

Bank of Italy cuts discount rate by 0.5 pc

ROME, Sept 10: As the Cabinet deliberated on spending cuts and tax increases to hold down the 1994 budget deficit, the Bank of Italy on Thursday cut the discount rate by 0.5 per cent to spur investment, reports AP.

The cut to 8.5 per cent, effective Friday, had been long urged by the powerful private-sector manufacturers' association, Confindustria, as a way to fight recession and growing unemployment.

According to figures released Thursday, employment in industrial companies with over 500 workers fell 5.8 per cent for June 1993 from a year earlier. It was down 0.2 per cent from May.

Thursday's cut — the sixth decided by Italy's central bank this year — brought the discount rate to its lowest level since February 1976.

The central bank stressed that the rate reduction was in line with the decision of the German Bundesbank, "which confirmed the downward trend of international interest rates."

The Bundesbank said it was cutting the discount rate, the cheapest rate for loans to commercial banks, from 6.75 per cent to 6.25 per cent. The Lombard rate, at which banks can borrow emergency funds from the central bank, was cut from 7.75 per cent to 7.25 per cent.

Meanwhile, Italy's inflation rate stood at 4.4 per cent in August, unchanged from July.

A cabinet meeting Thursday discussed a 31 trillion lire (19.3 billion dollar) package in tax cuts and cuts proposed by Premier Carlo Ciampi, including a freeze of salaries in the public sector and changes in the health and pension systems.

GATT world trade negotiations inching forward towards solution

PARIS, Sept 10: French officials said yesterday that talks among France, Germany and the European Commission to break a deadlock on farm reforms blocking GATT world trade negotiations were inching forward towards a possible solution, reports Reuters.

President Francois Mitterrand said in an interview with South Korean media that France hoped for a GATT agreement by the December 15 deadline but stressed it must be more acceptable to Paris than

the current "unjust" terms.

"While I wish the agreements to be signed by the deadline, I am not sure as long as the other side is obstinately refusing France its rights," Mitterrand said.

French officials said French, German and EC experts were hoping to find terms acceptable to France without formally renegotiating the so-called Blair House draft agreement between the EC and the United States, which Paris has rejected.

"Things seem to be moving,"

a French official close to the negotiations told Reuters. "On the German side, they are inching forward, but only on details such as (exempting) food aid and existing stocks (from limits on subsidised farm exports)."

Agriculture Minister Jean Puech said in a radio interview: "We see that our partners, notably the Germans, are evolving and the Franco-German couple is coming back together on this difficult issue after we were really far apart, so I think we have made a significant step."

France has threatened to veto the Blair House accord, negotiated last November, unless it achieves better terms and has called a special meeting of EC foreign and agriculture ministers for September 20 to discuss the issue.

The commission was also moving to accommodate some of France's concerns after a meeting between French Industry and Trade Minister Gerard Longuet and External Economic Relations Commissioner Sir Leon Brittan on

Tuesday, he said.

"Britain is ready to make concessions," the official said. He saw that a French blocking position could lead to an impasse on September 20 if nothing moved.

Diplomats said the French government was likely to wait until after planned national protests next Wednesday, in which radical farmers have vowed to blockade access roads to Paris, before accepting any compromise on agricultural trade.

PLO to seek \$11.6b aid from donors for uplift of W Bank, Gaza

AMMAN, Sept 10: The PLO will propose to international donors an 11.6 billion dollar development plan for the West Bank and Gaza detailing an economic blueprint for a future Palestinian state, official said, reports Reuters.

The PLO's "Palestinian Development Programme 1994-2000" sets out a two-stage, five-year economic rehabilitation plan focusing on using Palestinian expertise which helped form the backbone of many Arab economies to build their own modern economy.

Israel and the PLO today agreed to mutual recognition, paving the way for a deal on Palestinian interim self-rule.

"The plan underlines the importance of tapping the Palestinian human capital and accumulated experience in the export of skills... over the last

decades especially their role in modern nation-building in the oil-rich gulf states," Yusef Sayegh, project coordinator, told Reuters recently.

