## EC holding intensive talks on retaliation against US

BRUSSELS, May 30: European Community diplomats are holding intensive consultations on possible retaliation against US trade sanctions announced on Thursday, EC officials said here Friday, reports AFP.

They were reacting to an announcement from Washington that firms from most EC countries would be barred from bidding on US federal contracts worth about 20 million dollar.

A spokesman for the EC's executive European Commission said several EC countries were pressing for retaliation and that a decision could be taken at a meeting of foreign ministers in Luxemburg on

June 8. In a first reaction to the sanctions, EC Trade Commissioner Leon Brittan said they were neither justified, wise nor necessary, but he added that the issue would not be allowed to poison trans-Atlantic

The commission spokesman acknowledged that the impacts of the sanctions would be very limited. But he added that the US action was unwarranted.

Brittan and US Trade Representative Mickey Kantor agreed on April 21 that European and US companies should be allowed to compete on an equal footing in contracts for heavy electrical equipment on both sides of the Atlantic.

The last-minute accord averted threatened US sanctions worth about 50 million dollars aimed at the EC because of its protectionist bidding rules on public procurement, which favoured European tenderers.

In the agreement, the EC agreed to drop a rule which gave a three per cent advantage to European bidders, and excluded all equipment, which did not have at least a 50 per cent

made in Europe content.

But the agreement did not extend to EC public contracts for telecommunications equip-

The new scaled-down US sanctions were in retaliation for discrimination against US telecommunications suppliers and are precisely targeted at firms in all EC countries except Spain, Portugal and Greece.

EC officials said the sanctions would shut European firms out of tenders for service contracts issued by five US federal electrical utilities and the Tennessee valley authority, plus a smattering of other federal

These include service contracts in transport, port dredging, hotels and restaurants, film co-productions, sport and culture and the telecommunications sector ranging from tele-

phones and telex to satellites. European firms are also shut out of individual contracts for the supply of goods worth up to 450,000 dollar in the electrical sector, 6.5 million dollar in the construction industry and 176,000 dollar in other sectors.

EC officials said European firms had won contracts averaging 19 million dollar a year over three years in these fields from which they are now excluded.

They said Kantor had warned on April 21, when the public procurement deal was agreed, that he would still be obliged to impose what amounted to near-symbolic sanctions in response to pressure from the US congress.

The officials, who asked not to be named, said congress might have raised obstacles to negotiations on world trade reform under the General Agreement on Tariffs and Trade (GATT) if Washington took no action against the EC.

### Wijetunga soon to outline Lanka's new economic policy

COLOMBO, May 30 : Shri Lankan President Dingiri Banda Wijetunga is expected to outline his one-month-old government's policy on economic and political issues when he briefs foreign donors this week, diplomats said today, reports Reuter.

"The government is still new but we would like to get a comprehensive policy statement on which direction it is headed," a western diplomat

The meeting on June 2 is a customary get-together called by Shri Lankan officials before the annual Shri Lanka aid consortium meeting held under the auspices of the World Bank.

Twelve countries and five lending agencies are due to meet in Paris on June 18. Wijetunga took over from

Ranasinghe Premadasa who

was assassinated by a suspected Tamil rebel suicide bomber at a May Day parade in Colombo. Wijetunga, who was previously prime minister, has promised to continue Premadasa's policies that have enticed foreign investors.

Shri Lanka is seeking some 800 million dollar this year, about the same as in 1992 from donors.

The diplomat said there was unlikely to be a drastic change in aid flows. But economic policy, continuation of some of Premadasa's highspending populist programmes, high defence spending and a settlement of the ethnic conflict would be discussed at the Colombo and Paris meetings.

On the political front, donors have expressed concern over the annual defence budget of 20 billion rupee (425

UN sanctions creating economic

million dollar ) and the slow progress of a two-year-old parliamentary committee searching for a political solution to the ethnic conflict.

