

Russian foreign trade shrinking

MOSCOW, Dec 5: Russia's foreign trade is shrinking as a result of the economic crisis and it could take up to four years to return to last year's level, the minister for trade said Saturday, reports AP.

Trade Minister Georgy Gabunia told an international economic forum that Russia's foreign trade turnover was currently at the 1995 level, and will amount to 83-84 per cent of the trade level of 1997, the Interfax news agency reported.

He blamed the decline on the economic crisis, which hit Russia in August and has clogged the banking system, and the crisis in Asian economies last year.

Gabunia said even when the situation stabilizes, foreign trade will grow at just 3-4 per cent of year, and return to the 1997 levels only in 2002 or 2003.

He said that in order to strengthen Russia's role in world trade, the government must change customs legislation and simplify import and export procedures to attract investors.

Thyssen, Krupp to merge in March

DUISBERG, Germany, Dec 5: Thyssen shareholders Friday voted overwhelmingly in support of a merger with their traditional rival, industrial group Krupp, clearing a last hurdle toward creating Europe's biggest steel concern, says AP.

The vote — 96.77 in favour — did not come as a surprise. Krupp shareholders approved the merger Monday with a 99.97 per cent vote.

About 2,000 jobs will be lost in the merger, due to take place in March.

As Europe's fifth-biggest industrial concern, the new Thyssen Krupp AG would rank behind carmakers Daimler-Chrysler and Volkswagen, and electronics and communications giants Siemens and Veba.

The companies predict their joint operations will post 70 billion marks (\$40 billion) in sales for the 1998 fiscal year.

Krupp and Thyssen announced plans to merge last November, saying it would save as much as 450 million marks (\$250 million) in costs and give the combined company a stronger position in world markets. Krupp, based in Essen, had earlier dropped a hostile bid for Thyssen after workers protested over potential job losses.

Together, the companies employ some 180,000 people.

Roule take tumbles US economists to go to Moscow

WASHINGTON, Dec 5: With the Russian rouble tumbling and President Boris Yeltsin's health uncertain, the United States is sending a group of economists and foreign policy specialists to Moscow for consultations with Prime Minister Yevgeny Primakov and his economic advisers, reports AP.

"It's no secret we are concerned about the situation in Russia," James Foley, the deputy spokesman at the State Department, said Friday.

Such reforms as a modern banking system, payments to creditors and also a fight against inflation, will be at the top of the US agenda, Foley said.

A State Department announcement said the trip next week was part of a regular pattern of talks with Russian government officials. The United States will support Russia only if it grapples with its problems, Foley said.

Deputy Treasury Secretary Lawrence Summers and Deputy Secretary of State Strobe Talbott plan to head the US delegation for the talks in Moscow Dec. 10-12. With them will be Leon Fuerth, who assists Vice President Al Gore on foreign policy issues.

In Moscow, Yeltsin is hospitalized and Prime Minister Primakov is struggling to implement a recovery plan. Foley said he did not expect a meeting with Yeltsin.

President Bill Clinton made it clear on his own trip to Moscow three months ago that Russia should not expect any additional economic assistance unless it adopted at least a rudimentary system of banking and loan payments.

Since then, Talbott, who plays a key role in making US policy, warned that Western oil companies would not invest in long-term projects unless Russia adopted a clear tax system, secured property rights and showed a willingness to take disputes to international arbitration.

Talbott said the industry need investments of close to \$15 billion a year just to return to Soviet-era production levels.

He said Primakov was operating without a realistic budget or a credible system for collecting taxes. "Economic decline carries with it the danger of political drift, turmoil and even crackup," he said.

Along with hard times has come an intensification of support for hard-line nationalists and communists.

Still, the Clinton administration plans to go ahead with further meetings of a joint US-Russian commission on cooperation in economics and technology. One purpose of the talks next week is to lay the groundwork for the next meeting, the announcement said.

World trade plummets

The growth in world trade has slowed sharply, as the Asian crisis has hit home harder than expected.

In volume terms, the rate of increase in world trade has halved in 1998.

The value of goods traded is actually expected to decline for the first time in several decades, after growing by 3% last year.

The gloomy figures heighten concerns about a global recession, as developing countries struggle to overcome mounting financial difficulties.

Economists at the World Trade Organisation (WTO) expect little recovery in trade next year — even if the US and Western Europe escape the worst of the recession.