Officials said the PLO position in a World Bank meeting in Washington this month will be based on the plan drawn up by a team of the PLO's economic department over the past two years.

"Our plan which covers the whole of the occupied territories is now ready for implementation the moment we assume authority," said Jawad Najji, head of Economic Affairs and Planning.

The first stage for 1994-95 aims to correct economic imbalances sparked by 26 years of military occupation by re-activating sectors capable of quickly generating hard currency, especially tourism.

The second stage focuses on

construction programmes including 175,000 new houses, training in high-technology, engineering, health, and public administration and measures to boost export-generating sectors. The PLO's outlook is closest to the model of the geographically small dynamic Asian states of Hong Kong and Singapore with human wealth channelled into high skill technologies and industry.

Sayegh said 2.5 billion dollar would be initially needed in working capital to get the economy on its feet.

"The issue of funding during the interim period is not expected to be a major problem as international aid agencies have already expressed readiness to contribute," Najji said.

The World Bank has invited Israelis and Arabs to Washington this month to dis-

cuss a 4.3 billion dollar economic development plan for the West Bank and Gaza Strip and the G-7 group of major industrialised nations is also expected to play a leading role. The programme also factors in expected compensation from Israel which officials said the PLO would ask for the use of Palestinian land and water during military occupation.

An earlier plan specifies compensation demands of three billion dollar but it was not clear whether the figure is still valid. At the core of the PLO vision of the economy is tapping the Palestinian diaspora's financial and human resources and attracting investment by wealthy Palestinian business leaders.

Some economists estimate that expatriate Palestinians hold about 20 billion dollar in assets outside the territories.

French oil firm Total suspends exploration after attack

PARIS, Sept 10: The French oil firm Total suspended exploration at a desert site in Yemen following an attack last week, reportedly by Islamic fundamentalist rebels, on an installation protected by the Yemeni army, reports AP.

Total spokesman Michel Delabarde said Thursday that the dawn raid Sept 1 by about 50 armed men caused little damage to a company logistics base in East Chabwa province.

The base in East Chabwa, located in the centre of the Arabian Peninsula nation, was the site of a finished exploration mission for oil, Delabarde said.

The attack has prompted Total to indefinitely suspend exploration at a second site in the bandit-infested region, Delabarde said.

Pacific Rim summit to discuss trade accord

KUALA LUMPUR, Sept 10: A Pacific Rim Summit to be held weeks before a deadline to conclude GATT talks expires will probably discuss draft agreements on trade and investment, a US official said, reports Reuters.

President Bill Clinton invited leaders of the 15-nation Asia Pacific Economic Cooperation (APEC) forum to an informal Seattle summit on November 18-19, to try to upgrade the trade group.

Nancy Adams, US Trade Representative for Asia and the Pacific, told a seminar here a draft accord opening up world commerce under the General Agreement on Tariffs and Trade (GATT) could well be discussed.

Indian envoy denies food shortages in North Korea

SEOUL, Sept 10: India's ambassador to North Korea said in an interview published Wednesday that Pyongyang's Communist leadership shows no sign of cracks despite an international controversy over its secretive nuclear programme, reports AP.

Kip Jen, in Seoul accompanying Indian Prime Minister Narasimha Rao on an official visit, also said reports of food shortages and riots in the hard-line Communist North appear unfounded, said the national news agency Yonhap.

"I don't know the situation outside of Pyongyang, but in Pyongyang where I stay, there is no sign of food shortages or riots," he added.

The embassy said the ambassador was unavailable for confirmation of the remarks or further comment.

US inflation may stay low even with economic boom

WASHINGTON, Sept 10: The US economy, which has barely moved so far this year, is about to pick up speed but the accelerated growth will not be accompanied by higher inflation, forecasters say, reports AP.

If they are correct, that will mean that interest rates, which are already at their lowest levels in more than two decades, should stay low for some time to come.

The latest look at inflation was scheduled Friday when the government released its August report on wholesale prices.

