

Central Asia-Pakistan trade route soon

QUETTA, (Pakistan), Feb 6: A trade route linking landlocked Central Asia with Pakistan via western Afghanistan could be operating within months, a Pakistani Minister said Friday on the eve of a regional economic meeting reports Reuter.

Foreign ministers of 10 Islamic countries are to meet in the Pakistani town of Quetta to plan future trade routes for an economic bloc straddling Europe and Asia.

Pakistani officials said communications would head the agenda of the two-day council meeting of the

Economic Cooperation Organisation (ECO).

Six former Soviet republics — Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan — and Afghanistan last year joined founder members Iran, Pakistan and Turkey to form the biggest economic bloc after the European Community.

Pakistani Minister of State for Economic Affairs Sardar Assef Ali said a route through the Afghan provinces of Kandahar and heart to the railroad of Kushka in Turkmenistan could be open in a month or two.

"We have to carry our goods

to that railway station and from there the goods can go right up to Europe," he said.

The officials acknowledged that they were concerned about the impact on their plans of fighting in Afghanistan and Tajikistan, where virtual civil war broke out last year.

But Ali said the overland route giving the Central Asian states access to the warm waters of the Arabian Sea was available despite fighting around the Afghan capital Kabul.

He said the organisation would also discuss the possibility of a railway line between

Kushka and the Pakistani town of Gwadar, where Pakistan is building a new sea port.

We are also going to examine the prospects of oil and gas pipelines from the same (Central Asian) area coming through southwestern Afghanistan into (The Pakistani province of) Baluchistan down to Gwadar," he said.

Pakistani Foreign Ministry Secretary Shaharyar Mohammad Khan said the ministers would consider plans for creating a road and rail network over the next 10 years.

Officials said the ministers were expected to approve an

action plan for cooperation in energy and agriculture. They might also agree on a preferential tariff arrangement and a protocol on transit trade.

Iran, Pakistan and Turkey have already agreed to a 10 per cent but in duties on a small range of goods, but the organisation's new members want a larger reduction, Ali said.

However, Ali ruled out any regional common market in the near future. "A common market is a goal," he said. "Once we have integrated our economies and upgraded our payments system, then we can talk about a common market."

Indonesia sees better economy this year

JAKARTA, Feb 6: Indonesian economic conditions are expected to improve this year but policies are still needed to keep inflation under control, Central Bank Governor Adrianus Mooy said, reports Reuter.

"We see enough chances which are promising for our economic growth," he said in a speech prepared for delivery to bankers.

He said Indonesia would boost its exports and manage monetary policy to curb inflation, which is expected to fall to five per cent in fiscal 1993/94, starting April, from an estimated eight per cent in 1992/93.

January's inflation jumped 2.92 per cent the highest monthly rise in 11 years, but economists said that it was mainly due to a sharp increase in fuel prices and that demand was fundamentally quite low after two years of tight credit policy.

A central bank spokesman said lower inflation would help bring down bank interest rates which should eventually boost investment.

Bankers say there is still a strong reluctance to lend. Many bad loans built up after the economic boom that began in 1989, and this was followed by a credit crunch when the economy began to overheat.

BRIEFS

DPRK's laws on taxing foreigners

TOKYO, Feb 6: North Korea, desperate to attract overseas expertise and investment, said on Saturday it has adopted new laws on taxing foreigners, foreign exchange control and establishment of a free economic and trade zone. The official Korean Central News Agency (KCNA) gave no details of the legislation, announces almost four months after the reclusive Stalinist state unveiled its first foreign investment law, reports Reuter.

Singapore seeks Indian professionals

NEW DELHI, Feb 6: Singapore is trying to woo Indian professionals to shore up its shrinking work force as it tries to boost its economy. Second Minister for Foreign Affairs George Yeo said Friday. Yeo told a news conference that Indian computer engineers, teachers, artists and other professionals have won respect in multicultural Singapore, reports AP.

India needs tax reforms

NEW DELHI, Feb 6: A panel appointed by the Indian government in a report Friday called for far-reaching tax reforms, including a steep cut in import tariffs and excise duties. The panel headed by economist Raja Chelliah urged the government to halve import and excise duties from current levels over the next four years, reports AFP.