Tamil Tigers rebels, fighting for a separate homeland for minority Tamils in a 10-yearrevolt that has killed more than 28,000 people, have denied police accusations that they were responsible for Premadasa's murder.

Premadasa was generally liked by the West for dismantling exchange controls and liberalising economic policies to promote foreign investment. However, donors were un-

happy at his populist projects in which a lot of public money was spent on programmes that gave no return and caused in-

Wijetunga has said these programmes would be continued but at a lower level and with reduced fanfare.

A western economist said last week donors hoped current macro-economic policies would be continued to ensure the budget and inflation are kept under control.

He said some protectionist measures by Colombo had alarmed donors. Last month the government said it would ban the import of some commodities, including lentils, over a 10-year period.

Other concerns were credit and monetary growth, and inflation which on a year-on-year basis fell to 10 per cent last month from 16 per cent in March and 13.8 in December.

The central bank last month asked commercial banks to increase the level of foreign and local reserves in a bid to cut credit and control inflation,

#### chaos in former Y'slavia Food has become very expensive, however, because of infla-\* tion that has reduced average monthly pay to the equivalent of 30 dollars, compared to 500 dollar a year ago.

The United Nations imposed the sanctions May 30, 1992, with the aim of stopping Serbian support for the Bosnian Serb war effort, and tightened them a month ago, on April

On May 6, President Slobodan Milosevic of Serbia said he was halting shipments of arms and fuel to Serbs in Bosnia. He made the announcement after the Bosnian Serbs refused te follow his lead and endorse a peace plan, Milosevic had

BELGRADE, May 30: UN sanctions seem to be fulfilling their

purpose of forcing Serbia's president to pursue peace in

Bosnia, but they also have created economic chaos, re-

originally opposed. Whether Milosevic is keeping the pledge is not clear because he has refused to permit UN monitors on the border with Bosnia, but his tone has definitely changed. "We have to do everything to stop the war in Bosnia,"

Milosevic told Belgrade radio. In the media controlled by Milosevic, prominent Bosnian Serbs who once were praised now are vilified as unscrupulous profiteers, even as war criminals. Lurid reports accuse the Bosnian Serb leader, Radovan Karadzic, of squandering

thousands of dollars in Belgrade casinos. The change of heart was clearly dictated by the economic shambles Milosevic faces at home: Monthly inflation is near 200 per cent, unemployment almost 50 per cent. Industrial output has fallen to half the level of a year ago.

For Milosevic, worse than the dry statistics is a new phenomenon: poverty and the potential it holds for social un-

"If sanctions continue, social explosion is imminent," said Zoran Popov, an economist.

In the beginning. Milosevic exploited the sanctions by presenting them as a conspiracy against the Serbs. After a year, even blue-collar workers who used to be Milosevic's

strong supporters are grumbling. We are now a poor people, and we will have no choice but to take to the streets if some changes don't come fast," said Ljuba Popovic, a laid-off factory worker.

Shipments of food are not embargoed and the fertile soil is productive, but delivering food may become difficult because the sanctions are drying up oil imports.

Comparatively well-dressed people can be seen looking through garbage cans.

"Even edible leftovers are more and more scarce," a middleaged man said sarcastically after inspecting garbage in a battered container. He identified himself only as Zoran.

The summer street scene in Belgrade also has changed. Black marketeers trade in squares where the fashionable once strolled, and police turn a blind eye. Black market dealings, in everything from gasoline to hard currency, account for an estimated 50 per cent of the economy.

At about eight dollars a gallon, black market gasoline is four times the price charged at state-run stations, but the official ration is only  $2\frac{1}{2}$  gallons a month. Money changers pay 500,000 dinar for a dollar, 10 times the rate of a month

The tightening of sanctions in April froze three billion dollar in assets abroad, disrupting a network of foreign banks and front companies Milosevic had used to circumvent the embargo. The Yugoslav rump state is estimated to have only 250 million dollar in foreign currency reserves.