In advance of the report, many economists were predicting a modest increase in the Producer Price Index of perhaps 0.2 per cent.

That would mark the first gain since April. So far this year, wholesale prices have been rising at an annual rate of just 1.8 per cent, little changed from last year's 1.6 per cent increase.

"Inflation is one of the best economic stories of the year," said Bruce Steinberg, economist at Merrill Lynch in New York.

For much of the year, the explanation for low inflation has been extremely weak demand and slack labour markets.

The overall economy, as measured by the gross domestic product, grew at an annual rate of just 1.3 per cent in the first six months.

But economists are forecasting that growth rate will more than double in the last half of the year, perhaps averaging three per cent.

They insist that the upturn

will not be accompanied by higher inflation because there is still plenty of slack in the economy following four long years of sub-par activity.

"We don't see any signs of an imminent acceleration of inflation," said David Wyss, an economist at DRI-McGraw Hill Inc. in Lexington, Mass.

If anything, underlying inflation both at the wholesale and consumer levels should be lower next year than this year, Wyss said.

While Federal Reserve Chairman Alan Greenspan warned Congress in July that the central bank will have to start pushing interest rates higher to combat inflation, he did not give any hints about when those increases would occur.

Because of the good news on inflation, many analysts believe the Fed's first rate hikes will not come before next year.

Germany's powerful central bank announced Thursday that it was cutting two key interest rates by one-half percentage point in a move that was quickly matched by central banks in Belgium, Italy, Spain and Austria.

The Clinton administration and Germany's European allies had been pressuring the German central bank for months to cut rates further to help spur demand in Europe and pull the continent out of a severe recession.

With America's major overseas markets in recession, US exports have suffered this year.

EC foreign ministers face gathering trade crisis

BRUSSELS, Sept 10: A gathering trade crisis over agricultural subsidies confronts European Community foreign ministers when they hold their six-monthly global review at a Belgian Chateau on Saturday and Sunday, reports AP.

They will be trying to end a stand-off between France and the United States over an agreement to slash agricultural subsidies and whittle down huge EC farm surpluses that have distorted markets around the world.

France is threatening to veto the accord, reached last November between the United States and the EC's executive European Commission.

The French say the so-called "Blair House" subsidy accord is unacceptable because it will hurt French farmers too much, cost them world markets and drive them off the land.

But most of its EC partners fear that a French veto would cause the collapse of the seven-year Uruguay Round of trade reform talks under the General Agreement on Tariffs and Trade (GATT).

Many economists say successful completion of the Uruguay Round is the single best recipe for world-wide economic growth. But Washington maintains that there can be no GATT deal that does not include an unchanged Blair House Accord.

Neither France nor Washington have indicated a way out of the deadlock. So the EC foreign ministers will be trying to find inducements that will make French farmers swallow the agricultural subsidies reductions.

"I do not imagine it will be a cozy fireside chat," said one diplomat.



RUSSIA: A giant statue of Vladimir Lenin watches over the first international weapons fair in Nizhny Novgorod Wednesday. The fair that was sponsored by the Russian Defence Industries Committee was arranged to show that Russia is still able to produce world class military weapons and to find new buyers for their military equipment. — AFP photo

Employers group warns Tax rise in UK budget may hamper economic recovery

LONDON, Sept 10: The head of Britain's employers group has warned Prime Minister John Major's government that any significant tax rises in the November 30 budget could hamper economic recovery, reports Reuters.

Howard Davies, Director-General of the Confederation of British Industry (CBI), was joining a debate about taxation that is causing deep rifts in the conservative party.

"If the government choose to impose further significant tax increases then I think there will be a risk for recovery because although the recovery is satisfactory it is still somewhat fragile," Davies said in an interview with Reuters. Davies said that the government should opt instead to cut spending, by 10

billion pound (15.38 billion dollar) over a three-year period.

The British government, facing a public deficit of 50 billion pound (77 billion dollar) in 1993-4 alone, is having to balance the need to restore its finances to health with the danger of hurting a fledgling economic recovery. But tax rises in the budget look increasingly likely.