Russian leaders meet on economy

MOSCOW, Feb 6: Amidst galloping inflation and falling production, Russian political leaders met Friday to find a solution. Vice President Alexander Rutskoi, one participant, said inflation, which hit 2,000 per cent in 1992, was still rising. Industrial production, which fell by 19 per cent last year, was still falling, he added. "Everyone understands that to continue like this is not possible, and if we do, it will end in tragedy," said Rutskoi, reports AP.

Yeltsin forms State Investment Corp

MOSCOW, Feb 6: President Boris Yeltsin on Friday created a State Investment Corporation, with initial capital of more than one billion dollar, to stimulate foreign and domestic investment in the Russian economy. He named his former chief of staff, Yuri Petrov, to head the corporation, signalling that the organisation will have political as well as economic clout, reports AP.

EC welcomes UK's plan on oil tanker

BRUSSELS, Feb 6: The European Community's executive Friday welcomed a new British agreement that would keep oil tankers away from environmentally fragile coastal areas. In a statement, commissioners Abel Matutes and John Paleokrassas said the voluntary accord showed oil companies and tanker operators "clearly... are sensitive to pollution problems," reports AP.

Unemployment in Germany rises

BONN, Feb 6: Germany's efforts to pull out of an economic recession were delivered a blow Friday with announcement of a sharp rise in unemployment. Joblessness in western Germany rose from 7.4 per cent in December to 8.3 per cent in January, or 2,257,631 people, said the Federal Labour Office. Unemployment in former East Germany rose from 13.5 per cent to 15.1 per cent, reaching 1,194,365, reports AP.

Bush fails to root out fraud in banks

WASHINGTON, Feb 6: The Bush administration failed to provide the resources and manpower needed to root out criminal fraud in failed banks and thrifts that have cost taxpayers billions of dollar. Congressional investigators have concluded. The Justice Department called the congressional report inaccurate and said it ignored many of the agency's successes in prosecution, reports AP.

Mongolians with ruined economy struggling to survive

ULAN BATOR, Feb 6: For Mongolians, struggling to survive in a country with a ruined economy, the harsh winds and bitter cold of winter are reminders that disaster may be only a day away, reports Reuter.

Ulan Bator's main power station has virtually no coal reserves left.

It keeps running on a day-to-day basis, surviving on coal brought in from a mine more than 120 km (75 miles) away.

At times plant operators have kept the boilers running by burning dwindling stocks of heavy fuel oil until fresh coal supplies arrive.

"We've operated on the edge of catastrophe for the past three years," said Delgerin Misha, a senior official in the Fuel and Energy Ministry.

The power plant generates about two-thirds of the electricity in the country's central power grid and heats most of the capital's housing.

If it fails, most of the coun-

try's industry — including the electrically-powered coal mines — would halt.

The capital's water and heating pipes would freeze and burst within hours in temperatures hovering at minus 30 de-

grees Celsius (minus 22 Fahrenheit).

The shortage of coal in a country with some of the richest coal deposits in the world is typical of the problems that have haunted this vast but