Printing money to pay a million idled workers keeps the peace, for now, but also feeds inflation. The Belgrade economic institute predicts inflation of 1.5 billion per cent for 1993 if sanctions continue. "We are faced with an inevitable economic catastrophe," said

Ljubomir Nadzar, a prominent economist.

The five million dinar bill, the largest bank note, was introduced only last week and is worth less than 10 dollar. Stores quote prices in German marks because customers are put off by astronomical dinar prices.

"If the dinar continues to decline at the present rate, we may soon demand to be paid only in hard currency," said Dejan Bozovic, who owns a supermarket. Postmen who distribute pensions to homes in cash complain

about the huge bundles of dinars. So do the recipients.

"I get this huge pile of paper each month, but I can buy only two kiles of meet with it," Darinka Nilic said. "Next month, I will probably be starving."

### Equal employment law toothless in Japan

TOKYO, May 30: Japan may have an equal employment law but many women still face hurdles finding jobs let alone rising up the corporate ladder, according to a labour ministry survey published today, reports

Over 40 per cent of the 5,400 companies responding to the survey said they hired only male high school or university graduates during their annual spring recruitment.

By sector, 49 per cent of the companies seeking technical high school graduates said they did not recruit women. Among non-manufacturers, 34 per cent said they did not employ women among university job-seekers, the report said.

The majority of firms, asked why they limited employment to men, replied that women were under-qualified or lacked training and that men were easier to employ. Some said women just did not respond to their company's job adver-

Forty-two per cent of the firms said they had no women in managerial positions, citing as a main factor the "unsuitability of the weaker sex.

#### IFC, EC accord to establish equity line for Third World

The International Finance Corporation (IFC) and the EC Commission announced an agreement that establishes a ECU five million (75 million US dollar) equity line to boost investment in small and medium-sized enterprises in developing countries, says an IFC press release.

The agreement was signed on May 6 by Juan Prat, Director General, North South Relations of the Directorate General of External Affairs of the EC and Makarand V Dehejia, Vice President, IFC Business Corporate Development. This is the first equity line established by the EC with the IFC.

The agreement reflects the EC's effort under its Investment Partner Facility to encourage the creation of joint ventures between enterprises of the Community and of countries of Latin America, Asia and the Mediterranean region.

Under the agreement, IFC will be able to tap the ECU five million equity line for additional equity financing for projects involving EC joint venture partners or transfers of EC intellectual property or knowhow. Up to ECU one million (1.15 million US dollar) will be invested from the equity line per project in conjunction with IFC's own investment.

#### Retail business in Indonesia still off-limits for foreigners

JAKARTA, May 30: Indonesian Minister for Investment Sanyoto Sastrowardoyo reiterated here Friday that the Indonesian government still does not allow foreigners to invest in retail sale business, reports Xinhua.

However, he said, if foreign investors are willing to establish joint venture enterprises in retail business, they will get permission. Direct investment on this field is not allowed, he

poor, dealers said.

### Economic iron curtains falling across Europe

VIENNA, May 30: Four years after the fall of communism in eastern Europe, an economic iron curtains falling across the continent as Germany and Austria enforce tough new immigration restrictions, reports

Tens of thousands of clandestine immigrants and asylum-seekers from Romania, Bulgaria, the former Yugoslavia and the old Soviet Union now have practically no more chance of getting to Germany and Austria.

The Austrian laws passed last year and the stiffer German rules endorsed in parliament this week stipulate the return of unsuccessful asylum-seekers and clandestine immigrants to the safe countries they last came from.

In practice, that means Hungary, Poland, the Czech Republic and Slovakia. At the same time, Bonn and Vienna have for all intents and purposes dropped further recognition of political refugee status for people from Rumania, Bulgaria, Ukraine and Belarus.

Statistics for last year recorded, 30,000 illegal refugees entering Hungary, 34,000 in Poland, 50,000 in former Czechoslovakia, and 3,10,000 in Germany.