World exports, normally the engine of economic growth, had been growing at nearly 10% a year until 1997, and amount to \$5,300 billion.

Measured by the volume of trade, which strips out the effects of the high US dollar,

trade growth has slowed to 4.5% — half its level of last year.

Asia in crisis

Imports into the five Asian countries most affected by the crisis — Indonesia, South Korea, Thailand, the Philippines and Malaysia — fell by one-third, while imports into Japan dropped by 19%.

The volume of exports did increase for these former Asian tigers, but because of the big drop in the value of currencies, they actually earned less while exporting more.

The value of their exports in dollar terms fell by 3%, making it harder for them to pay their massive foreign debts. Japan's recession was worsened by an 8.5% fall in its exports.

Slump in commodity prices

Developing countries were particularly hit by the sharp falls in commodity prices, which have been hurt by the fall in demand in Asia.

Oil prices fell by 30% in

1998, while non-fuel commodity prices dropped by 15%. This makes it harder for poor countries to produce enough to pay for essential imports.

Latin America was particularly affected by this, which led to a big slowdown in its import growth from 15% to 5% as the year progressed.

Africa, which depends on primary products for two-thirds of its exports, has also been severely affected.

US imports still booming

The one thing that is still sustaining world trade is the volume of imports into the US, which grew by 10%.

But exports are only growing by 3%, and the result is a growing trade deficit that is funded by borrowing and may be unsustainable.

The consumption boom in the US, which has sucked in imports, is the main engine of world economic growth at the moment.

But is being fuelled by an unprecedented level of consumer borrowing, and if that were to falter, then world growth estimates would be even lower next year.

Trade talks imminent

The slump in world trade has led to fears that protectionist pressures will grow as countries try to protect their vulnerable sectors.

The WTO says that the US and some Latin American countries have toughened up their use of so-called "anti-dumping" rules, while the EU and the US have tried to block "unfair" imports of steel and textiles.

The looming trade war between the US and EU over banana imports also gives an unpromising backdrop on which to launch the latest round of trade liberalisation talks.

Nevertheless the WTO expects the next round of global trade talks to be launched in Washington at the end of next year.

— BBC Internet



Jim Rogers from Demopolis, Ala, shown with his specially-designed Mercedes Benz at the Mercedes Benz plant in Vance, Alabama, Wednesday, will travel around the world on a three-year adventure that will depart from Iceland on Jan 1, 1999.

— AP/UNB photo



Visitors at a stall at the youth fair at Dhanmondi Women's Sports Complex yesterday. The fair will conclude on December 8.

'Passenger traffic may decline at S'pore airport'

SINGAPORE, Dec 5: Singapore's Changi Airport is expecting a decline in passenger traffic this year for the first time since its opening in 1981, reports said Saturday, quoting a government official, reports AP.

More than 25 million passengers and 1.3 million tons of cargo have been passing through Changi annually in recent years.

But in 1998 the traffic could shrink as the economic crisis takes its toll on the tourist industry in Singapore and the region, Peter Chen, Senior Minister for Education, was quoted as saying.

Responding to the crisis, Singapore recently cut aircraft landing fees at Changi by 10 per cent for a one year period. It also slashed rentals of shops, warehouses and offices at the airport.

— Star photo

S'pore to intensify trade boosting drive next year

SINGAPORE, Dec 5: Singapore's Trade Development Board (TDB) said it was intensifying efforts next year to generate external demand among both resilient and crisis-hit trading partners, reports AFP.

"We need to generate external demand in both the growth and emerging markets in order to weather this crisis," said Goh Oon Tong, Director of International Operations of TDB.

"What is encouraging to note is that there's increased participation from companies in our fairs and missions over the first 10 months this year, especially in the emerging markets," said Goh.

Available figures from TDB showed that Singapore's trade with four neighbour — Brunei, Malaysia, the Philippines and

Thailand — fell 12 per cent from a year ago in the first nine months this year.

Although trade with these four countries "has been badly hit by the crisis, TDB believes that this region should not be ignored," the board said in a statement.

In fact, TDB is still optimistic about the region's potential and will continue to identify investment and sourcing opportunities in the respective countries, it added.

In 1998, TDB organised a total of 15 trade and investment missions to neighbouring Southeast Asian Countries.

Singapore's exports to established markets in the United States, European Union, Australia, China and India continued to register healthy growth

during the first 10 months of the year.