In an interview with the Daily Telegraph published on Thursday, chancellor of the exchequer Kenneth Clarke refused to rule out further tax increases and said it was unrealistic to expect economic recovery alone to wipe out the deficit.

Davies said that if spending cuts were made "the budget could be neutral from a business point of view and allow us

to maintain relatively low interest rates and not be a threat to recovery."

He said the recovery was currently proceeding well, and the economy "is set to grow 1.75 per cent this year and 3.0 per cent in 1993."

In the wide-ranging interview late on Wednesday, Davies also urged the government to give the Bank of England independence over monetary policy, to fill the missing link in the new policy framework set out after sterling left the European Exchange Rate Mechanism last September.

He said the CBI would publish a report in the next month or two which would recommend giving the bank more independence in the implementation of monetary policy.

China planning new law to attract foreign investment

BEIJING, Sept 10: China is considering new legislation to make it easier and more appealing for foreign multinational companies to establish investment companies in the country, an official newspaper reported Friday, says AP.

Tax exemptions, permission to sell their products in China, and easier repatriation of profits in hard currency are among the measures being considered, the China Daily said.

The government was also considering allowing multinationals to open holding companies in China.

The official Xinhua News Agency said in a separate report that China hopes multinationals will eventually select the country as their headquarters for the entire Asia-Pacific region.

The plans were unveiled at a major seminar being held in Beijing, with representatives from 50 big-name multinationals, including Motorola, Pepsi-Cola, Hewlett Packard and AT and T of the United States, Matsushita, Toshiba and Mitsui of Japan, and Siemens and BMW of Germany.

Foreign Trade Minister Wu Yi told the seminar China was interested in more foreign investment in capital and technology-intensive industries, the report said.

To encourage this investment, the government is drafting foreign trade laws, corporate law, an anti-dumping law, and mortgage law, the minister said.

She said only 1 per cent of the total overseas investment by US multinationals over the past 13 years was put into China.

Software piracy rampant as Mexico rushes to computerise

MEXICO CITY, Sept 10: Juan Perez does a brisk business copying computer games, spreadsheets and word processing programs, which he sells at bargain basement prices from a faded yellow hole in a cinderblock building, reports AP.

"What software do you want? What software, please?" Perez asks as he hawks illegally copied diskettes — for cash only.

Perez is among thousands of software pirates cashing in as Mexican firms rush to computerize ahead of free trade with the United States and Canada. Although the North American Free Trade Agreement still faces a tough battle in the US Congress, the proposed pact is already producing tangible effects, expanding commerce and spurring the modernization of Mexico's economy.

Computer schools and bulletin boards are sprouting everywhere, and laptop computers are sold through newspapers. You can even buy software on the supermarket checkout line.

Sales of licensed software rose from 115 million dollar in 1989 to 225 million dollar last year and are expected to approach 500 million by 1995, according to Mexico's National Association of the Computer Programme Industry.

But US software manufacturers, led by Microsoft Corp, want to persuade a country long accustomed to corruption to accept the idea that bootlegging software is wrong — and a crime.

In 1991 Mexican President Carlos Salinas de Gortari enacted tough laws protecting copyrights for software, videos and other intellectual property, but few of his fellow citizens seemed to notice.

The Salinas government is seeking to bring Mexico in line with international standards in preparation for the trade agreement, which is slated to take effect on Jan 1.

Previous laws protecting intellectual property were loosely written and poorly enforced. Videotapes, books and music cassettes have long been freely copied and sold on the street and in market stalls.

Software has now joined the fray. According to H Philip Welt, director general of Microsoft of Mexico, for every legally purchased software programme nine others are copied or illegally traded — often by the country's largest banks, businesses and industries.

"We have about 180 million dollar in losses annually in Mexico," said Richard Neff, legal counsel for the Washington DC-based Business Software Alliance, noting that the bulk of that was in word processing

and spreadsheet programs.