In Austria at present the

#### government estimates there are EC proposes fossil fuel tax to fight

greenhouse gases BRUSSELS, May 30: The European Community has pro-

posed a tax on fossil fuel use that goes beyond what any other nations have done to try to reduce emissions of greenhouse gases that could lead to global warming, reports AP.

1,00,000 clandestine foreigners. That figure compares with the 6,00,000 foreigners legally resident in Austria, including 65,000 refugees from ex-Yugoslavia.

Since Austria's new asylum law took effect last June, about 8,000 applications for asylum have been made here, with 17 per cent granted.

There are additionally between 150,000 and 200,000 temporary refugees from former Yugoslavia in Germany, 60,000 in Hungary, 4,000 in Slovakia, 3,000 in Poland, and about 2,200 in the Czech Republic.

The people of Hungary, Poland, the Czech Republic, Slovakia and Slovenia hardly ever emigrate, and those countries too want to get rid of clanderstine immigrants, who come mostly from Bulgaria, Romania and ex-Yugoslavia and use the countries as a transit point to Germany and Austria.

## Fall of govt won't affect Polish reforms: WB

WARSAW, May 30: The collapse of the Polish government on Friday is unfortunate but should not mean a departure from reforms, a World Bank official said, reports Reuter.

"It is unfortunate because this government was moving quite successfully though difficulties and achieved a track record which had impacted positively the economy," lan Hume, the World Bank's representative in Warsaw, told But he said there was no

need to panic because the economy was increasingly showing signs of recovery, even in the state sector, and should continue to grow.

The 10 month-old government of Prime Minister Hanna Suchocka resigned after parliament passed a no-confidence motion in her cabinet. Hume said, however, that

any attempt by a new govern-

ment to relax the budgetary discipline shown by the previous one could destabilise the economy and ruin three years of reforms. "If a new government disre-

gards budgetary discipline, we can undo three years of Poland's achievements," he said. Suchocka's tough grip on

the budget was the main reason for her cabinet's fall. The no-confidence motion was filed after she refused to increase wages of public sector employees. The government said it

could not meet pay demands, sponsored by the solidarity trade union, because it would increase this year's budget deficit above levels agreed with

the International Monetary Fund.

Hume said that rather than meaning setbacks, a government change could lead to the emergence of a stronger coalition - even if it meant holding new elections. "Even with the Suchocka

government continuing for a while, it would have been in Poland's interest to broaden its base in parliament. . . even through early elections. "This current change will

simply accelerate this," he

According to Poland's constitution, President, Lech Walesa can either accept Suchocka's resignation and nominate a new candidate for the job or to dissolve parliament and leave Suchocka as caretaker.

### Inflation in China beginning to show its teeth

HONG KONG, May 30: A top Chinese economist has said inflation in China has forced factories to shut and drained bank funds, a report said Sunday, reports AP. Yang Peixin, a senior gov-

ernment economist under China's State Council, or Cabinet, told the pro-Beijing Wen Wei Po newspaper that price reforms, a cornerstone of China's economic reforms, should be put on hold this year to control inflation.

"With prices rising at current levels, continuing to lift price controls on coal, oil, electricity and other products would only add fuel to the fire," Yang said. He said, however, that plans

to free rail freight prices should continue. Yang said all Chinese banks

except for the central Bank of China were running at a loss. Bank deposits dropped 4.5 billion yuan 830 million dollar in March, meaning banks had difficulty paying for farmers' crops and could not finance industry, he said. "This has made two to

three per cent of factories stop production or work at half capacity," he said. The amount of currency

circulating outside bank and finance systems had risen from 40 per cent to about 60 per cent, weakening the role of banks as economic regulators, Yang said. He also said the Renminbi Yuan was losing its value, with one US dollar now buying over nine Yuan outside banks against an official rate of one dollar to just over five "It should be recognised

that inflation really does exist," he said. According to official fig-

ures, inflation hit 9.2 per cent in the first four months this year and the cost of living in major cities rose 17 per cent.