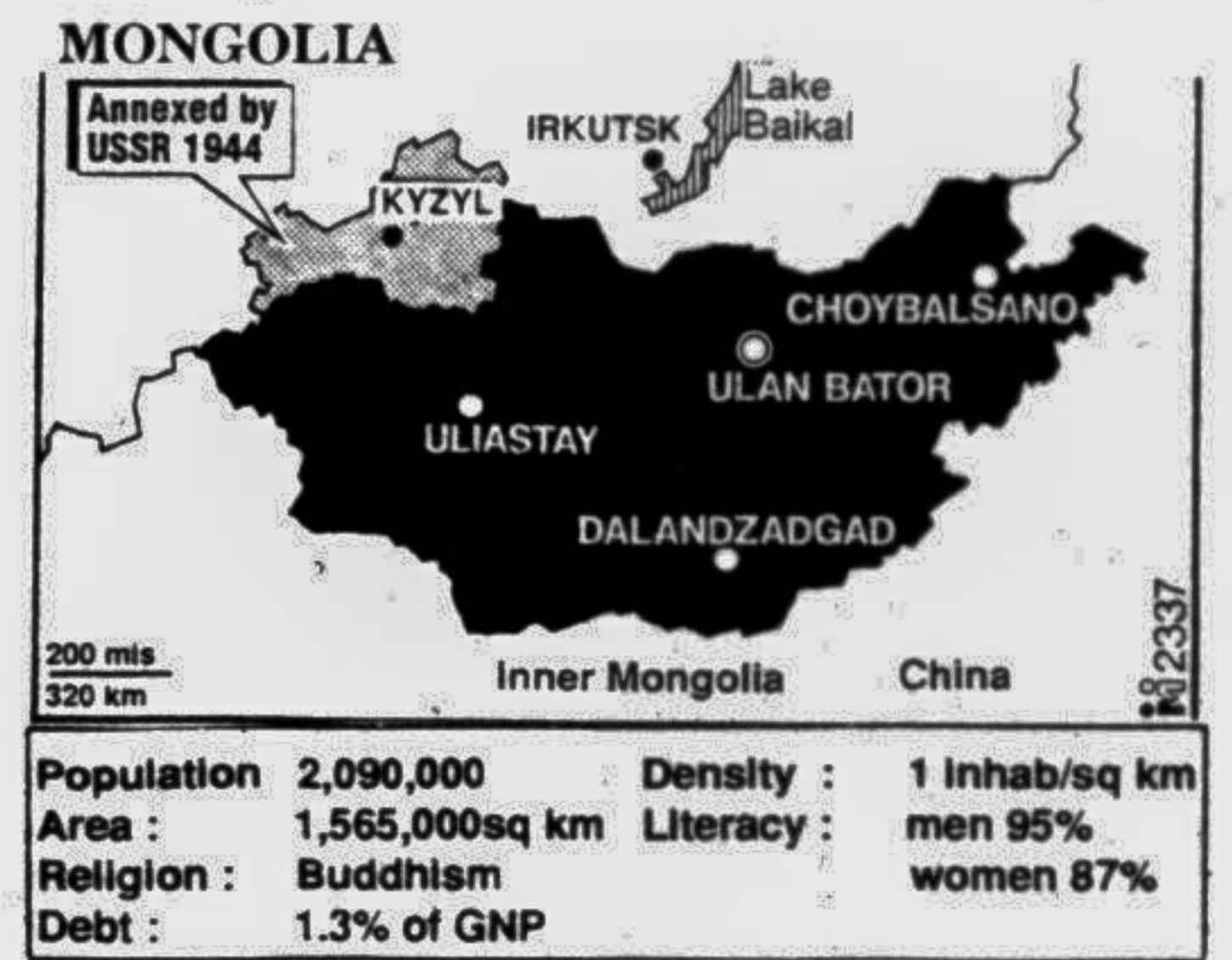
sparingly populated land sandwiched between China and Russia since it cast off communism and its dependence on the former Soviet Union in 1990.

Moscow used to supply everything Mongolia needed — from petrol to parts to technical advice. Now Russia has devastating economic problems of its own, and Mongolia has to fend for itself.

The results have not been encouraging. Industrial output plunged 15 per cent last year, and inflation soared to an annual rate of 325 per cent.

On January 1, the government finally faced up to the worthlessness of the nation's currency, the tugrik, and devalued its official rate to 150 to the dollar against the previous 40.

Within the power plant, teams of repairmen battle great clouds of swamp-like mist and screaming turbines to repair a maze of leaking pipes.



'US jobless rate lowest in a year'

WASHINGTON, Feb 6: The US unemployment rate dropped to 7.1 per cent last month, but most of the decline occurred not because people found jobs but because they quit looking and weren't counted, reports AP.

The unemployment figure was the lowest in a year, the government said Friday.

The jobless rate had stood at 7.3 per cent since last November. Though there was an anemic increase in jobs last month, the main reason the rate dropped was the departure of 508,000 people from the labour force.