The American companies that lead the alliance — Microsoft, Lotus Development Corp, Ward Perfect Corp, Autodesk Inc and Aldus Corp — account for most of the software sold in Mexico.

They've joined with Mexican manufacturers in a bid to stamp out piracy.

Total losses in Latin America from bootlegging exceeded 500 million last year, "equal to all the losses for pirated video cassettes and recordings combined," according to Welt.

But Mexico is a good starting point because of the trade treaty, the companies say, which puts pressure on the Mexican authorities to step up enforcement of copyright laws.

The campaign includes newspaper ads, flyers, and a phone hotline for employees to snitch on corporate software cheats. The message stressed,

Welt said, is that new programs are virus-free, come with manuals, and user support is available from the maker.

Mexican Attorney General Jorge Carpizo has ordered raids on several big businesses, which eventually paid up to 500,000 each to settle with the software makers, Microsoft attorney Jeffrey Steinhart said.

According to Neff, the anti-piracy campaign is having an impact. "The market is growing and the rate of piracy is dropping a little bit," he said. Clearly, corporate Mexico is buying more original software.

Still, attitudes are hard to change. "We're not the pirates, they are," said software bootlegger Perez of the manufacturers. "Do you really think it costs something like 100 or 200 dollar for a company like Microsoft to make every one of its programs? Of course not."

Y'slav airline hopes to resume int'l operations

BELGRADE, Sept 10: At Belgrade airport, packs of stray dogs pant on the deserted tarmac, sniffing around two dozen airlines, their cockpits covered by aluminum foil for protection from the blazing sun, reports AP.

The tranquility is occasionally shattered as mechanics test the planes' engines — kept operational in hopes that sanctions will be lifted and that JAT, or Jugoslavenski Aerotransport, will take to the skies again.

"Pilots are forever training to handle systems failures and shutdowns in the air. But none of us was prepared to handle what befell us — an almost total shutdown of aviation," said Bratislav Radovic, a Boeing 737 captain.

JAT, founded in 1927, was the first carrier in the region to introduce Western aircraft in the 1950s, when other eastern European carriers had to make

do with clunky, Soviet-built planes.

It gained a reputation for safety, losing only one aircraft — to a terrorist bomb 22 years ago.

The International Air Transport Association ranked JAT 33rd in the world in 1989, when the line's 32 Boeing and McDonnell-Douglas airliners carried 5 million passengers.

It was effectively grounded in May 1992 when the United Nations imposed sanctions on Serbia and Montenegro — now making up truncated Yugoslavia — to punish them for fomenting war in Bosnia-Herzegovina.

"By then, JAT was in deep trouble, having lost landing rights in former Yugoslav republics Croatia, Slovenia and Macedonia. The loss of tourist traffic to the Adriatic coast was a big blow."

Aussie jobless rate jumps to 11.1 pc in Aug

SYDNEY, Sept 10: Australia's seasonally adjusted unemployment rate jumped sharply to 11.1 per cent in August from 10.7 per cent in July, according to official data released today, reports AP.

Bureau of Statistics figures also show that total employment fell by almost 6,000 to 7,729 million in August from 7,735 million in July, while the number of unemployed rose by 39,300 to 96,405,500.

Women were worst affected, the data showing an 18,300 increase in female unemployment to 378,100 which was the highest level recorded since the monthly survey began in February 1978.

The Bureau said the participation rate — which measures those actively looking for work — rose to 62.6 per cent.

Dollar rises against yen, share prices edge down

TOKYO, Sept 10: The US dollar rose against the Japanese yen midday Friday, while share prices on the Tokyo Stock Exchange edged down, reports AP.

The dollar was changing hands at 105.65 yen at late morning, up from its opening at 105.42 yen. It finished in Tokyo Thursday at 105.38 yen and at 105.43 yen in New York overnight.

After opening slightly higher, the dollar was stable ahead of the release later Friday of the Bank of Japan's quarterly survey of business sentiment, or "tankan," dealers said.

The dollar was moving narrowly at midday as many players stood aside ahead of the release of the report.