The United States is Singapore's top trading partner accounting for 17.6 per cent of our total trade while Europe is the third largest trading partner accounting for about 14 per cent.

TDB will organise 33 fairs and missions to the United States and the European Union to help companies explore new activities such as procurement, franchising and direct marketing, the board said.

Singapore's exports to the Middle East, Africa, and Central and Eastern Europe have shown positive growth, although exports to Latin America fell due to weak demand, the TDB said.

BJP under pressure to drop plan to open up insurance sector

From Pallab Bhattacharya

choice of the person as Finance Minister and is now seeking to demonstrate its influence on the issue of reforms in a key area.

The RSS perceives the Vajpeyi cabinet's decision on allowing foreign investment in insurance sector as a "complete departure" from the BJP's stand of "swadeshi" (economic nationalism). The RSS and the BJP have since long maintained that India's nationalised insurance and banking sectors need to be opened to private investments but to Indian companies only.

Barely a week after the Vajpeyi cabinet decided to allow a total of forty per cent foreign equity — 26 per cent foreign and 14 per cent non-resident Indians and foreign institutional investment through joint venture with Indian companies — in insurance sector, uncertainty hangs over the fate of the legislation for this following a sharp division of opinion in the BJP and strong opposition to the move from RSS and the saffron party's trade union front Bharatiya Mazdoor Sangh (BMS).

The RSS, through its wing Swadeshi Jagaran Manch (SJM), held a "dharna" in the capital protesting the move to allow foreign equity in insurance sector while some senior BJP leaders and members of parliament openly opposed the cabinet decision.

The RSS unhappiness on some components of the Vajpeyi government's economic policy, especially that relating to economic reforms, has been on display right from the start.

RSS had its way when it vetoed the Prime Minister's

saying "I regret the government is buckling down a bit under enormous pressure by the United States."

Malkani said the BJP had opposed a similar move at the time when the United Front government headed by I K Gujral was in power and how can the party now change its stand?

The Minister of State for Youth and Sports Uma Bharati had threatened to join the dharna organised by the Swadeshi Jagaran Manch as the party and the BMS have since long maintained that India's nationalised insurance and banking sectors need to be opened to private investments but to Indian companies only.

Although the government expressed its resolve to introduce a bill in parliament next week to facilitate foreign equity in insurance sector, there are growing signs of opposition to the move from a section of the BJP and hardening of stand by the SJM.

The BJS spokesman Kishan Lal Sharma, however, sought to play down the differences in the party over the move and said the party would support the bill for its passage in parliament.

What must have been more embarrassing to the Vajpeyi government is that the disunity in the BJP on allowing foreign equity in insurance sector came when corporate leaders and foreign investors were attending an "Indian Economic Summit" in New Delhi organised by the World Economic Forum and the Confederation of Indian Industry.

The Finance Minister Yashwant Sinha, however, sought to assure corporate leaders that there was no reason for panic and the government would do its best to push the pace of reforms and get the bill passed in parliament for opening the insurance sector to foreign investment.

During the week, the government

that it favoured a blanket opposition to the move and it would not accept any dilution to the original cabinet proposal.

In fact, the Manch convenor Murlidhar Rao said if the government did not reconsider its decision, his organisation would go the village level as the decision "ran counter" to the BJP election manifesto and the national agenda of governance adopted collectively by the party and its allies before forming the government in March this year.

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USAID pledges \$100m aid to Bosnian Serbs

BANJA LUKA, Bosnia-Herzegovina, Dec 5: The United States Agency for International Development (USAID) pledged aid worth 100 million dollars to the Bosnian Serb entity, the Republika Srpska (RS), on Thursday, reports AFP.

The aid promised at the joint opening in Banja Luka of the USAID offices and a US embassy annex, marked a thaw in Washington's attitude towards the RS.

USAID Mission Director Kreg Bak said the aid was attributable to the efforts of the outgoing moderate Prime Minister Richard Kauzlarich added that the opening of a US diplomatic mission in the RS marked efforts towards democracy in the Bosnian Serb entity.

He expressed Washington's confidence in the implementation of the Dayton peace agreements by the Bosnian Serb entity.

The west had been reluctant to assist the RS until Dodik took over as prime minister in January.

Just recently, however, the political picture has changed again, with the election of a Serb nationalist hardliner, Nikola Poplasen, as President of the RS.