Thus private economists said they didn't believe the lower unemployment rate would prompt President Clinton to abandon his plan to spend billions on public works projects.

"So far the story hasn't

changed: the economy is generating very few jobs," said Bruce Steinberg, an economist at Merrill Lynch and Co in New York.

The report followed a string of upbeat economic news this week: worker productivity rising to a 20-year high, factories recording their biggest rise in orders in 17 months, new claims for jobless benefits falling, and new home sales up.

Clinton said he remained determined to get the jobless rate down much further. "Until we get it way down, there's still going to be a lot of unused capacity in the country, a lot of idle people," the president said. He has said previously he will unveil an economic stimulus plan, to include spending in the range of 16 billion dollar on job-creating programmes, in his state of the Union address Feb. 17.

Friday's was the last major economic report the White House will see before Clinton decides the exact size and makeup of his stimulus proposal. It showed employment gains in retailing, manufacturing and transportation, but the construction and some service industries lost ground compared with December.

"The economy clearly needs a boost," said Rep David R Obey, D-Wis, chairman of the Joint Economic Committee. "On the surface, this morning's figures represent an improvement.... However, under the surface, American workers still face a weak and discouraging labour market."

The Labour Department said jobs overall rose by 106,000 last month, the biggest increase in six months. In this stage of a typical recovery from recession, the economy

adds jobs at a rate of between 200,000 and 300,000 a month.

"That is not a vote of confidence in the economy," said Sung Won Sohn, chief economist at Norwest Corp in Minneapolis.

Jerry Jasnowski, president of the National Association of Manufacturers, said that if the labour force had stayed at December's level, last month's jobless rate actually would have risen to 7.5 per cent.

Jasnowski said that because of quirks in the way the Labour Department adjusts its jobs figures for seasonal factors, and because of other statistical weaknesses, the January report revealed little about the overall economy.

Other economists said the statistics seemed to augur well for the job market.

Japan's air Force Jumbo jet takes off next week

TOKYO, Feb 6: Japan's US-made government jumbo jet, the equivalent of US Air Force One, makes its official debut next week, when it carries Foreign Minister Michio Watanabe to Washington, reports Reuter.

"It is to my honour to become the first passenger but it's like being... a guinea pig," Kyodo news agency quoted Watanabe as telling reporters on Friday, noting that the aircraft had only flown to the United States once for training.

"You reporters accompanying me had better be ready," Watanabe quipped.

Spanish team in India to explore investment opportunities

NEW DELHI, Feb 6: Spanish Prime Minister Felipe Gonzalez arrives here Sunday for a ground-breaking visit to India, accompanied by a delegation of top businessmen interested in exploring investment opportunities, reports AFP.

Talks between Gonzalez and Indian Prime Minister PV Narasimha Rao are expected to focus on boosting trade between New Delhi and Madrid, languishing at around 220 million dollar a year.

Diplomats here noted that the Spanish Premier's four-day visit to India, his first since coming to power more than a decade ago, coincides with moves begun by the Rao government to open up the Indian economy to foreign capital.

The economic liberalisation begun 18 months ago has attracted widespread interest in the west and Gonzalez is the third European Community leader to blaze a path to New Delhi this year.

Interest rate cut, pay deal to help Germany out of recession, hopes minister

BONN, Feb 6: German Economics Minister Guenter Roxrodt said on Friday that he hoped surprise cuts in interest rates and a three per cent public sector pay deal would help lift West Germany out of recession, according to Reuter.

He said the economy was in a cyclical decline which might be halted in the second half of this year if the world economy picked up and the government succeeded in putting together a "solidarity pact" for economic recovery with unions and industry.

"No one can say with certainty whether it (decline) will go on into next year," Roxrodt said in a radio interview.