#### Russia wants new deal with De Beers to sell more stones MOSCOW, May 30: Russia

wants to renegotiate its contract with the De Beers diamond cartel in order to sell more of its stones on the world market, a top official said Friday, reports AP.

Yevgeny Bychkov, chairman of the Russian Committee on Precious Metals and Stones, called the current arrangement "unequal" and said Russia should be able to sell 20 per cent of its diamonds independently, the ITAR-Tass news agency reported.

Fear of rising prices led to demonstrations in the Tibetan capital Lhasa last week and has prompted panic buying in Beijing in recent weeks.

"It was thought that despite inflation there would be no panic buying similar to 1988, now it seems (we) underestimated," Yang said. He said retail sales jumped 25.4 per cent in April, the largest increase since 1988.

In 1988, an inflation rate of nearly 30 per cent led to a run on banks, panic buying and fuelled popular discontent which erupted in anti-government protests a year later. Yang said yearly interest

rates for bank deposits should be raised five per cent to 12.56 per cent in an effort to draw money back to banks. China has already raised interest rates this month, but many observers said the raises were too little, too late. A survey published Sunday

in the Hong Kong-based South China Morning Post showed 51 per cent of people in Canton. and Shenzhen, two major cities in south China, worried about rising prices. Thirty! four per cent believed inflation could lead to civil disorder, the newspaper said.

The newspaper said 433 people were polled by telephone from Hong Kong last

# Coffee falls while gold, silver, platinum rise in world commodity market

LONDON, May 30: Coffee prices fell this week on profitmaking after the announcement of an agreement among South and Central American countries on plans to cooperate

duction in a bid to raise prices. The market, surprised by the move, was sceptical about its effect, given the likelihood that other countries will increase

their output to fill the shortfall. Meanwhile the price of gold rose slightly, helped by a wave of Japanese buying linked to the strength of the yen against the dollar before falling back at the end of the week. Silver followed suit, helped by estimates of a fourth consecutive an-

nual production deficit this year. Platinum rose on fears of fresh unrest in the South African mines, responsible for 70 per cent of the world's platinum

Oil prices were uneven with dealers watchful ahead of the ' June OPEC meeting, at which Kuwait is expected to demand an increase in its agreed oil quota. Sugar price dropped despite estimates of a sharp fall in the Cuban sugar harvest. Dealers decided Cuban reports of the

fall in the harvest had been exaggerated to send prices higher. Rubber made a technical recovery but remained depressed in the face of the market's pessimism over the outcome of talks between producer and consumer countries at the International Natural Rubber Organisation (INRO) in Kuala

On the London Metal Exchange(LME), poor demand and growing stocks sent most prices lower. Tin fell to its lowest level for 17 months, losing seven per cent of its value over the past two weeks in the absence of any

signs of recovery, in industrial demand.

Lumpur.

Lead was the only exception to the rule, helped early in the week by the decision of a European smelter to cut production for two months from mid-June.

World Silver Institute said demand outstripped supply in 1992, for the third consecutive year, and that the silver deficit would grow again this year. According to the study, published in the United States, the

against 88.6 million last year. Platinum: Firm. After a hesitant start, the price of platinum strengthened in line with other precious metals. Platinum rose on fears of unrest in the South African

mines, which produce 70 per cent of world platinum, follow-

production deficit will reach 143.2 million ounce in 1993

ing an upsurge in violence in the country. Copper: Lower. The price of copper fell in unsteady trading on the LME over the week, with prices chopping and changing as dealers were left uncertain on what direction the metal should take.

