funds, by the end of 1992.

A major feature of last year's foreign investment was that more and more large- and medium-sized projects were set up. In 1992 foreign-funded projects in Shenzhen involved in average of 1.61 million US dollar each, while the projects were set up in 1991 foreign-funded projects in Shenzhen involved in average of 8,80,000 million US dollar each.

In addition, Li said that last year more internationally renowned companies and chain stores established enterprises in Shenzhen.

## Taiwan becomes world's 20th largest economy

TAIPEI, Jan 16: Taiwan's sustained rate of high economic growth and the appreciation of the local currency helped the island become the world's 20th largest economy in 1992, officials said Friday, reports AFP.

According to statistics compiled by the cabinet-level directorate general of budget, accounting and statistics, Taiwan's 1992 gross national product (GNP) amounted to 210.5 billion US dollar, the 20th highest in the world, the officials said.

They said that in contrast to an economic slowdown in most other countries, the export-oriented island, the world's 13th-largest trading country, had real economic growth of 6.1 per cent last

year. Taiwan's economy grew 7.24 per cent in 1991.

Inflation and the local currency's climb also helped explain a 17-per cent increase in GNP. The Taiwan dollar appreciated 6.6 per cent against the US dollar in 1992, the officials said.

Per capita GNP in the country of 21 million people was the world's 24th highest at 10,196 US dollar in 1992, up almost 16 per cent from 8,788 dollar in 1991, the officials said.

They pointed out that Taiwan's per capita GNP chalked up the world's highest annual average increase between 1965 and 1990, rising an average 15.5 per cent annually during the period.

## Slump in exports raises US trade deficit in Nov

WASHINGTON, Jan 16: A slump in exports caused the US trade deficit to widen in November, the Commerce Department said Friday, reflecting the weak economies in Europe and Japan, reports Reuters.

The deficit grew by 5.1 per cent to 7.59 billion dollar from a revised 7.22 billion dollar in October. Rising exports were a boon for the slowly reviving US economy earlier in 1992 but lost momentum by year-end.

Exports were down 2.8 per cent to 37.97 billion dollar, while imports fell 1.6 per cent from October levels to 45.56 billion dollar in November.

The deficit in trade with Japan, which accounts for more than half of the overall deficit, narrowed to 4.69 billion dollar in November from 4.96 billion dollar in October. The United States had a deficit of 638 million with western Europe in November, a reversal from October's slim surplus of 27.7 million dollar.

Exports to both Japan and western Europe were lower in November than in October.

## Six neighbouring nations plan to build a Rotterdam of the East

Ambitious plans to turn one of the most desolate and undeveloped parts of Northeast Asia into a thriving centre of 21st Century international trade are taking shape. The scheme is being dubbed "a future Rotterdam of the Far East."

It focuses on the shallow delta waters of the Tumen River and already has a staggering price tag of \$30 billion spread over 20 years.

The cast list of countries involved in the project has caught the main attention. So far, China, North Korea, South Korea, Mongolia, Russia and Japan have taken part in preliminary meetings, which started last year with the backing of the United Nations Development Programme (UNDP). Although these countries are all neighbours, it would be hard to find a more disparate group.

North and South Korea, despite signing a mutual non-aggression pact last December to end four decades of conflict, are still separated by the Demilitarised Zone (DMZ). The ideological gulf between the communist North and the capitalist South is just as stark as the DMZ, and the two sides

are locked in dispute over inspection of potential nuclear weapons centres.

Progress in relations between Japan and Russia is blocked because of the territorial dispute over the Kurile Islands. China and South Korea — enemies in the Korean war — established diplomatic relations only in August.

At a meeting sponsored by the UNDP in Pyongyang in October 1991, China, the two Koreas and Mongolia agreed to set up the Tumen River Area Development Programme. Russia and Japan attended as observers.

The first meeting of the programme management committee in February was followed by an 18-month \$3 million feasibility study. At a meeting in August in Vladivostok, Russia became a full member of the development programme. Japan is the only country of the original six still with

observer status. Herbert Behrstock, UNDP Chief of Division for East Asia and the Pacific, said: "It is very significant that the Russians have demonstrated in full their participation in the programme. In due course, the Japanese will be involved when

they choose to be."

For most of its 516 kms length, the Tumen River runs along the border between North Korea and China. For its last 15 kms, the river forms the border between North Korea and Russia. Then it flows from its marshy delta into the Sea of Japan.

The development area covers a 10,000 sq km triangular region from the North Korean port of Chongjin, to the Russian port of Vladivostok, and stretches inland to the Chinese city of Yanji in Ji Lin Province. Within this area is a 1,000 sq km economic zone centred on the delta region.

The area would have a free flow of goods, capital and labour enjoying tax exemptions, shared transport and information services, and incentives for domestic and foreign investment.

An estimated \$30 billion would be needed to dredge the Tumen River - or build a canal inland from the sea - and develop a network of roads, railways, ports and airports. It will also need to pay for the required educational facilities, power, water and waste disposal plants and telecommuni-

cations.

Up to 11 specialised harbours are envisaged, as well as a city of half a million people in the sparsely populated delta area.

Strong economic attractions have drawn together the project's likely partners. North Korea and China have abundant cheap labour. China is keen to draw investment to develop Manchuria. North Korea in particular wants to upgrade its eastern seaboard ports.

Japan and South Korea have the capital, technology and managerial skills the programme needs. They are attracted by the natural resources, such as coal, oil, gas, timber, fresh water, minerals and agricultural products from Siberia, North Korea, Manchuria and Mongolia.

The Japanese are particularly interested in the prospect of a 10,000 km land route from the Tumen delta by rail through to Europe, which would considerably cut the current cost and time of transportation. A new rail link to the Sea of Japan would open a sea route for landlocked Mongolia, and improve China's links with Japan.

The scheme needs to overcome several problems if these benefits are ever to become a reality.

First, the money must be found. While investment from Japan and South Korea is seen as vital, the Japanese government has yet to commit itself to the project.

Loans from organisations such as the World Bank, and the Asian Development Bank, may be able to provide part of the funds, but without the capital necessary to build the infrastructure, private industrialists will be unwilling to get involved.

Bad loan repayment records is a barrier to potential investors. This is particularly the case with North Korea, where a deepening economic crisis is forcing the totalitarian regime of Kim Il Sung to look for outside help.

Another problem is that so many competing interests are at stake. China and North Korea have both recently established special economic zones in the Tumen programme area. They may be unwilling to pool resources.

The Russians, also planning a local special economic zone, are keen to develop the com-

mercial potential of the ports of Vladivostok and Nakhodka, but these are icebound for four months of the year.

The North Koreans, who need an estimated \$4.2 billion just to modernise and expand their ports of Rajin and Chongjin, are quick to point out the shortcomings of the Russian ports.

Researcher Mark Valencia, of the East-West Centre, Hawaii, says: If plans are not coordinated, the scheme may result in competition. North-east Asian economies may not complement each other for long.

The UNDP is also facing competition in the area for funds from the United Nations Industrial Development Organisation, which has drawn up a plan for a greater Vladivostok free economic zone.

Another concern is the environment. Russia has objected to dredging the currently unnavigable Tumen River. Residents of the Russian border town of Khasan oppose the project. They say it might spoil the river valley as a tourist and recreation site.

According to Behrstock the programme had agreed to go round an area of virgin forest