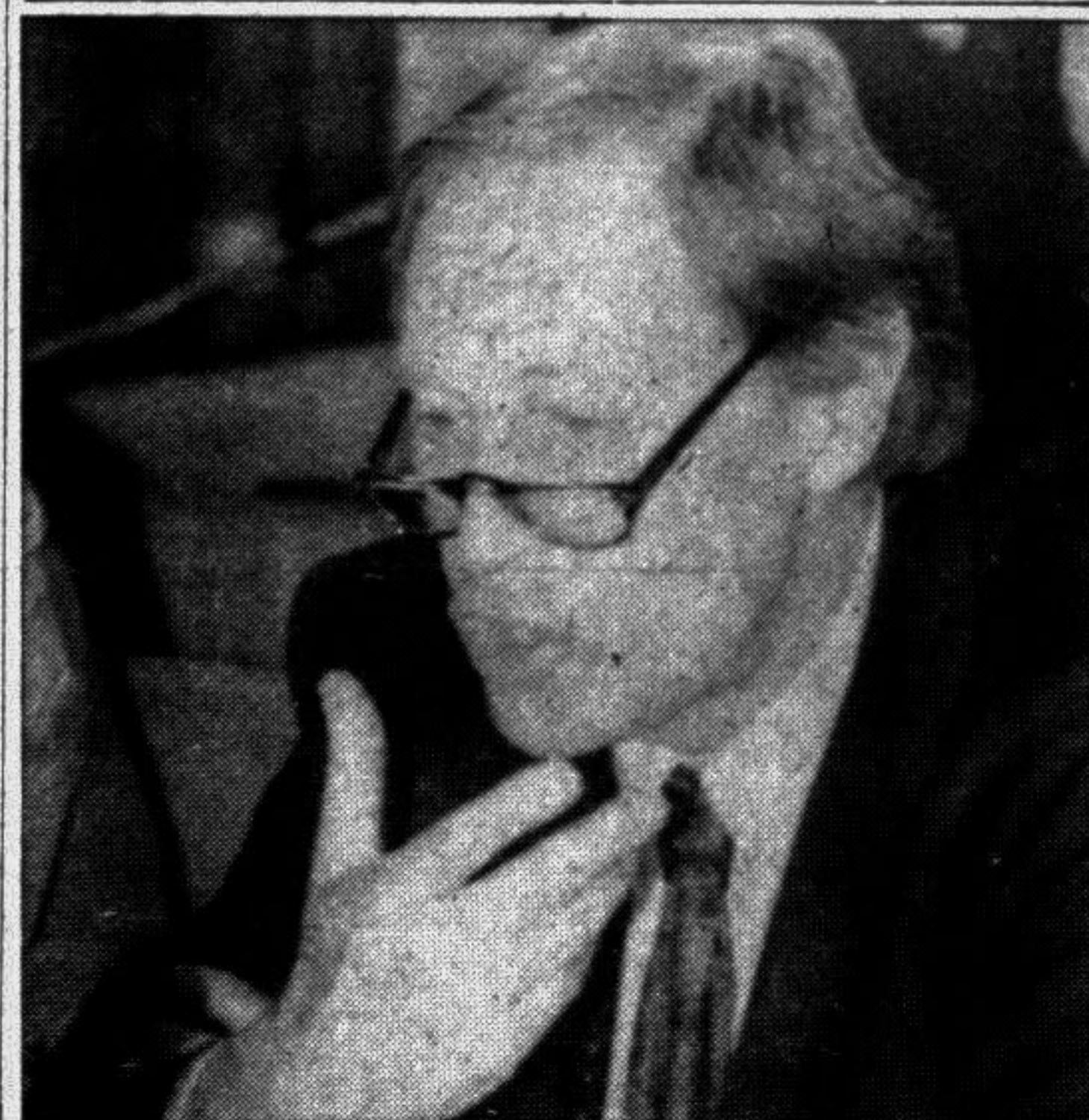
"If there are more signals

like Friday's I have good hopes — you cannot say more as far as the figure is concerned that... a stabilisation can begin towards the end of the year.

The Bundesbank on Thursday cut its lombard emergency financing rate to nine per cent from 9.50 and the discount rate to eight per cent from 8.25. It was the first official German rate cut since September.

Public sector unions set a stable tone for other 1993 wage negotiations by agreeing to a three per cent pay rise, well below the inflation rate.

"This is the long-awaited interest rate signal which can contribute to stabilising the economic situation," he said.