Selling was light and copper was vulnerable to concerted trading moves made in the absence of any real news on copper's fundamentals of demand and supply, analysts said. Lead: Higher. The price of lead jumped sharply at the start of the week on news of a production cutback, before slipping

back slightly as trading continued. Prices rallied Monday after France's Mataleurop said in would stop production at smelters in France and Germany between June 15 and August 15, cutting 50,000 tonnes of pro-

duction to combat depressed prices and a growing supply

Zinc : Slight lower. The price of zinc slipped back slightly despite a rise midweek based on options-related buying and trade short-covering, dealers said.

to the market, dealers said. Nickel: Slightly lower. The nickel price fell slightly over the week as the fundamentals of the nickel market continued to worsen. Supplies have continued to rise while demand is still

Tin: Sharply lower. Tin price fell sharply, down to fresh 17-month lows as the market's fundamentals dropped and inspite of a fall of tin price in Kuala Lumpur which fuelled talks of a further producer cutback, dealers noted.

Coffee: Uneven. The price of coffee, which rose strongly last week on hopes of a south American coffee producer agreement, saw some profit-making after the agreement was made. Prices recovered slightly at the end of the week but re-

mained below their level from the previous Friday. Sugar: Lower. The price of sugar fell despite official figures from Cuba, the world's main sugar exporter, showing a new fall in production this year.

According to the Cuban sugar organisation Cubazucar, Cuba's production will reach only 4.2 million tonnes this year against seven million tonnes in 1991/92 because of the year's storms and transport problems caused by the lack of parts and petrol.

Vegetable oils: Higher. The price of vegetable oil rose on hopes of a successful outcome to US-EC trade negotiations on oilseed production, part of the continuing GATT trade talks. The market welcomed the changes in Europe's common

agricultural policy demanded by France as a price for its agreement to the deal hoped for in the US-EC GATT-linked trade talks.

Oil: Uneven. Oil prices were unsettled this week with dealers nervous ahead of the quarterly meeting of OPEC lead-

The determination of Kuwait to raise its production quota while prices remain weak continued to unnerve dealers. Rubber: Higher. The price of rubber, which was fallen 15 per cent since February, bounced back this week in a technical recovery, helped by a renewed fall of sterling.

Dealers looked to the meeting of the INRO in Kuala Lumpur to produce some positive outcome over quota systems, but without much hope for success.

Grain: The prices of wheat and barley dropped in London, following falls on the Chicago market, where Chinese buyers have stopped their activities. The market was boosted slightly at the end of the week

cided to prolong Most Favoured Nation status for China. Tea: Steady. After dropping sharply over recent months, tea prices have slowed their fall, seeking to stabilise at their lower levels, dealers said.

after US President Bill Clinton said he had in principle de-

At the weekly London sales, the average price fell to 155 pence/kilo from 165 pence/kilo for high grade tea and to 105 from 110 pence/kilo for middle grade but was unchanged at 87 pence/kilo for lower grade tea. Cotton: Steady. The price of cotton was unchanged on the

Liverpool market as hopes of a reduction in Chinese production offset signs of an increase in Indian output. According to the Indian Cotton Advisory Board, India's

production should reach 13 million bales this year against 12.4 million previously estimated and bringing India's total available cotton, including stocks, to 16.3 million bales.

#### Gold: Slightly higher. After a steady start, gold prices rose their production, reports AFP. Aluminium: Unchanged. The price of aluminium was viragain this week, going briefly above the 380 dollar ounce level Brazil, Colombia and the five Central American coffee protually unchanged in largely directionless trading, falling ducing countries which account for 60 per cent of the world's on fears of a rise in US inflation and encouraged by Japanese slightly mid-week before rising later on, dealers said. coffee production agreed to freeze their stocks and limit probuying. ers in Geneva on June 8. The Japanese were helped by the weakness of the dollar A report from LME Broker Billiton Enthoven that sugagainst the yen, which made gold bought in dollar cheaper for gested prices will stay depressed because of weak demand and a persistent oversupply problem lent bearish sentiment the Japanese. Silver: Firm. The price of silver rose after a study from the