MOSCOW: Director General of the General Agreement on Tariffs and Trade (GATT) Arthur Dunkel talks to the press during a press conference in Moscow on February 5. Dunkel talked at the press conference about the future trade collaboration between Russia and GATT. — AFP/UNB photo

Wall Street investors seem convinced of business recovery

NEW YORK, Feb 6: Although plenty of people may still have misgivings about the economy's progress and prospects, stock-market investors seem convinced that a full-blown business recovery is at hand, reports AP.

Indeed, as President Clinton prepares his prescription for the economy's ills, Wall Streeters say the patient is already looking much better.

Even the news on jobs, a sore subject cited over and over in last year's election campaign, has been improving of late — as witness Friday's report that nonfarm payroll employment grew by 106,000 last month on top of an upward-revised gain of 90,000 in December.

To be sure, the White House says the employment outlook

still needs work. The intransigent problem of the federal deficit still looms, as do major economy-related issues such as health-care reform.

Nevertheless, the stock market signaled its belief that things are moving in the right direction by climbing to record highs this past week.

"The recent stock market rally has strengthened and broadened," observed analysts at The Bank Credit Analyst, an independent forecasting firm in Montreal. "Speculation has picked up and it is quite possible that the rally could become explosive."

"The public's confidence toward the market has been boosted by the expectation that interest rates and inflation will stay low, growing acceptance of the new administra-

tion and some improvement in the economy."

This "euphoria," as The Bank Credit Analyst describes it, has put many analysts on their guard.

But some observers point out that it can also be viewed as simple anticipation of a big improvement in economic growth and the corporate bottom line.

While stocks look expensive by traditional measures such as current price-earnings ratios, "we believe it is a mistake to focus on the current level of earnings," said Elaine Garzarelli at Shearson Lehman Brothers in her current market appraisal.

"We are not near a peak in economic growth, and Federal Reserve policy is accommodative to this process. We believe

the year-to-year peak in earnings growth is unlikely to occur until later this year."

Encouragement in the stock market over such prospects has been helped by a positive reaction among bond traders, who can be spooked easily by signs of economic strength.

Thanks in large measure to an absence of evidence that inflationary pressures are reviving, interest rates on Treasury bonds have recently dropped to their lowest levels in more than six years.

To further brighten the picture, authorities in Germany and Japan have just lowered key interest rates, raising the prospect of recovery from recession overseas as well as in the United States.

In this near-ideal setting, the Dow Jones average of 30

industrials soared 132.11 points in the past week to 3,442.14, finally surpassing the record closing high it had established late last spring.

In the over-the-counter market, where technology stocks have lately run into resistance after a rapid rise, the Nasdaq composite index edged up 4.64 to 700.98. The American Stock Exchange market value index gained 5.50 to 416.58.

"In the long run, both stocks and bonds remain in bull markets," said Raymond Worsack, an economist at A G Edwards and Sons in St. Louis.

"In 1993 the inflation rate should decrease and the economic growth rate should increase with no recession in sight. Such years have usually seen the stock market higher

at the end of the year and long Treasury yields only slightly increased.

"The important prospects will be dominated by an expanding economy, an anti-inflation Federal Reserve policy, disinflationary forces overseas and a firm dollar.

American consumers borrowed heavily to buy cars in December, driving up their debt at the fastest rate in nearly two years, the government said Friday.

Consumers installment credit rose at a seasonally adjusted annual rate of 4.1 per cent in December to 725.9 billion dollar, the fourth consecutive monthly increase, the Federal Reserve said.

It was the biggest increase since borrowing rose at a 6.4 per cent rate in February 1990.

Manila posts nearly zero growth

MANILA, Feb 6: The Philippines last year posted nearly zero growth for the second straight year, Socio-economic Planning Secretary Cielito Habito said Friday, reports AP.

This figure supersedes an earlier reported 1.9 per cent outcome for Gross National Product (GNP), Habito said. The dismal growth was due to the continuing power outages and extensive effects of both man-made and natural calamities, Habito said.

The only reason why GNP growth was not negative was the influx of dollar from Filipino overseas workers, he added.